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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: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization SOMERSET COMMUNITY HOSPITAL Doing Business As Number and street (or P.O. box if mail is not delivered to street address) Room/suite 225 SOUTH CENTER AVENUE City or town, state or province, country, and ZIP or foreign postal code SOMERSET, PA 15501	D Employer identification number 25-0965570 E Telephone number (814) 443-5221 G Gross receipts \$ 70,546,355
F Name and address of principal officer CRAIG SAYLOR 225 SOUTH CENTER AVENUE SOMERSET, PA 15501		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
J Website: WWW.SOMERSETHOSPITAL.COM		
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other		L Year of formation 1921 M State of legal domicile PA

Part I Summary

1	Briefly describe the organization's mission or most significant activities SOMERSET HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY ASSET COMMITTED TO PROVIDING CARE TO THE SICK AND INJURED, PRESERVING AND SUSTAINING LIFE, AND PROMOTING HEALTH AND WELL BEING, TO THE PROMOTION AND DEVELOPMENT OF COMPLEMENTARY PROGRAMS AND SERVICES, MANPOWER AND FACILITIES, TO THE CONTINUOUS IMPROVEMENT OF QUALITY, ACCESSIBILITY AND CONTINUITY OF PATIENT CARE, TO THE WELFARE AND LIVELIHOOD OF ITS EMPLOYEES, TO ENSURING THE HOSPITAL'S FINANCIAL VIABILITY NECESSARY TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY AND REGION TODAY AND IN THE FUTURE		
2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
3	Number of voting members of the governing body (Part VI, line 1a)	3	22
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	1,029
6	Total number of volunteers (estimate if necessary)	6	105
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	57,043
7b	Net unrelated business taxable income from Form 990-T, line 34	7b	34,171
Revenue		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	173,720	123,820
9	Program service revenue (Part VIII, line 2g)	65,334,299	67,265,424
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	791,119	823,638
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	804,072	668,727
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	67,103,210	68,881,609
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
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)	31,916,851	31,966,265
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) \rightarrow 0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	32,692,167	34,602,940
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	64,609,018	66,569,205
19	Revenue less expenses Subtract line 18 from line 12	2,494,192	2,312,404
Net Assets or Fund Balances		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	74,465,728	72,814,683
21	Total liabilities (Part X, line 26)	41,631,064	38,986,898
22	Net assets or fund balances Subtract line 21 from line 20	32,834,664	33,827,785

Part II Signature Block

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

Sign Here	***** Signature of officer	2015-04-28 Date
	CRAIG SAYLOR CEO Type or print name and title	

Paid Preparer Use Only	Prnt/Type preparer's name JEFFREY J PETRELL CPA	Preparer's signature	Date 2015-04-28	Check <input type="checkbox"/> if self-employed	PTIN P00138808
	Firm's name \rightarrow ARNETT CARBIS TOOTHMAN LLP			Firm's EIN \rightarrow 55-0486667	
	Firm's address \rightarrow 5700 CORPORATE DRIVE STE 650 PITTSBURGH, PA 15237			Phone no (412) 635-6270	

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

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

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

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

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

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses 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 \$ 56,032,755 including grants of \$) (Revenue \$ 67,253,381)
SOMERSET HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY ASSET COMMITTED TO PROVIDING CARE TO THE SICK AND INJURED, PRESERVING AND SUSTAINING LIFE, AND PROMOTING HEALTH AND WELL BEING, TO THE PROMOTION AND DEVELOPMENT OF COMPLEMENTARY PROGRAMS AND SERVICES, MANPOWER AND FACILITIES, TO THE CONTINUOUS IMPROVEMENT OF QUALITY, ACCESSIBILITY AND CONTINUITY OF PATIENT CARE, TO THE WELFARE AND LIVELIHOOD OF ITS EMPLOYEES, TO ENSURING THE HOSPITAL'S FINANCIAL VIABILITY NECESSARY TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY AND REGION TODAY AND IN THE FUTURE SOMERSET HOSPITAL IS A 150-BED, NOT-FOR-PROFIT COMMUNITY HOSPITAL SERVING THE SOMERSET AREA THE HOSPITAL ALSO PROVIDES CARE FOR MANY PATIENTS NORTH OF SOMERSET TO ROUTE 30 AND SOUTH OF SOMERSET TO THE MARYLAND STATE LINE SOMERSET HOSPITAL, ONE OF THE TOP FIVE EMPLOYERS IN SOMERSET COUNTY, PROVIDES QUALITY HEALTH CARE IN A COMPASSIONATE MANNER REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE OR THE PATIENT'S ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF SOMERSET HOSPITAL, THE HOSPITAL, UNDER ITS WRITTEN CHARITY CARE POLICY, IS COMMITTED TO PROVIDING NECESSARY HEALTH CARE SERVICES AT NO CHARGE OR AT A REDUCED CHARGE TO PATIENTS CHARITY CARE FY 2014 FREE CARE \$1,473,019 PUBLIC POLICIES THROUGH SIGNAGE POSTED IN THE HOSPITAL'S INFORMATION CENTER, ADMISSIONS DEPARTMENT, EMERGENCY ROOM AND CREDIT OFFICE, THE PUBLIC IS PROVIDED WITH THE ORGANIZATION'S POLICY OF PROVIDING CARE REGARDLESS OF ABILITY TO PAY SOMERSET HOSPITAL GENERALLY DESIGNATES SERVICES AS "CHARITY CARE" AFTER BILLING BASED ON AN INDIVIDUAL'S ABILITY TO PAY, SOMERSET HOSPITAL OFFERS PAYMENT PLANS AND ASSISTS INDIVIDUALS IN APPLYING FOR THE STATE'S MEDICAL ASSISTANCE PROGRAM SELF-PAY PATIENTS ARE REQUESTED TO PROVIDE PARTIAL PRE-PAYMENT FOR SERVICES RENDERED BY THE HOSPITAL HOWEVER, SERVICES BY SOMERSET HOSPITAL ARE PROVIDED WITHOUT REGARD TO AN INDIVIDUAL'S ABILITY TO PAY COMMUNITY SERVICE AND CONTRIBUTIONS DURING THE PAST YEAR, SOMERSET HOSPITAL HAS PROVIDED THE FOLLOWING SERVICES AND CONTRIBUTIONS TO THE COMMUNITY THE SERVICES ARE PROVIDED FREE OF CHARGE OR AT A NOMINAL FEE AS INDICATED COMMUNITY HEALTH EDUCATION (FREE OR MINIMAL FEES CHARGED TO COVER DIRECT COSTS) PRE-NATAL EDUCATION 128/YEAR 95 HOURS BREASTFEEDING CLASS 42/YEAR 12 HOURS CPR 41/YEAR 16 HOURS BABYSITTING CLASS 19/YEAR 12 HOURS HIP AND KNEE PAIN SEMINARS 48/YEAR 10 HOURS BECOMING A WOMAN 34/YEAR 2 HOURS TOTAL 312/YEAR 147 HOURS SUPPORT GROUPS (NO CHARGE) HOSPICE BEREAVEMENT 150/YEAR 10 HOURS ARTHRITIS 85/YEAR 8 HOURS SLEEP APNEA 138/YEAR 18 HOURS COMPASSIONATE FRIENDS 28/YEAR 12 HOURS PARKINSON'S 13/YEAR 12 HOURS HEALTHWALK 17/YEAR 12 HOURS TRANSPLANT SUPPORT 20/YEAR 8 HOURS MENTAL HEALTH SUPPORT 90/YEAR 20 HOURS AUTISM/ASPERGER'S DISEASE 9/YEAR 5 HOURS TOTAL 550/YEAR 105 HOURS COMMUNITY EDUCATION INFORMATION REQUESTS (NO CHARGE) PHONE/MAIL REQUESTS 403/YEAR 37 HOURS SCHOOL PROGRAMS (NO CHARGE) SECOND GRADE TOURS 211/YEAR 32 HOURS POISON PREVENTION PROGRAMS 424/YEAR 36 HOURS SHADOW STUDENTS 112/YEAR 672 HOURS TOTAL 747/YEAR 740 HOURS HEALTH FAIRS OR COMMUNITY EDUCATION PROGRAMS (NO CHARGE TO THE COMMUNITY) SMOKING CESSATION 8/YEAR 19 HOURS DIABETIC EDUCATION PROGRAMS 10/YEAR 32 HOURS HEALTH FAIRS 1519/YEAR 36 HOURS PERSONAL NUTRITION COUNSELING 143/YEAR 143 HOURS HEART MONTH SEMINAR 20/YEAR 2 HOURS SEMINARS OFF CAMPUS 63/YEAR 8 HOURS DAILY STEPS TO LESS STRESS 9/YEAR 6 HOURS HOPE PROGRAM 6/YEAR 6 HOURS NEW MOMMY SHOWER 2/YEAR 2 HOURS HOME GROWN PROJECT 24/YEAR 4 HOURS DROP 10 IN 10 36/YEAR 4 HOURS HEALTH ON THE MENU 52/YEAR 10 HOURS INSULIN FORWARD PROGRAM 8/YEAR 6 HOURS MEMORIAL TREE LIGHTING 11/YEAR 2 HOURS PROGRAMS ON CAMPUS 60/YEAR 8 HOURS SCHOOL HANDWASHING PROGRAMS 145/YEAR 10 HOURS SILVER SNEAKERS 292/YEAR 30,368 HOURS HEALTHWAYS 72/YEAR 6,786 HOURS SILVER AND FIT 8/YEAR 640 HOURS STOPS PROGRAM 29/YEAR 8 HOURS YOUR HEALTH INS PROGRAMS 77/YEAR 15 HOURS CHILDHOOD OBESITY/FITNESS 71/YEAR 414 HOURS SENIOR CENTER PROGRAMS 67/YEAR 2 HOURS TOTAL 2,732/YEAR 38,531 HOURS HOSPITAL STAFF CONTRIBUTIONS TO COMMUNITY ORGANIZATIONSSOMERSET ROTARY 104 HOURS/YEAR SOMERSET COUNTY CHAMBER OF COMMERCE 36 HOURS/YEAR SOMERSET EXCHANGE CLUB 52 HOURS/YEAR HEALTH & WELFARE COUNCIL 12 HOURS/YEAR REDEVELOPMENT AUTHORITY 24 HOURS/YEAR DRUG-FREE COMMUNITIES 12 HOURS/YEAR CHILD ADVOCACY INVESTIGATIVE COMMITTEE 8 HOURS/YEAR OTHER CONTRIBUTIONS "IN TOUCH" HOSPICE THROUGH THE HOSPITAL'S IN TOUCH HOSPICE CARE DEPARTMENT, TERMINALLY ILL PATIENTS AND THEIR FAMILIES ARE PROVIDED CLINICAL AND EMOTIONAL SUPPORT THIS SERVICE IS SUPPORTED THROUGH COMMUNITY CONTRIBUTIONS ANNUAL OPERATING BUDGET \$2,652,347 IN FISCAL YEAR 2014 SOCIAL WORK SERVICES SOMERSET HOSPITAL' SOCIAL WORK SERVICES DEPARTMENT, WITH AN OPERATING BUDGET IN EXCESS OF \$135,273 IN FY 2014, IS RESPONSIBLE FOR MEETING BOTH INPATIENT AND OUTPATIENT SOCIAL NEEDS INCLUDING THE PLACEMENT OF PATIENTS IN AN APPROPRIATE COMMUNITY SETTING UPON DISCHARGE THE STAFF PROVIDES EXPERTISE TO MANY COMMUNITY ORGANIZATIONS

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

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

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

4e Total program service expenses 56,032,755

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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		
1b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	Yes	
b	If "Yes," enter the name of the foreign country CJ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	Yes	
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	Yes	
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
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?		No
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		No
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		No
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans		
13c	Enter the amount of reserves on hand		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O		

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		
	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		
1b	Enter the number of voting members included in line 1a, above, who are independent		
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?		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?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	Yes	
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		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?		No
10b	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?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	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	Yes	
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	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?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	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?		No
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed <input checked="" type="checkbox"/> 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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> 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 <input checked="" type="checkbox"/> MATTHEW KOCIOLA 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 (814) 443-5221

Part VIII Statement of Revenue

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

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	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	18,720				
	d	Related organizations 1d	105,000				
	e	Government grants (contributions) 1e					
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	100				
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f	123,820				
Program Service Revenue			Business Code				
	2a	NET PATIENT REVENUE	900099	64,909,438	64,909,438		
	b	MISC PATIENT REVENUE	900099	2,051,524	2,039,481	12,043	
	c	PHARMACY SALES	900099	259,504	259,504		
	d	MEDICAL RECORDS	900099	44,958	44,958		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f	67,265,424				
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		358,047		358,047	
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
	6a	Gross rents	(i) Real				
			(ii) Personal				
				424,202			
				386,877			
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)		37,325		37,325	
	7a	Gross amount from sales of assets other than inventory	(i) Securities				
			(ii) Other				
				1,688,798	25,297		
				1,248,504	0		
	b	Less cost or other basis and sales expenses					
c	Gain or (loss)						
d	Net gain or (loss)		465,591		465,591		
8a	Gross income from fundraising events (not including \$ 18,720 of contributions reported on line 1c) See Part IV, line 18						
a							
b	Less direct expenses b						
c	Net income or (loss) from fundraising events		30,597		30,597		
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					
		c					
Miscellaneous Revenue		Business Code					
11a	GAIN ON INVESTMENTS IN EQUITY INV	900099	196,113		196,113		
b	OTHER OPERATING REVENUE	900099	152,760		152,760		
c	ASSETS RELEASED FROM RESTRICTION	900099	106,689		106,689		
d	All other revenue		145,243		45,000		
e	Total. Add lines 11a-11d		600,805				
12	Total revenue. See Instructions		68,881,609	67,253,381	57,043	1,447,365	

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.				
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.	725,142		725,142	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	25,478,084	20,615,622	4,862,462	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).				
9	Other employee benefits.	3,747,711	3,021,657	726,054	
10	Payroll taxes.	2,015,328	1,590,497	424,831	
11	Fees for services (non-employees)				
a	Management.				
b	Legal.	150,445		150,445	
c	Accounting.	60,132		60,132	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	5,359,710	4,229,883	1,129,827	
12	Advertising and promotion.	407,592	321,672	85,920	
13	Office expenses.	612,471	483,362	129,109	
14	Information technology.				
15	Royalties.				
16	Occupancy.	1,004,588	711,267	293,321	
17	Travel.	131,937	104,125	27,812	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	12,809	10,109	2,700	
20	Interest.	464,351	366,466	97,885	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	4,419,829	3,488,129	931,700	
23	Insurance.	1,075,241	848,580	226,661	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a	MEDICAL SUPPLIES	10,961,748	10,961,748		
b	PHYSICIAN FEES	3,862,018	3,862,018		
c	BAD DEBT	2,966,893	2,966,893		
d	EQUIPMENT RENTAL & MAIN	1,575,004	1,242,993	332,011	
e	All other expenses	1,538,172	1,207,734	330,438	
25	Total functional expenses. Add lines 1 through 24e.	66,569,205	56,032,755	10,536,450	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X Balance Sheet

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

		(A) Beginning of year		(B) End of year
Assets	1 Cash-non-interest-bearing		1	
	2 Savings and temporary cash investments	9,577,788	2	6,563,790
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	6,532,459	4	7,163,947
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		6	
	7 Notes and loans receivable, net	146,000	7	146,000
	8 Inventories for sale or use	938,867	8	1,037,012
	9 Prepaid expenses and deferred charges	330,608	9	272,926
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 97,181,534		
	b Less accumulated depreciation	10b 64,722,447	34,786,825	10c 32,459,087
	11 Investments—publicly traded securities		11	
	12 Investments—other securities See Part IV, line 11	21,619,872	12	24,648,760
	13 Investments—program-related See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets See Part IV, line 11	533,309	15	523,161
16 Total assets. Add lines 1 through 15 (must equal line 34)	74,465,728	16	72,814,683	
Liabilities	17 Accounts payable and accrued expenses	10,924,737	17	9,865,549
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities	15,110,000	20	14,386,000
	21 Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties	3,477,720	23	3,293,959
	24 Unsecured notes and loans payable to unrelated third parties	0	24	140,400
	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	12,118,607	25	11,300,990
	26 Total liabilities. Add lines 17 through 25	41,631,064	26	38,986,898
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	32,691,684	27	33,454,256
	28 Temporarily restricted net assets	122,980	28	353,529
	29 Permanently restricted net assets	20,000	29	20,000
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	32,834,664	33	33,827,785	
34 Total liabilities and net assets/fund balances	74,465,728	34	72,814,683	

Part XI Reconciliation 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	68,881,609
2	Total expenses (must equal Part IX, column (A), line 25)	2	66,569,205
3	Revenue less expenses Subtract line 2 from line 1	3	2,312,404
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	32,834,664
5	Net unrealized gains (losses) on investments	5	2,046,937
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	-3,366,220
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	33,827,785

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

Additional Data

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

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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			
BRUCE SHIPLEY CHAIRMAN	2 00	X		X				0	0	0
BOB BASTIAN 1ST VICE CHAIRMAN	2 00	X		X				0	0	0
VINCENT J JACOB 2ND VICE CHAIRMAN	2 00	X		X				0	0	0
CATHERINE POORBAUGH SECRETARY	1 00	X		X				0	0	0
BRAD COBER TREASURER	2 00	X		X				0	0	0
WILBUR A THOMAS ASST SECRETARY/TREASURER	2 00	X		X				0	0	0
NATHANIEL A BARBERA DIRECTOR	1 00	X						0	0	0
AJAY P SINGH MD DIRECTOR	1 00	X						0	238,000	14,560
MICHELLE MOON DIRECTOR	40 00	X						0	0	0
SHARON CLAPPER DIRECTOR	1 00	X						0	0	0
JOHN HARTMAN DIRECTOR	1 00	X						0	0	0
V KRISHNAN NAIR MD DIRECTOR	1 00	X						0	423,269	14,311
FREDERIC ROSEMEYER DIRECTOR	41 00	X						0	0	0
LINDA FETTEROLF DIRECTOR	1 00	X						0	0	0
MARK BOWER DIRECTOR	1 00	X						0	0	0
KRISTA MATHIAS DIRECTOR	1 00	X						0	0	0
RON ALDOM DIRECTOR	1 00	X						0	0	0
MICHAEL FARRELL DIRECTOR/FORMER CEO	1 00	X						301,740	0	19,401
JOHN CUPPS DIRECTOR	39 00	X						0	0	0
SUZANNE STURNI DIRECTOR	1 00	X						0	0	0
JAYESH DESAI MD DIRECTOR	1 00	X						0	415,000	16,326
MARK YAROS MD DIRECTOR	40 00	X						0	217,482	16,383
RONALD PARK CEO/CFO (THROUGH FEBRUARY 2014)	29 00			X				238,458	0	21,391
MATTHEW KOCIOLA CFO	11 00			X				110,187	0	18,701
CRAIG SAYLOR CEO	29 00			X				139,865	0	19,252

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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			
ANDREW RUSH COO	29 00 11 00			X				155,583	0	19,013
AISHA GOHEER MD PHYSICIAN	40 00					X		483,250	0	0
RAFAEL VELEZ MD PHYSICIAN	40 00					X		431,000	0	0
SHOMENDRA MOITRA MD PHYSICIAN	40 00					X		392,059	0	5,024
JOHN MAYDAK MD PHYSICIAN	40 00					X		383,500	0	16,054
JILL BRUTON MD PHYSICIAN	40 00					X		347,827	0	16,054

SCHEDULE A
(Form 990 or 990EZ)

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.

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
SOMERSET COMMUNITY HOSPITAL

Employer identification number
25-0965570

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

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

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2 A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8 A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10 An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h
 - a Type I b Type II c Type III - Functionally integrated d Type III - Non-functionally integrated
- e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

- (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?
- (ii) A family member of a person described in (i) above?
- (iii) A 35% controlled entity of a person described in (i) or (ii) above?

	Yes	No
11g(i)		
11g(ii)		
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 <input type="checkbox"/>						

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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		
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 <input type="checkbox"/>		

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 <input type="checkbox"/>						

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

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

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

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

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

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

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

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

Name of the organization: SOMERSET COMMUNITY HOSPITAL
Employer identification number: 25-0965570

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 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)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a Volunteers?		No	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c Media advertisements?		No	
d Mailings to members, legislators, or the public?		No	
e Publications, or published or broadcast statements?		No	
f Grants to other organizations for lobbying purposes?		No	
g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		86,607
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i Other activities?	Yes		16,387
j Total Add lines 1c through 1i			102,994
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 SOMERSET COMMUNITY HOSPITAL'S DUES TO THE HOSPITAL & HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA (HAP), HOSPITAL COUNCIL, AND OTHER HEALTHCARE ASSOCIATIONS ARE USED FOR LOBBYING PART II-B, LINE 1(G), DIRECT CONTACT WITH LEGISLATORS, THEIR STAFFS, GOVERNMENT OFFICIALS, OR A LEGISLATIVE BODY SOMERSET COMMUNITY HOSPITAL CONTACTS VARIOUS LEGISLATORS AND GOVERNMENT OFFICIALS TO FURTHER HEALTH CARE INITIATIVES IN THE COMMUNITIES IT SERVES

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

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

Attach to Form 990. See separate instructions. Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number 25-0965570

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

Table with 3 columns: Line number, (a) Donor advised funds, (b) Funds and other accounts. Includes rows for total number at end of year, aggregate contributions, aggregate grants, aggregate value, and questions about donor informed and grant funds.

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

Form for Part II Conservation Easements. Includes checkboxes for various purposes (land for public use, natural habitat, open space, historic structure), a table for 'Held at the End of the Year' (2a-2d), and questions about monitoring, expenses, and reporting.

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

Form for Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Includes questions about reporting works of art and historical treasures, with sub-questions (i) and (ii) for revenues and assets.

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

Table with 2 columns: Description (1c-1f) and Amount

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.

Table with 6 columns: (a) Current year, (b) Prior year, (c) Two years back, (d) Three years back, (e) Four years back. Rows include 1a-1g.

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

- a Board designated or quasi-endowment 100.000%
b Permanent endowment
c Temporarily restricted endowment
The percentages in lines 2a, 2b, and 2c should equal 100%

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

Table with 3 columns: Description (3a(i), 3a(ii)), Yes, No

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

Table with 3 columns: Description (3b), Yes, No

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.

Table with 5 columns: Description of property, (a) Cost or other basis (investment), (b) Cost or other basis (other), (c) Accumulated depreciation, (d) Book value. Rows include 1a-1e and Total.

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	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
a	Net unrealized gains on investments	2a		
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)		5	

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

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

Part XIII Supplemental Information

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	THE BOARD DESIGNATED ENDOWMENT ARE ASSETS SET ASIDE BY THE BOARD OF DIRECTORS FOR DESIGNATED PURPOSES OVER WHICH THE BOARD RETAINS CONTROL AND MAY AT ITS DISCRETION SUBSEQUENTLY USE FOR OTHER PURPOSE

SCHEDULE G (Form 990 or 990-EZ)

Supplemental Information Regarding Fundraising or Gaming Activities

OMB No 1545-0047

2013

Open to Public Inspection

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

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

Information about Schedule G (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number 25-0965570

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

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

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

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

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

Table with 6 columns: (i) Name and address of individual or entity (fundraiser), (ii) Activity, (iii) Did fundraiser have custody or control of contributions?, (iv) Gross receipts from activity, (v) Amount paid to (or retained by) fundraiser listed in col (i), (vi) Amount paid to (or retained by) organization. Includes rows 1-10 and a Total row.

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

Does the organization operate gaming activities with nonmembers? Yes No

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

13 Indicate the percentage of gaming activity operated in

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

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

Name ▶

Address ▶

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

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

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

Name ▶

Address ▶

16 Gaming manager information

Name ▶

Gaming manager compensation ▶ \$

Description of services provided ▶

Director/officer Employee Independent contractor

17 Mandatory distributions

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

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

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

Return Reference	Explanation
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SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number 25-0965570

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? 1b If "Yes," was it a written policy? 2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy... 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... 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"? 5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? 5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? 5c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? 6a Did the organization prepare a community benefit report during the tax year? 6b If "Yes," did the organization make it available to the public?

7 Financial Assistance and Certain Other Community Benefits at Cost

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

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

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	No
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount		
			949,905
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		
			430,286
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	12,049,850
6	Enter Medicare allowable costs of care relating to payments on line 5	6	13,497,720
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-1,447,870
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)

How many hospital facilities did the organization operate during the tax year?

1

Name, address, primary website address, and state license number

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)

SOMERSET COMMUNITY HOSPITAL

Name of hospital facility or facility reporting group _____

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 If "Yes," indicate what the CHNA report describes (check all that apply)	Yes	
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA <u>20 12</u>		
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	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI		No
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	Yes	
a	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW.SOMERSETHOSPITAL.COM</u>		
b	<input type="checkbox"/> Other website (list url) _____		
c	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
d	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input checked="" type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?		No
8b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	Yes	
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<input checked="" type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	Yes	
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		

Billing and Collections		Yes	No
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?	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	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in 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? If "Yes," check all actions in which the hospital facility or a third party engaged		No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in 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

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?

	Yes	No
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		No
22		No

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?

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?

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? 1

Name and address	Type of Facility (describe)
1 THE WHEELER CENTER 126 EAST CHURCH STREET SOMERSET, PA 15501	OUTPATIENT REHABILITATION
2	
3	
4	
5	
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 7	A COST-TO-CHARGE RATIO CALCULATED FROM WORKSHEET 2, RATIO OF PATIENT CARE COSTS-TO-CHARGES IS THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNTS REPORTED ON PART I, LINE 7

Form and Line Reference	Explanation
PART I, LINE 7G	SUBSIDIZED HEALTH SERVICES INCLUDED IN FISCAL YEAR 2014 WERE BEHAVIORAL HEALTH AND COUMADIN CLINIC

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	THE BAD DEBT EXPENSE OF 2,966,893 INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN A WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE OF TOTAL EXPENSES

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

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

Form and Line Reference	Explanation
PART VI, LINE 2	DURING FISCAL YEAR 2014, SOMERSET COMMUNITY HOSPITAL CONDUCTED A COUNTY-WIDE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) THE STUDY WAS CONDUCTED TO IDENTIFY THE MOST IMPORTANT HEALTH ISSUES WHICH NEED TO BE ADDRESSED THE CHNA LOOKS AT HEALTH STATUS, BARRIERS TO CARE, AND OTHER DEMOGRAPHIC AND SOCIAL ISSUES AFFECTING PEOPLE AND ORGANIZATIONS THROUGHOUT SOMERSET COUNTY THE REPORT IS AIMED AT ASSISTING SOMERSET HOSPITAL IN MAKING DECISIONS ABOUT THE FUTURE OF HEALTHCARE AND PREVENTION THREE ISSUES OF CONCERN THAT WERE IDENTIFIED WERE CHILDHOOD OBESITY, CHILDHOOD SELF-ESTEEM AND DIABETES OVER THE NEXT SEVERAL MONTHS, SOMERSET HOSPITAL WILL BE WORKING ON IDEAS TO IMPROVE HEALTH CHALLENGES ASSOCIATED WITH THESE HEALTH CONCERNS

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

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

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

Additional Data

Software ID:

Software Version:

EIN: 25-0965570

Name: SOMERSET COMMUNITY HOSPITAL

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
SOMERSET COMMUNITY HOSPITAL	PART V, SECTION B, LINE 3 TO CONDUCT THE CHNA IN 2013, A STEERING COMMITTEE WAS FORMED CONSISTING OF MEMBERS FROM THE HOSPITAL, AFFILIATE OFFICES, THE DIRECTOR OF THE SALISBURY FAMILY CENTER, A COUNTY COMMISSIONER, THE SUPERINTENDENT FROM SOMERSET AREA SCHOOL DISTRICT, THE EDITOR IN CHIEF OF THE DAILY AMERICAN, THE DIRECTOR OF THE SOMERSET TAPESTRY OF HEALTH, A REPRESENTATIVE FROM REPRESENTATIVE CARL METZGAR'S OFFICE, THE DIRECTOR OF THE SOMERSET CHAMBER OF COMMERCE, THE DIRECTOR OF THE SOMERSET AREA AGENCY ON AGING, A REPRESENTATIVE FROM THE ALLEGHENY COLLEGE OF MARYLAND AND AN EMPLOYEE FROM PA CAREER LINK THIS GROUP CONVENED ON SEVERAL OCCASIONS DURING THE CHNA PROCESS AND OFFERED THEIR INPUT ON THE TOP PROBLEMS IN THE HOSPITAL'S SERVICE AREA THIS GROUP WAS ALSO RESPONSIBLE FOR PRIORITIZING THE NEEDS OF THE COMMUNITY IN RELATION TO THE HOSPITAL'S CAPACITY AND RESPONSIBILITY TO ADDRESS SUCH NEEDS

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
SOMERSET COMMUNITY HOSPITAL	PART V, SECTION B, LINE 6I A TOTAL OF 27 NEEDS WERE IDENTIFIED THROUGH THE CHNA PROCESS THROUGH THE PROCESS OF HAVING THE STEERING COMMITTEE ADDRESS EACH OF THESE NEEDS, IT WAS DETERMINED THAT SOME OF THESE NEEDS WERE BEYOND THE SCOPE OF THE HOSPITAL EACH OF THE 27 NEEDS WERE RATED WITH A NUMERICAL VALUE BASED ON THE MAGNITUDE OF THE PROBLEM, THE DEGREE TO WHICH THE HOSPITAL SHOULD BE HELD ACCOUNTABLE IN MEETING THE NEED AND THE CAPACITY OF THE HOSPITAL TO ADDRESS THE NEED BASED ON THESE RESULTS, THE AREAS THAT THE HOSPITAL ARE NOT CURRENTLY ADDRESSING INCLUDE POVERTY, LACK OF JOBS, UNEMPLOYMENT, DELINQUENCY, CRIME, VIOLENCE, AIR AND WATER QUALITY, ACCESS TO SENIOR SERVICES, MOTOR VEHICLE CRASH DEATHS/SEATBELT USE, ACCESS TO DENTAL CARE AND ACCESS TO TRANSPORTATION

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
SOMERSET COMMUNITY HOSPITAL	<p>PART V, SECTION B, LINE 7 THE FOLLOWING NEEDS HAVE BEEN IDENTIFIED, BUT ARE NOT CURRENTLY BEING ADDRESSED THROUGH THE CHNA FLU/PNEUMONIA, CANCER, EARLY SCREENING, TOBACCO USE DURING PREGNANCY, ACCESS TO MENTAL HEALTH SERVICES, ASTHMA, DENTAL CARE, DEPRESSION, FALLS, INSURANCE/AFFORDABILITY OF HEALTH CARE/COPAYS, MOTOR VEHICLE CRASH DEATHS/SEATBELT USE, SENIOR SERVICES, AIR/WATER QUALITY, TRANSPORTATION TO/FROM MEDICAL SERVICES, DELINQUENCY/CRIME/VIOLENCE, AND POVERTY/LACK OF JOBS/UNEMPLOYMENT THE PROCESS OF SELECTING THE NEEDS THAT WERE GOING TO BE ADDRESSED INVOLVED A STEERING COMMITTEE, MADE UP OF COMMUNITY LEADERS FROM VARIOUS SECTORS, VOTING ON ALL OF THE ISSUES BASED ON THE MAGNITUDE OF THE PROBLEM, THE DEGREE TO WHICH THE HOSPITAL SHOULD BE HELD ACCOUNTABLE FOR THE PROBLEM AND THE HOSPITAL'S CAPACITY TO SOLVE THE PROBLEM THE FOLLOWING ISSUES WERE IDENTIFIED AS LARGE PROBLEMS IN THE COMMUNITY, BUT WERE BEYOND THE HOSPITAL'S CAPACITY TO SOLVE OR THE STEERING COMMITTEE FELT THAT THE HOSPITAL COULD NOT BE HELD ACCOUNTABLE FOR THE NEEDS POVERTY/LACK OF JOBS/UNEMPLOYMENT, TRANSPORTATION TO/FROM MEDICAL SERVICES, SENIOR SERVICES, INSURANCE/AFFORDABILITY OF HEALTH CARE/COPAYS, DELINQUENCY/CRIME/VIOLENCE AND MOTOR VEHICLE CRASH DEATHS/SEATBELT USE MANY OF THESE NEEDS MAY BE ADDRESSED THROUGH OTHER AGENCIES IN THE COMMUNITY THE ISSUES THAT ARE IDENTIFIED AS A NEED, BUT DETERMINED TO NOT BE THE LARGEST PROBLEMS IN THE COMMUNITY ARE FLU/PNEUMONIA, CANCER, EARLY SCREENING, TOBACCO USE DURING PREGNANCY, ACCESS TO MENTAL HEALTH SERVICES, ASTHMA, DENTAL CARE, DEPRESSION, FALLS AND AIR/WATER QUALITY</p>

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
SOMERSET COMMUNITY HOSPITAL	PART V, SECTION B, LINE 12I HOMELESSNESS STATUS & BALANCE AFTER INSURANCE GREATER THAN \$1,000

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

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
PART V, SECTION B, LINE 2	PART V, SECTION B, LINE 2 THE CHNA WAS LAST CONDUCTED DURING THE ORGANIZATION'S 2013 TAX YEAR, WHICH IS EQUIVALENT TO ITS FISCAL YEAR ENDED JUNE 30, 2014 THE IMPLEMENTATION STRATEGY WAS ALSO ADOPTED DURING THAT SAME FISCAL YEAR

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2013

Open to Public Inspection

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

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

▶ **Attach to Form 990. ▶ See separate instructions.**

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

Department of the Treasury
Internal Revenue Service

Name of the organization
SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

Part I Questions Regarding Compensation

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

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

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

3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III

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

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

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

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

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

- a** The organization?
- b** Any related organization?
- If "Yes," to line 5a or 5b, describe in Part III

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

- a** The organization?
- b** Any related organization?
- If "Yes," to line 6a or 6b, describe in Part III

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

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

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

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

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

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

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

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

Additional Data

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & Incentive compensation	(iii) Other compensation				
AJAY P SINGH MD DIRECTOR	(i) (ii)	0 238,000	0 0	0 0	0 0	0 14,560	0 252,560	0 0
V KRISHNAN NAIR MD DIRECTOR	(i) (ii)	0 423,269	0 0	0 0	0 0	0 14,311	0 437,580	0 0
MICHAEL FARRELL DIRECTOR/FORMER CEO	(i) (ii)	301,740 0	0 0	0 0	5,100 0	14,301 0	321,141 0	0 0
JAYESH DESAI MD DIRECTOR	(i) (ii)	0 415,000	0 0	0 0	0 0	0 16,326	0 431,326	0 0
MARK YAROS MD DIRECTOR	(i) (ii)	0 217,482	0 0	0 0	0 0	0 16,383	0 233,865	0 0
RONALD PARK CEO/CFO (THROUGH FEBRUARY 2014)	(i) (ii)	225,958 0	12,500 0	0 0	4,950 0	16,441 0	259,849 0	0 0
CRAIG SAYLOR CEO	(i) (ii)	139,865 0	0 0	0 0	2,869 0	16,383 0	159,117 0	0 0
ANDREW RUSH COO	(i) (ii)	155,583 0	0 0	0 0	2,587 0	16,426 0	174,596 0	0 0
AISHA GOHEER MD PHYSICIAN	(i) (ii)	473,250 0	10,000 0	0 0	0 0	0 0	483,250 0	0 0
RAFAEL VELEZ MD PHYSICIAN	(i) (ii)	431,000 0	0 0	0 0	0 0	0 0	431,000 0	0 0
SHOMENDRA MOITRA MD PHYSICIAN	(i) (ii)	392,059 0	0 0	0 0	0 0	5,024 0	397,083 0	0 0
JOHN MAYDAK MD PHYSICIAN	(i) (ii)	383,500 0	0 0	0 0	0 0	16,054 0	399,554 0	0 0
JILL BRUTON MD PHYSICIAN	(i) (ii)	347,827 0	0 0	0 0	0 0	16,054 0	363,881 0	0 0

**Schedule K
(Form 990)**

Supplemental Information on Tax Exempt Bonds

OMB No 1545-0047

▶ **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.**

2013

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
SOMERSET COMMUNITY HOSPITAL

Employer identification number
25-0965570

Part I Bond Issues

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

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	1,020,042	2,361,000		
2	Amount of bonds legally defeased				
3	Total proceeds of issue	3,590,000	17,471,000		
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	66,780	86,232		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds				
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion				
		Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X
15	Were the bonds issued as part of an advance refunding issue?	X		X	
16	Has the final allocation of proceeds been made?	X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X	

Part III Private Business Use

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

Part III Private Business Use (Continued)

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

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has the issuer filed Form 8038-T?	X		X					
2 If "No" to line 1, did the following apply?								
a Rebate not due yet?								
b Exception to rebate?								
c No rebate due?								
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3 Is the bond issue a variable rate issue?		X		X				
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X	X					
b Name of provider			PNC BANK					
c Term of hedge			7 000000000000					
d Was the hedge superintegrated?				X				
e Was the hedge terminated?				X				

Part IV Arbitrage (Continued)

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

Part V Procedures To Undertake Corrective Action

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

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

Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2013

Open to Public Inspection

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

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

Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

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

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

Table with 4 columns: (a) Name of disqualified person, (b) Relationship between disqualified person and organization, (c) Description of transaction, (d) Corrected? (Yes/No)

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

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

Part II Loans to and/or From Interested Persons.

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

Table with 9 columns: (a) Name of interested person, (b) Relationship with organization, (c) Purpose of loan, (d) Loan to or from the organization (To/From), (e) Original principal amount, (f) Balance due, (g) In default? (Yes/No), (h) Approved by board or committee? (Yes/No), (i) Written agreement? (Yes/No)

Part III Grants or Assistance Benefitting Interested Persons.

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

Table with 5 columns: (a) Name of interested person, (b) Relationship between interested person and the organization, (c) Amount of assistance, (d) Type of assistance, (e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) ANN COBER	BRAD COBER, DIRECTOR - FAMILY MEMBER	99,910	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No
(2) JILLIAN THOMAS	WILBUR A THOMAS, DIRECTOR - FAMILY MEMBER	18,248	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No
(3) MIKE PETROSKY	MICHELLE MOON, DIRECTOR - FAMILY MEMBER	56,840	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No

Part V Supplemental Information

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

Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Supplemental Information to Form 990 or 990-EZ

2013

Open to Public Inspection

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.

Name of the organization
SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6	
FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD MEMBERS OF SOMERSET COMMUNITY HOSPITAL MUST BE APPROVED BY SOMERSET COMMUNITY HOSPITAL FOUNDATION
FORM 990, PART VI, SECTION B, LINE 11	SOMERSET COMMUNITY HOSPITAL HAS A CPA FIRM PREPARE ITS FORM 990 THE RETURN IS COMPLETED I N DRAFT FORM AND REVIEWED BY MANAGEMENT OF THE ORGANIZATION THE RETURN IS THEN FINALIZED AND THE BOARD IS PROVIDED A COPY OF THE FORM 990 BEFORE IT IS FILED
FORM 990, PART VI, SECTION B, LINE 12C	SOMERSET COMMUNITY HOSPITAL ANNUALLY REQUIRES ITS BOARD MEMBERS, OFFICERS AND KEY EMPLOYEES TO FILL OUT A CONFLICTS OF INTEREST FORM DURING BOARD MEETINGS, IF AN INTERESTED PARTY HAS A CONFLICT, HE OR SHE RECUSES THEMSELVES FROM VOTING
FORM 990, PART VI, SECTION B, LINE 15	THE LEADERSHIP COMMITTEE, WHICH IS A SUBCOMMITTEE OF THE BOARD OF DIRECTORS, ANNUALLY REVIEWS AND APPROVES THE COMPENSATION OF THEIR ORGANIZATION'S TOP MANAGEMENT
FORM 990, PART VI, SECTION C, LINE 18	SOMERSET COMMUNITY HOSPITAL MAKES ITS FORM 990, CONSOLIDATED FINANCIAL STATEMENTS, AND FORM 1023 AVAILABLE TO THE PUBLIC
FORM 990, PART VI, SECTION C, LINE 19	AT THIS TIME, SOMERSET COMMUNITY HOSPITAL DOES NOT MAKE ITS GOVERNING DOCUMENTS AND CONFLICTS OF INTEREST POLICY AVAILABLE TO THE GENERAL PUBLIC
FORM 990, PART XI, LINE 9	NET ASSETS RELEASED FROM RESTRICTIONS -106,689 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP 70,785 CHANGE IN DEFINED BENEFIT PENSION COSTS 123,069 TRANSFERS TO AFFILIATES -4,055,711 TEMPORARILY RESTRICTED INVESTMENT INCOME 5,558 TEMPORARILY RESTRICTED CONTRIBUTIONS 3 40,855 GRANTS RECEIVED FOR ACQUISITION OF PROPERTY AND EQUIPMENT 255,913
FORM 990, PART XII, LINE 2C	SOMERSET COMMUNITY HOSPITAL HAS A FINANCE COMMITTEE THAT IS RESPONSIBLE FOR THE OVERSIGHT OF THE AUDIT AND SELECTION OF THE INDEPENDENT AUDITORS THE PROCESS IS CONSISTENT WITH PRIOR YEARS AND HAS NOT CHANGED

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2013

Open to Public Inspection

- ▶ 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.

Department of the Treasury
Internal Revenue Service

Name of the organization
SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

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

(a) Name, address, and EIN (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	No
(1) TWIN LAKES CENTER INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 23-2910318	HEALTH CARE	PA	501(C)(3)	509(A)(1)	SOMERSET COMMUNITY HOSPITAL	Yes	
(2) SOMERSET COMMUNITY HOSPITAL FOUNDATION 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 25-1441863	HEALTH CARE	PA	501(C)(3)	509(A)(3)			No
(3) SOMERSET HEALTH SERVICESINC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 25-1441920	HEALTH CARE	PA	501(C)(3)	509(A)(1)	SOMERSET COMMUNITY HOSPITAL	Yes	

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) SOMERSET MANAGEMENT SERVICES INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 25-1512960	REAL ESTATE HOLDING	PA	SOMERSET HEALTH SERVICES INC	C					No
(2) SOMERSET ANESTHESIA INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 45-5135437	ANESTHESIA SERVICES	PA	SOMERSET COMMUNITY HOSPITAL	C	-1,284,300	220,444	100 000 %	Yes	

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

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

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

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

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

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

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

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

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

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) SOMERSET HEALTH SERVICESINC	R	1,445,000	
(2) SOMERSET HEALTH SERVICESINC	O	1,134,944	
(3) SOMERSET ANESTHESIA INC	R	1,284,305	

Part VII Supplemental Information

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

Return Reference**Explanation**

Somerset Hospital and Subsidiaries

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

June 30, 2014 and 2013

Somerset Hospital and Subsidiaries

June 30, 2014 and 2013

Contents

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Independent Auditor's Report

Board of Directors
Somerset Hospital and Subsidiaries
Somerset, Pennsylvania

We have audited the accompanying consolidated financial statements of Somerset Hospital and Subsidiaries (the "Hospital"), which comprise the consolidated balance sheets as of June 30, 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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

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

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

Opinion

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

Supplementary Information

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

BKD, LLP

Springfield, Missouri
September 22, 2014

Somerset Hospital and Subsidiaries
Consolidated Balance Sheets
June 30, 2014 and 2013

Assets

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 7,684,505	\$ 10,556,627
Assets limited as to use - current	645,040	428,254
Patient accounts receivable, net of allowance, 2014 – \$1,720,000, 2013 – \$1,450,000	6,447,654	6,513,982
Estimated amounts due from third-party payers	768,002	-
Supply inventories	1,037,012	938,867
Prepaid expenses and other	550,902	591,641
	<u>17,133,115</u>	<u>19,029,371</u>
Assets Limited As To Use		
Internally designated	22,721,873	19,783,406
Externally restricted by donors	410,498	165,460
Medical malpractice deductible fund	645,040	837,629
Voluntary deferred compensation agreements	908,318	844,633
	<u>24,685,729</u>	<u>21,631,128</u>
Less amount required to meet current obligations	645,040	428,254
	<u>24,040,689</u>	<u>21,202,874</u>
Investments in and Advances to Equity Investee	<u>436,267</u>	<u>429,644</u>
Property and Equipment, At Cost	98,981,263	97,017,209
Less accumulated depreciation	65,811,475	61,491,783
	<u>33,169,788</u>	<u>35,525,426</u>
Other Assets		
Deferred financing costs	86,895	103,665
Other	146,000	146,000
	<u>232,895</u>	<u>249,665</u>
Total assets	<u><u>\$ 75,012,754</u></u>	<u><u>\$ 76,436,980</u></u>

Liabilities and Net Assets

	<u>2014</u>	<u>2013</u>
Current Liabilities		
Current maturities of long-term debt	\$ 946.103	\$ 907.762
Accounts payable	4,218.725	5,143.602
Accrued payroll and vacation pay	3,917.466	4,011.262
Estimated insurance liabilities - current	1,175.758	878.254
Accrued interest payable	21.813	22.334
Estimated amounts due to third-party payers	-	62.287
Deferred revenue and other	372.927	570.127
	<u>10,652.792</u>	<u>11,595.628</u>
Estimated Insurance Liabilities and Other	3,636.138	3,842.998
Interest Rate Swap Agreement	333.599	404.384
Long-Term Debt	16,733.855	17,679.958
Accrued Pension Obligation	<u>7,805.252</u>	<u>8,275.608</u>
Total liabilities	<u>39,161.636</u>	<u>41,798.576</u>
Net Assets		
Unrestricted	35,477.589	34,495.424
Temporarily restricted	353.529	122.980
Permanently restricted	20.000	20.000
	<u>35,851.118</u>	<u>34,638.404</u>
Total net assets	<u>35,851.118</u>	<u>34,638.404</u>
Total liabilities and net assets	<u>\$ 75,012.754</u>	<u>\$ 76,436.980</u>

Somerset Hospital and Subsidiaries
Consolidated Statements of Operations
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	\$ 69,309,067	\$ 68,855,514
Provision for uncollectible accounts	(3,153,198)	(2,911,969)
Net patient service revenue less provision for uncollectible accounts	66,155,869	65,943,545
Federal, state and county grants	780,209	771,200
Other	3,144,689	1,488,481
Net assets released from restrictions used for operations	106,689	252,711
Total unrestricted revenues, gains and other support	<u>70,187,456</u>	<u>68,455,937</u>
Expenses		
Salaries and wages	28,768,994	28,320,826
Employee benefits	6,429,212	6,915,474
Physician fees	5,641,538	5,078,031
Supplies and other	24,321,996	23,455,105
Depreciation and amortization	4,507,207	4,204,587
Interest	464,351	491,601
Total expenses	<u>70,133,298</u>	<u>68,465,624</u>
Operating Income (Loss)	<u>54,158</u>	<u>(9,687)</u>
Other Income		
Contributions	105,100	155,000
Investment return	791,287	763,269
Investment return - change in fair value of investments accounted for under the fair value option of Topic 825	100,243	108,858
Gain on investments in equity investee	196,113	192,115
Other	792	13,259
Total other income	<u>1,193,535</u>	<u>1,232,501</u>
Excess of Revenues Over Expenses	1,247,693	1,222,814
Investment return - change in unrealized gains and losses on other than trading securities	2,046,937	966,435
Grants received for acquisition of property and equipment	255,913	1,104,912
Net assets released from restriction used for purchase of property and equipment	9,174	13,300
Change in fair value of interest rate swap agreement	70,785	179,981
Defined benefit pension costs		
Recognition of net loss	298,203	410,804
Net gain (loss) arising during the year	(175,134)	3,198,053
Transfers to affiliates	(2,771,406)	(2,710,772)
Increase in Unrestricted Net Assets	<u>\$ 982,165</u>	<u>\$ 4,385,527</u>

Somerset Hospital and Subsidiaries
Consolidated Statements of Change in Net Assets
Years Ended June 30, 2014 and 2013

	2014	2013
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 1,247,693	\$ 1,222,814
Investment return - change in unrealized gains and losses on other than trading securities	2,046,937	966,435
Grants received for acquisition of property and equipment	255,913	1,104,912
Net assets released from restriction used for purchase of property and equipment	9,174	13,300
Change in fair value of interest rate swap agreements	70,785	179,981
Defined benefit pension costs		
Recognition of net loss	298,203	410,804
Net gain (loss) arising during the year	(175,134)	3,198,053
Transfers to affiliates	(2,771,406)	(2,710,772)
	982,165	4,385,527
Temporarily Restricted Net Assets		
Contributions received	340,855	163,288
Investment return	5,557	2,172
Net assets released from restriction	(115,863)	(266,011)
	230,549	(100,551)
Change in Net Assets	1,212,714	4,284,976
Net Assets, Beginning of Year	34,638,404	30,353,428
Net Assets, End of Year	\$ 35,851,118	\$ 34,638,404

Somerset Hospital and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Activities		
Change in net assets	\$ 1,212,714	\$ 4,284,976
Items not requiring (providing) cash		
Gain on sale of property and equipment	(25,297)	(17,990)
Depreciation and amortization	4,507,207	4,204,587
Gain on investment in equity investee	(196,113)	(192,115)
Net gain on investments	(2,593,271)	(1,517,982)
Change in fair value of interest rate swap agreements	(70,785)	(179,981)
Transfers to affiliates	2,771,406	2,710,772
Restricted contributions, investment return and grants for acquisition of property and equipment	(602,327)	(1,270,372)
Change in accrued self-insurance costs	133,729	(253,067)
Change in defined benefit pension plans	(123,069)	(3,608,857)
Provision for uncollectible accounts	3,153,198	2,911,969
Changes in		
Patient accounts receivable	(3,086,870)	(4,352,502)
Estimated amounts due from third-party payers	(830,289)	142,042
Accounts payable and accrued expenses	(460,874)	1,490,486
Other current assets and liabilities	(347,288)	(17,743)
Other, net	(57,406)	(2,719)
Net cash provided by operating activities	<u>3,384,665</u>	<u>4,331,504</u>
Investing Activities		
Proceeds from sales of assets limited as to use	1,515,542	4,752,919
Purchase of assets limited as to use	(1,976,872)	(5,118,445)
Dividends and return of equity from equity investee	175,000	175,000
Purchase of property and equipment	(2,920,216)	(3,369,000)
Proceeds from sale of property and equipment	26,600	18,350
Net cash used in investing activities	<u>(3,179,946)</u>	<u>(3,541,176)</u>
Financing Activities		
Cash transfers to affiliates	(2,771,406)	(2,710,772)
Proceeds from restricted contributions, investment return and grants for acquisition of property and equipment	602,327	1,270,372
Principal payments on long-term debt	(907,762)	(890,663)
Net cash used in financing activities	<u>(3,076,841)</u>	<u>(2,331,063)</u>
Decrease in Cash and Cash Equivalents	(2,872,122)	(1,540,735)
Cash and Cash Equivalents, Beginning of Year	<u>10,556,627</u>	<u>12,097,362</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,684,505</u>	<u>\$ 10,556,627</u>
Supplemental Cash Flows Information		
Interest paid	\$ 467,620	\$ 491,409
Purchase of property and equipment in accounts payable	\$ 287,124	\$ 1,079,094

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

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

Nature of Operations

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

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

Somerset Anesthesia, Inc. (SAI) is a taxable corporation, wholly owned by the Hospital, providing professional anesthesiology services on both an inpatient and outpatient basis. Effective July 1, 2013, SOI, a wholly owned subsidiary of the Foundation, merged into SHS.

Principles of Consolidation

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

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At June 30, 2014 and 2013, cash equivalents consisted primarily of deposits in weekly maturing municipal securities, money market funds and certificates of deposit.

At June 30, 2014 and 2013, the Hospital's cash accounts exceeded federally insured limits by approximately \$2,105,000 and \$2,095,000, respectively.

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

The Hospital and TLC maintained approximately \$4,430,000 and \$7,095,000 of its cash equivalents in one money market fund at June 30, 2014 and 2013, respectively. This money market fund invests in certificates of deposit, commercial paper, variable rate obligations, agency obligations, time deposits, repurchase agreements, master notes and promissory notes and is not subject to FDIC coverage.

Investments and Investment Return

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

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

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

Assets Limited As To Use

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

Patient Accounts Receivable

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

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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

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

The Hospital, TLC and SAI's allowance for doubtful accounts for self-pay patients was 74% and 72% of self-pay accounts receivable at June 30, 2014 and 2013, respectively. In addition, the Hospital and TLC's write-offs increased approximately \$25,000 from approximately \$2,630,000 for the year ended June 30, 2013, to approximately \$2,655,000 for the year ended June 30, 2014.

Supply Inventories

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

Property and Equipment

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

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

Long-Lived Asset Impairment

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

No asset impairment was recognized during the years ended June 30, 2014 and 2013.

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Deferred Financing Costs

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

Deferred Revenue

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

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenue

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

Federal, State and County Grants

TLC contracts with Somerset County, Bedford County, Butler County, Cambria County, Clearfield-Jefferson Counties, Armstrong County, Indiana County, Washington County, Fayette County, Lawrence County and Westmoreland County, Single County Authorities (SCAS) of the state of Pennsylvania as well as with various Act 152 HUBS to provide services for the control, treatment, prevention, rehabilitation, research, education and training aspects of drug and alcohol abuse and dependency problems, pursuant to the provisions of the Pennsylvania Drug and Alcohol Act of April 14, 1972, P.L. 221, No. 63, 71 P.S. 1690-101. Each contract provides that costs incurred by TLC in the delivery of drug and alcohol program services are to serve as the basis for reimbursement of federal, state and county funds made available under the contracts. Revenue for the reimbursed costs is recorded at the time the expense is incurred. The Act 152 HUBS are charged with developing and implementing a multicounty service system for the case management, treatment and rehabilitation of drug and alcohol abuse and dependency problems for eligible Act 152 clients pursuant to the Pennsylvania Drug and Alcohol Act. TLC received approximately 93% and 83% of its grant revenue from Somerset, Cambria, Westmoreland, Bedford, Fayette, Armstrong and Indiana counties in 2014 and 2013, respectively.

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Charity Care

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

Contributions

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

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

Professional Liability Claims

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

Estimated Self-Insurance Costs

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

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized in the period ended date, June 30, 2014 and 2013, respectively.

Income Taxes

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

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

The Hospital and TLC file tax returns in the U S federal jurisdiction. With a few exceptions, these entities are no longer subject to U S federal examinations by tax authorities for years before 2010.

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

Excess of Revenues Over Expenses

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

Electronic Health Records Incentive Program

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

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

For the years ended June 30, 2014 and 2013, the Hospital has recorded revenue of approximately \$1,830,000 and \$160,000, respectively, which is included in other revenue within operating revenues in the statement of operations.

Subsequent Events

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

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Note 2: Net Patient Service Revenue

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

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

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

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

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

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

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

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

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

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended June 30, 2014 and 2013, respectively, was approximately

	2014	2013
Medicare	\$ 28,878,000	\$ 29,907,000
Medical Assistance	5,906,000	4,666,000
Highmark Blue Cross	14,697,000	16,126,000
Other third-party payers	15,305,000	13,615,000
Self-pay	4,523,000	4,541,000
	<u> </u>	<u> </u>
Total	<u>\$ 69,309,000</u>	<u>\$ 68,855,000</u>

Note 3: Concentration of Credit Risk

The Hospital, TLC and SAI grant credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at June 30, 2014 and 2013, is

	2014	2013
Medicare	33%	40%
Medical Assistance	7%	9%
Highmark Blue Cross	16%	13%
Other third-party payers	35%	29%
Patients	9%	9%
	<u> </u>	<u> </u>
	<u>100%</u>	<u>100%</u>

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Note 4: Investments and Investment Return

Assets Limited As To Use

Assets limited as to use, at June 30, include

	2014	2013
Internally designated		
Cash and cash equivalents	\$ 358,695	\$ 323,771
Exchange traded funds	1,067,094	1,407,581
Mutual funds - equities	14,072,467	11,882,244
Mutual funds - fixed income	6,040,338	5,096,937
Hedge funds and limited liability partnerships	1,183,279	1,072,873
	<u>22,721,873</u>	<u>19,783,406</u>
Externally restricted by donors		
Cash and cash equivalents	256,030	45,317
Trust held by others	20,000	20,000
Other assets	134,468	100,143
	<u>410,498</u>	<u>165,460</u>
Medical malpractice deductible fund		
Deposit held by malpractice insurer	645,040	837,629
Voluntary deferred compensation agreements		
Other	908,318	844,633
	<u>908,318</u>	<u>844,633</u>
Total assets limited as to use	24,685,729	21,631,128
Less amounts required to meet current obligations	645,040	428,254
	<u>645,040</u>	<u>428,254</u>
Assets limited as to use, net of current portion	<u>\$ 24,040,689</u>	<u>\$ 21,202,874</u>

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Total investment return is comprised of the following

	2014	2013
Interest and dividend income	\$ 357,503	\$ 330,510
Realized gains on sales of securities	440,534	440,517
Change in fair value of investments accounted for under the fair value option of Topic 825	100,243	108,858
Net unrealized gains and losses on other than trading securities	2,052,494	968,607
	<u>\$ 2,950,774</u>	<u>\$ 1,848,492</u>

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

	2014	2013
Unrestricted net assets		
Other operating revenue	\$ 6,750	\$ 7,758
Other nonoperating income	791,287	763,269
Investment return - change in fair value of investments accounted for under the fair value option of Topic 825	100,243	108,858
Change in unrealized gains and losses on other than trading securities	2,046,937	966,435
Temporarily restricted net assets	5,557	2,172
	<u>\$ 2,950,774</u>	<u>\$ 1,848,492</u>

Unrealized Losses on Investments

Certain investments in debt and marketable equity securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at June 30, 2014 and 2013, was \$2,917,921 and \$6,605,424, respectively, which is approximately 12% and 31%, respectively, of the Hospital's assets limited as to use. These declines primarily resulted from the performance of the underlying securities in mutual funds and changes in market interest rates.

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

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

The following table shows the Hospital's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2014 and 2013

Description of Securities	June 30, 2014					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds - fixed income	\$ -	\$ -	\$ 2,917,921	\$ (201,982)	\$ 2,917,921	\$ (201,982)
Total temporarily impaired securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,917,921</u>	<u>\$ (201,982)</u>	<u>\$ 2,917,921</u>	<u>\$ (201,982)</u>

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

Hedge Funds and Limited Liability Partnerships

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

	June 30, 2014	June 30, 2013	Unfunded	Redemption	Redemption Notice
	Fair Value	Fair Value	Commitments	Frequency	Period
Hedge fund of funds (A)	\$ 1,183,279	\$ 1,072,873	\$ -	Quarterly	90-day written notice

(A) This fund seeks to achieve long-term growth of capital with reduced volatility by allocating its capital amount various money managers that, as a group, employ a variety of investment techniques and strategies. The money managers invest in diversified portfolios of U.S. and international equities as well as in distressed and arbitrage securities and some private, less liquid investments. If fund redemption requests exceed 25% of the net asset value of the fund then a gate provision allows the fund's board of directors to only disburse 25% of the value of the requested disbursement or a greater amount as determined by the board of directors.

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Other-Than-Temporary Impairment

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

Note 5: Investments in and Advances to Equity Investee

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

Financial position and results of operations of Somerset Med Services, Inc. as of June 30, 2014 and 2013, are summarized below.

	2014	2013
Current assets	\$ 1,162,412	\$ 1,175,239
Property and other long-term assets, net	180,401	137,100
Total assets	<u>1,342,813</u>	<u>1,312,339</u>
Total liabilities	<u>470,283</u>	<u>453,057</u>
Equity	<u><u>\$ 872,530</u></u>	<u><u>\$ 859,282</u></u>
Revenues	\$ 4,054,362	\$ 4,167,469
Net income	\$ 363,248	\$ 358,332

During 2014 and 2013, the Hospital received \$175,000 in cash dividends from Somerset Med Services, Inc.

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Note 6: Property and Equipment

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

	2014	2013
Land	\$ 2,425,638	\$ 2,425,638
Land improvements	633,236	624,391
Buildings	52,065,107	51,629,945
Equipment	43,620,920	42,135,675
Construction in progress	236,363	201,560
	98,981,264	97,017,209
Less accumulated depreciation	65,811,476	61,491,783
	\$ 33,169,788	\$ 35,525,426

Construction in progress at June 30, 2014, relates primarily to two projects the Hospital started in fiscal 2014. The Hospital has planned a \$3,500,000 renovation to the emergency department and a \$1,000,000 renovation to the obstetrics department. The Hospital has been awarded a \$3,000,000 RACP grant through the State of Pennsylvania to help pay for these projects. For the remaining funding to complete these projects, the Hospital plans to use internal funds as well as solicit donations through a capital campaign. The emergency department renovation is expected to be completed by the end of fiscal 2015, and the obstetrics renovation is expected to be completed in the fall of 2015.

Note 7: Contingent Liabilities

Professional Liability Claims

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

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

The Hospital also participates in the Medical Care Availability and Reduction of Error Fund (MCARE) of the Commonwealth of Pennsylvania. Any unfunded liabilities within the MCARE may be funded through surcharge assessments in future years. Recent increases in the annual surcharge and concerns over MCARE's ability to manage and pay claims resulted in proposals to reform, restructure or terminate MCARE. Depending upon the ultimate resolution of this matter, the Hospital may incur additional costs in future years. No amounts for such unfunded liabilities, if any, are currently estimable and none are recorded on the consolidated balance sheets at June 30, 2014 and 2013.

Self-Insurance

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

A summary of estimated insurance claim liabilities recorded by the Hospital as of June 30, 2014 and 2013, follows:

	Current	2014 Long-Term	Total
Health insurance	\$ 300,000	\$ -	\$ 300,000
Medical malpractice	740,758	760,674	1,501,432
Workers' compensation	135,000	171,000	306,000
	<u>\$ 1,175,758</u>	<u>\$ 931,674</u>	<u>\$ 2,107,432</u>
		2013	
	Current	Long-Term	Total
Health insurance	\$ 325,000	\$ -	\$ 325,000
Medical malpractice	418,254	838,449	1,256,703
Workers' compensation	135,000	257,000	392,000
	<u>\$ 878,254</u>	<u>\$ 1,095,449</u>	<u>\$ 1,973,703</u>

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

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Note 8: Long-Term Debt

	2014	2013
Hospital Revenue Note, Series 2009 (A)	\$ 2,569,958	\$ 2,784,720
Hospital Revenue Note, Series 2010 (B)	15,110,000	15,803,000
	17,679,958	18,587,720
Less current maturities	946,103	907,762
	\$ 16,733,855	\$ 17,679,958

- (A) Hospital Revenue Note, Series 2009 dated April 1, 2009, in the original amount of \$3,590,000, bearing an interest rate of 3.32% when the prime rate is equal to or less than 4.75%, and 70% of the prime rate when it is higher than 4.75%, with a maximum variable rate of 6.00%. At June 30, 2014 and 2013, the interest rate was 3.32%. The note is payable in monthly installments through May 1, 2024.
- (B) Hospital Revenue Note, Series 2010 dated December 23, 2010, in the original amount of \$17,471,000, bearing an interest rate equal to the bank qualified tax-exempt rate of 65% of the sum of one-month LIBOR in effect for each reset day plus 2 percent. At June 30, 2014 and 2013, the interest rate was 1.42%. Principal and interest on this variable rate note are payable in monthly installments in accordance with an established twenty-year amortization schedule up to the maturity date on the note of December 15, 2017. The outstanding principal of \$12,554,000 along with any accrued interest will be due and payable on this maturity date.

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

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

The notes contain certain restrictive covenants which, among other provisions, require that the Hospital maintain certain financial covenants which include maximum annual debt service, debt service coverage, leverage and liquidity ratios. As of June 30, 2014 and 2013, and for the years then ended, the Hospital was in compliance with these covenants.

Somerset Hospital and Subsidiaries
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Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2014, are as follows

2015	\$	946,103
2016		972,492
2017		1,005,542
2018		13,120,662
2019		254,060
Thereafter		1,381,099
		\$ 17,679,958

Note 9: Interest Rate Swap Agreement

2010 Interest Rate Swap

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Hospital entered into an interest rate swap agreement for a portion of its floating rate debt relating to the Hospital Revenue Note, Series 2010, on December 23, 2010. The agreement provides for the Hospital to receive interest from the counterparty equivalent to the sum of 65% of one-month LIBOR plus a 2.00% spread and to pay interest to the counterparty at a fixed rate of 3.315% on a notional amount of \$7,787,642 and \$8,143,493 at June 30, 2014 and 2013, respectively. Under the agreement, the Hospital pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap expires on December 15, 2017.

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

	2014	2013
Other Liabilities		
Fair value of interest rate swap agreement	\$ (333,599)	\$ (404,384)
Changes in Unrestricted Net Assets		
Change in interest rate swap agreement	70,785	179,981
Interest Expense		
Loss reclassified from unrestricted net assets into excess of revenues over expenses	153,716	162,252

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Note 10: Line of Credit

The Hospital has been extended a revolving line of credit of \$1,500,000 for one year which will expire on January 30, 2015. Interest is at a fixed rate of 4.75%, and is payable monthly. At June 30, 2014 and 2013, there was \$0 borrowed against this line.

Note 11: Temporarily and Permanently Restricted Net Assets

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

	2014	2013
Operating room needs	\$ 103,858	\$ 75,754
Equipment purchases	2,109	31,571
Medical student program	-	6,481
Campus development	-	9,174
Obstetrics department renovations	247,562	-
	\$ 353,529	\$ 122,980

During 2014 and 2013, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amounts of \$106,689 and \$252,711, respectively. During 2014 and 2013, net assets of \$9,174 and \$13,300, respectively, were released to purchase property and equipment.

Permanently restricted net assets are restricted to:

	2014	2013
Trusts held by others	\$ 20,000	\$ 20,000

Note 12: Charity Care

The costs of charity care provided under the Hospital's charity care policy were \$430,286 and \$520,033 for 2014 and 2013, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Somerset Hospital and Subsidiaries
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Note 13: Functional Expenses

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

	2014	2013
Health care services	\$ 54,500,448	\$ 54,032,608
General and administrative	15,632,850	14,433,016
	\$ 70,133,298	\$ 68,465,624

Note 14: Pension Plan

Defined Benefit Plan

The Hospital has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. The Hospital's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the plan with assets sufficient to meet the benefits to be paid to retirees or their beneficiaries. The Hospital expects to contribute \$1,350,000 to the plan in 2015.

The Hospital is offering a special lump sum window to certain eligible participants of the retirement plan. The offer is being extended to approximately 100 vested participants who have lump sum benefit accruals less than or equal to \$20,000 and who are no longer employed by the Hospital.

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

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

	2014	2013
Benefit obligation	\$(33,478,775)	\$(30,615,985)
Fair value of plan assets	25,673,523	22,340,377
Funded status	\$ (7,805,252)	\$ (8,275,608)
Liabilities recognized in the balance sheets		
Noncurrent liabilities - accrued pension obligation	\$ 7,805,252	\$ 8,275,608

Somerset Hospital and Subsidiaries
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Amounts recognized in unrestricted net assets not yet recognized as components of net periodic benefit cost consist of

	2014	2013
Net loss	\$ 11,177,869	\$ 11,300,938

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

The estimated net gain for the defined benefit pension plan that will be accreted into unrestricted net assets from net periodic benefit cost over the next fiscal year is \$26,040

The accumulated benefit obligation for the defined benefit pension plan was \$33,478,775 and \$30,615,985 at June 30, 2014 and 2013, respectively

	2014	2013
Other significant balances and costs are		
Benefit costs	\$ 247,716	\$ 411,635
Employer contributions	\$ 595,003	\$ 440,604
Benefits paid	\$ 959,574	\$ 843,501

The following amounts have been recognized in the statements of operations for the years ended June 30, 2014 and 2013

	2014	2013
Amounts arising during the period		
Net gain (loss)	\$ (175,134)	\$ 3,198,053
Amounts reclassified as components of net periodic pension cost		
Net loss	\$ 298,203	\$ 410,804
Amounts reflected as components of net periodic benefit cost for the period		
Interest cost	\$ 1,505,689	\$ 1,415,219
Expected return on plan assets	(1,556,176)	(1,414,388)
Recognition of net loss	298,203	410,804
Total	\$ 247,716	\$ 411,635

Somerset Hospital and Subsidiaries
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Significant assumptions include

	2014	2013
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.50%	5.00%
Rate of compensation increase	N/A	N/A
Weighted average assumptions used to determine benefit costs		
Discount rate	5.00%	4.45%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

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

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2014 and 2013 are as follows:

	2014	2013
Equity securities	55% - 75%	55% - 75%
Fixed income	15% - 25%	15% - 25%
Hedge funds and distressed securities	10% - 20%	10% - 20%

Plan assets are rebalanced quarterly. At June 30, 2014 and 2013, plan assets by category are as follows:

	2014	2013
Equity securities	78%	73%
Fixed income	14%	21%
Hedge funds and distressed securities	4%	5%
Other	4%	1%
	100%	100%

Somerset Hospital and Subsidiaries
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Pension Plan Assets

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

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

The fair values of the Hospital's pension plan assets at June 30, 2014 and 2013, by asset class are as follows:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2014				
Money market funds	\$ 195,654	\$ 195,654	\$ -	\$ -
Exchange traded funds	736,310	736,310	-	-
Mutual funds - equities	20,014,311	20,014,311	-	-
Mutual funds - fixed income	3,604,406	3,604,406	-	-
Hedge funds and limited liability partnerships	1,122,842	-	1,122,842	-
June 30, 2013				
Money market funds	\$ 239,339	\$ 239,339	\$ -	\$ -
Exchange traded funds	1,292,919	1,292,919	-	-
Mutual funds - equities	16,358,752	16,358,752	-	-
Mutual funds - fixed income	3,381,738	3,381,738	-	-
Hedge funds and limited liability partnerships	1,067,629	-	1,067,629	-

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
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	Investments in Hedge Funds and Limited Liability Partnerships
Balance, July 1, 2012	\$ 1,885,611
Sales of investments	(944,973)
Actual return on plan assets Relating to assets still held at June 30, 2013	126,991
Transfers out of Level 3	(1,067,629)
Balance, June 30, 2013	\$ -

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

The following benefit payments, which reflect expected future service, are expected to be paid as of June 30, 2014:

2015	\$ 1,136,686
2016	1,206,661
2017	1,266,616
2018	1,429,366
2019	1,558,564
2020 – 2024	9,261,166

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Defined Contribution Plans

The Hospital has also established a 403(b) plan to which employees may elect to contribute, from their compensation each pay period, a percentage up to the maximum dollar limit allowed by the Internal Revenue Service and upon which the employer matching contribution is determined. The salary deferral contributions and related investments of the 403(b) plan are held separately within each employee's account along with the employer's match. Employer discretionary contributions to the 403(b) plan for the years ended June 30, 2014 and 2013, were approximately \$475,000 and \$500,000, respectively.

TLC has established a 403(b) plan to which employees may elect to contribute, from their compensation each pay period, a percentage up to the maximum dollar limit allowed by the Internal Revenue Service and upon which the employer matching contribution is determined. The salary deferral contributions and related investments of the 403(b) plan are held separately within each employee's account along with the employer's match. Employer discretionary contributions to the 403(b) plan for the years ended June 30, 2014 and 2013, were approximately \$15,600 and \$16,500, respectively.

SAI has established a 403(b) plan to which employees may elect to contribute, from their compensation each pay period, a percentage up to the maximum dollar limit allowed by the Internal Revenue Service and upon which the employer matching contribution is determined. The salary deferral contributions and related investments of the 403(b) plan are held separately within each employee's account along with the employer's match. Employer discretionary contributions to the 403(b) plan for the years ended June 30, 2014 and 2013, were approximately \$24,000.

Voluntary Deferred Compensation Plan

The Hospital has a voluntary deferred compensation 457(b) plan for the benefit of certain employees. No Hospital assets are being used to fund the plan, as amounts are withheld from employee compensation. The trust account assets are classified as assets limited as to use and a corresponding deferred compensation obligation has been recorded by the Hospital in the amount of \$908,318 and \$844,633 at June 30, 2014 and 2013, respectively.

Note 15: Related Party Transactions

The Hospital leases office space from Somerset Management Services (SMS), a wholly owned subsidiary of SHS, under leases that are renewable annually. Total lease expense for 2014 and 2013 totaled approximately \$71,700 and \$89,100. The Hospital has advanced operating capital to SMS, and a receivable of \$88,282 and \$71,344 is recorded in prepaid expenses and other on the balance sheet at June 30, 2014 and 2013, respectively.

Somerset Hospital and Subsidiaries

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Net transfers from the Hospital to SHS (including SOI) in 2014 and 2013 were approximately \$2,771,000 and \$2,389,000, respectively. Transfers are used to fund operations and cash needs for affiliates of the Hospital. SHS paid the Hospital \$271,000 and \$266,000 for office rental space for the years ended June 30, 2014 and 2013, respectively. The Hospital and TLC have advanced operating capital to SHS, and a receivable of approximately \$157,000 and \$173,780 is recorded in prepaid expenses and other on the balance sheet at June 30, 2014 and 2013, respectively.

Net transfers from the Hospital to the Foundation in 2014 and 2013 were approximately \$0 and \$322,000, respectively. The Hospital received contributions of approximately \$105,000 from the Foundation during 2014 and 2013, for certain operations of the Hospital, the purchase of property and equipment, campus development and educational assistance programs.

The Hospital received temporarily restricted contributions of \$60,000 and \$95,000 from the Somerset Hospital Auxiliary during 2014 and 2013, respectively, to be used in certain operations of the Hospital.

Note 16: Disclosures About Fair Value of Financial Instruments

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

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

Somerset Hospital and Subsidiaries
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Recurring Measurements

The following tables present estimated fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014 and 2013

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2014				
Cash equivalents				
Money market funds	\$ 4,427,785	\$ 4,427,785	\$ -	\$ -
Investments				
Money market funds	352,978	352,978	-	-
Exchange traded funds	1,067,094	1,067,094	-	-
Mutual funds - equities	14,980,785	14,980,785	-	-
Mutual funds - fixed income	6,040,338	6,040,338	-	-
Hedge funds and limited liability partnerships	1,183,279	-	1,183,279	-
Interest in common trust funds	103,858	-	103,858	-
Interest rate swap agreement	(333,599)	-	(333,599)	-
June 30, 2013				
Cash equivalents				
Weekly maturing variable rate demand bonds	\$ 100,015	\$ -	\$ 100,015	\$ -
Money market funds	7,093,620	7,093,620	-	-
Investments				
Money market funds	291,860	291,860	-	-
Exchange traded funds	1,407,581	1,407,581	-	-
Mutual funds - equities	12,726,877	12,726,877	-	-
Mutual funds - fixed income	5,096,937	5,096,937	-	-
Hedge funds and limited liability partnerships	1,072,873	-	1,072,873	-
Interest in common trust funds	77,208	-	77,208	-
Interest rate swap agreement	(404,384)	-	(404,384)	-

Somerset Hospital and Subsidiaries

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

Cash Equivalents and Investments

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

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

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

Interest in Common Trust Funds

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

Interest Rate Swap Agreement

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

Somerset Hospital and Subsidiaries
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Level 3 Reconciliation

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

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

Realized and unrealized gains and losses are included in excess of revenues over expenses for the period from July 1, 2012, through June 30, 2014

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

Nonrecurring Measurements

The following table presents estimated fair values of the Hospital's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014 and 2013

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 5,424,312	\$ 5,424,312	\$ 8,302,114	\$ 8,302,114
Financial liabilities				
Long-term debt (including current portion)	17,679,958	17,679,958	18,587,720	18,587,720

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Cash and Cash Equivalents

The carrying amount approximates fair value

Long-Term Debt

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

Note 17: The Fair Value Option

As permitted by Topic 825, *The Fair Value Option for Financial Assets and Financial Liabilities*, the Hospital elected to measure its hedge funds and investment partnerships at fair value. Management has elected the fair value option for its hedge funds and investment partnerships because it more accurately reflects the portfolio returns and financial position of the Hospital. Total investment partnerships at June 30, 2014 and 2013, are \$1,183,279 and \$1,072,873 respectively.

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

Changes in Fair Value

Changes in fair value for items for which the fair value option has been elected are reported as investment return in other income (expense) in the financial statements. The change for 2014 and 2013 was an increase of \$100,243 and \$108,858, respectively, which reflects all investment return amounts from the hedge funds and investment partnerships.

Note 18: Significant Estimates and Concentrations

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

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

Admitting Physicians

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

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Collective Bargaining Agreement

Approximately 24% of the Hospital employees are covered by two collective bargaining agreements, dietary and nursing services. The dietary collective bargaining agreement covering the dietary employees is scheduled to expire on February 29, 2016. The nursing collective bargaining agreement covering approximately 21% of employees is scheduled to expire on March 23, 2017.

Litigation

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

Asset Retirement Obligations

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

Investments

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

Pension Benefit Obligations

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

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Note 19: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America, require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Hospital's conditional asset retirement obligations primarily relate to asbestos contained in buildings that the Hospital owns. Environmental regulations exist that require the Hospital to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. A liability of \$134,549 and \$126,694 has been recognized in the accompanying 2014 and 2013 financial statements, respectively, for the portion of the liability that can be reasonably estimated. However, there remains a liability that has not been recognized in the accompanying financial statements because the range of time over which the Hospital may settle is unknown and cannot be reasonably determined. The Hospital will recognize a liability when sufficient information is available to reasonably estimate fair value.

Note 20: Patient Protection and Affordable Care Act

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

The state of Pennsylvania has currently indicated it will expand the Medicaid program.

Supplementary Information

Somerset Hospital and Subsidiaries
Consolidating Schedule – Balance Sheet Information
June 30, 2014

Assets

	Somerset Hospital	Twin Lakes Center	Somerset Anesthesia, Inc.	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	\$ 6,563,790	\$ 1,104,929	\$ 15,786	\$ -	\$ 7,684,505
Assets limited as to use - current	645,040	-	-	-	645,040
Patient accounts receivable, net net of allowance, 2014 - \$1,720,000	5,883,671	359,325	204,658	-	6,447,654
Estimated amounts due from third-party payers	768,002	-	-	-	768,002
Supply inventories	1,037,012	-	-	-	1,037,012
Prepaid expenses and other	748,230	11,610	-	(208,938)	550,902
Total current assets	<u>15,645,745</u>	<u>1,475,864</u>	<u>220,444</u>	<u>(208,938)</u>	<u>17,133,115</u>
Assets Limited As To Use					
Internally designated	22,721,873	-	-	-	22,721,873
Externally restricted by donors	410,498	-	-	-	410,498
Medical malpractice deductible fund	645,040	-	-	-	645,040
Voluntary deferred compensation agreements	908,318	-	-	-	908,318
	<u>24,685,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,685,729</u>
Less amount required to meet obligations	645,040	-	-	-	645,040
	<u>24,040,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,040,689</u>
Investments in and Advances to Equity Investee					
	<u>436,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,267</u>
Property and Equipment, At Cost					
Less accumulated depreciation	97,181,534	1,799,729	-	-	98,981,263
	<u>64,722,447</u>	<u>1,089,028</u>	<u>-</u>	<u>-</u>	<u>65,811,475</u>
	<u>32,459,087</u>	<u>710,701</u>	<u>-</u>	<u>-</u>	<u>33,169,788</u>
Other Assets					
Deferred financing costs	86,895	-	-	-	86,895
Other	146,000	-	-	-	146,000
	<u>232,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,895</u>
Total assets	<u>\$ 72,814,683</u>	<u>\$ 2,186,565</u>	<u>\$ 220,444</u>	<u>\$ (208,938)</u>	<u>\$ 75,012,754</u>

Liabilities and Net Assets

	Somerset Hospital	Twin Lakes Center	Somerset Anesthesia, Inc.	Eliminations	Consolidated
Current Liabilities					
Current maturities of long-term debt	\$ 946.103	\$ -	\$ -	\$ -	\$ 946.103
Accounts payable	4.197.083	10.136	220.444	(208.938)	4.218.725
Accrued payroll and vacation pay	3.764.370	153.096	-	-	3.917.466
Estimated insurance liabilities - current	1.175.758	-	-	-	1.175.758
Accrued interest payable	21.813	-	-	-	21.813
Deferred revenue and other	372.927	-	-	-	372.927
Total current liabilities	10.478.054	163.232	220.444	(208.938)	10.652.792
Estimated Insurance Liabilities and Other	3.636.138	-	-	-	3.636.138
Interest Rate Swap Agreement	333.599	-	-	-	333.599
Long-Term Debt	16.733.855	-	-	-	16.733.855
Accrued Pension Obligation	7.805.252	-	-	-	7.805.252
Total liabilities	38.986.898	163.232	220.444	(208.938)	39.161.636
Net Assets					
Unrestricted	33.454.256	2.023.333	-	-	35.477.589
Temporarily restricted	353.529	-	-	-	353.529
Permanently restricted	20.000	-	-	-	20.000
Total net assets	33.827.785	2.023.333	-	-	35.851.118
Total liabilities and net assets	\$ 72.814.683	\$ 2.186.565	\$ 220.444	\$ (208.938)	\$ 75.012.754

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

Assets

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

Liabilities and Net Assets

	Somerset Hospital	Twin Lakes Center	Somerset Anesthesia, Inc.	Eliminations	Consolidated
Current Liabilities					
Current maturities of long-term debt	\$ 907.762	\$ -	\$ -	\$ -	\$ 907.762
Accounts payable	5,112.670	19,884	232,050	(221,002)	5,143,602
Accrued payroll and vacation pay	3,874.682	136,580	-	-	4,011,262
Estimated insurance liabilities – current	878,254	-	-	-	878,254
Accrued interest payable	22,334	-	-	-	22,334
Estimated amounts due to third-party payers	62,287	-	-	-	62,287
Deferred revenue and other	570,127	-	-	-	570,127
	<u>11,428,116</u>	<u>156,464</u>	<u>232,050</u>	<u>(221,002)</u>	<u>11,595,628</u>
Estimated Insurance Liabilities and Other	3,842,998	-	-	-	3,842,998
Interest Rate Swap Agreement	404,384	-	-	-	404,384
Long-Term Debt	17,679,958	-	-	-	17,679,958
Accrued Pension Obligation	<u>8,275,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,275,608</u>
Total liabilities	<u>41,631,064</u>	<u>156,464</u>	<u>232,050</u>	<u>(221,002)</u>	<u>41,798,576</u>
Net Assets					
Unrestricted	32,691,684	1,803,740	-	-	34,495,424
Temporarily restricted	122,980	-	-	-	122,980
Permanently restricted	20,000	-	-	-	20,000
Total net assets	<u>32,834,664</u>	<u>1,803,740</u>	<u>-</u>	<u>-</u>	<u>34,638,404</u>
Total liabilities and net assets	<u>\$ 74,465,728</u>	<u>\$ 1,960,204</u>	<u>\$ 232,050</u>	<u>\$ (221,002)</u>	<u>\$ 76,436,980</u>

Somerset Hospital and Subsidiaries
Consolidating Schedule – Statement of Operations Information
Year Ended June 30, 2014

	Somerset Hospital	Twin Lakes Center	Somerset Anesthesia, Inc.	Consolidated
Unrestricted Revenues, Gains and Other Support				
Patient service revenue (net of contractual discounts and allowances)	\$ 64,909,438	\$ 2,158,739	\$ 2,240,890	\$ 69,309,067
Provision for uncollectible accounts	(2,966,893)	(35,367)	(150,938)	(3,153,198)
Net patient service revenue less provision for uncollectible accounts	61,942,545	2,123,372	2,089,952	66,155,869
Federal, state and county grants	-	780,209	-	780,209
Other	3,088,189	56,500	-	3,144,689
Net assets released from restrictions used for operations	106,689	-	-	106,689
Total unrestricted revenues, gains and other support	65,137,423	2,960,081	2,089,952	70,187,456
Expenses				
Salaries and wages	26,110,177	1,423,868	1,234,949	28,768,994
Employee benefits	5,718,628	444,016	266,568	6,429,212
Physician fees	3,874,018	75,882	1,691,638	5,641,538
Supplies and other	23,431,550	709,344	181,102	24,321,996
Depreciation and amortization	4,419,829	87,378	-	4,507,207
Interest	464,351	-	-	464,351
Total expenses	64,018,553	2,740,488	3,374,257	70,133,298
Operating Income (Loss)	1,118,870	219,593	(1,284,305)	54,158
Other Income				
Contributions	105,100	-	-	105,100
Investment return	791,287	-	-	791,287
Investment return - change in fair value of investments accounted for under the fair value option of Topic 825	100,243	-	-	100,243
Gain on investments in equity investee	196,113	-	-	196,113
Other	792	-	-	792
Total other income	1,193,535	-	-	1,193,535
Excess (Deficiency) of Revenues Over Expenses	2,312,405	219,593	(1,284,305)	1,247,693
Investment return – change in unrealized gains and losses on other than trading securities	2,046,937	-	-	2,046,937
Grants received for acquisition of property and equipment	255,913	-	-	255,913
Net assets released from restriction used for purchase of property and equipment	9,174	-	-	9,174
Change in fair value of interest rate swap agreement	70,785	-	-	70,785
Defined benefit pension costs				
Recognition of net loss	298,203	-	-	298,203
Net loss arising during the year	(175,134)	-	-	(175,134)
Transfers to affiliates	(4,055,711)	-	1,284,305	(2,771,406)
Increase in Unrestricted Net Assets	\$ 762,572	\$ 219,593	\$ -	\$ 982,165

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

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

Somerset Hospital and Subsidiaries
Consolidating Schedule – Statement of Changes in Net Assets Information
Year Ended June 30, 2014

	Somerset Hospital	Twin Lakes Center	Somerset Anesthesia, Inc.	Consolidated
Unrestricted Net Assets				
Excess (deficiency) of revenues over expenses	\$ 2,312,405	\$ 219,593	\$ (1,284,305)	\$ 1,247,693
Investment return – change in unrealized gains and losses on other than trading securities	2,046,937	-	-	2,046,937
Grants received for acquisition of property and equipment	255,913	-	-	255,913
Net assets released from restriction used for purchase of property and equipment	9,174	-	-	9,174
Change in fair value of interest rate swap agreement	70,785	-	-	70,785
Defined benefit pension costs				
Recognition of net loss	298,203	-	-	298,203
Net loss arising during the year	(175,134)	-	-	(175,134)
Transfers to affiliates	(4,055,711)	-	1,284,305	(2,771,406)
	<u>762,572</u>	<u>219,593</u>	<u>-</u>	<u>982,165</u>
Temporarily Restricted Net Assets				
Contributions received	340,855	-	-	340,855
Investment return	5,557	-	-	5,557
Net assets released from restriction	(115,863)	-	-	(115,863)
	<u>230,549</u>	<u>-</u>	<u>-</u>	<u>230,549</u>
Change in Net Assets	993,121	219,593	-	1,212,714
Net Assets, Beginning of Year	<u>32,834,664</u>	<u>1,803,740</u>	<u>-</u>	<u>34,638,404</u>
Net Assets, End of Year	<u>\$ 33,827,785</u>	<u>\$ 2,023,333</u>	<u>\$ -</u>	<u>\$ 35,851,118</u>

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

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