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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

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

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

C Name of organization
PINNACLE HEALTH HOSPITALS

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
409 SOUTH SECOND ST PO BOX 8700

City or town, state or province, country, and ZIP or foreign postal code
HARRISBURG, PA 171058700

D Employer identification number
25-1778644

E Telephone number
(717) 231-8245

G Gross receipts $ 932,010,359

F Name and address of principal officer
WILLIAM H PUGH
409 SOUTH SECOND ST PO BOX 8700
HARRISBURG, PA 171058700

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW PINNACLEHEALTH ORG

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

L Year of formation 1996

M State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
INPATIENT AND OUTPATIENT HEALTHCARE FOR CITIZENS OF THE LOCAL & SURROUNDING COMMUNITIES

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	22
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	17
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	5,052
6	Total number of volunteers (estimate if necessary)	**6**	380
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	5,189,156
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	242,797

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	10,104,993	12,163,127
9	Program service revenue (Part VIII, line 2g)	712,549,245	741,652,505
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	10,203,668	4,331,113
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	898,896	925,463
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	733,756,802	759,072,208
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)	289,037,801	282,825,956
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	339,159,493	381,550,456
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	628,197,294	664,376,412
19	Revenue less expenses Subtract line 18 from line 12	105,559,508	94,695,796

Revenue

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	857,817,222	944,382,251
21	Total liabilities (Part X, line 26)	572,120,699	572,631,197
22	Net assets or fund balances Subtract line 21 from line 20	285,696,523	371,751,054

Net Assets or Fund Balances

Part II Signature Block

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

Sign Here

****** | 2015-05-13
Signature of officer | Date

WILLIAM H PUGH TREASURER/CFO
Type or print name and title

Paid Preparer Use Only

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

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

Firm's address ▶ SUITE 200 221 W PHILADELPHIA STREET
YORK, PA 174012993 | Phone no (717) 846-7000

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

PROVIDING BOTH INPATIENT AND OUTPATIENT HEALTHCARE SERVICES ON A NON-PROFIT BASIS FOR CITIZENS OF THE SURROUNDING COMMUNITY

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 546,845,480 including grants of $) (Revenue $ 740,540,013)

PINNACLE HEALTH HOSPITALS PINNACLE HEALTH HOSPITALS SUBSIDIZES THE COST OF TREATING PATIENTS WHO ARE UNINSURED, UNABLE TO PAY, OR ARE ON GOVERNMENT PROGRAMS WHERE REIMBURSEMENT IS LESS THAN THE COST OF PROVIDING THE SERVICE AS AN ANCHOR INSTITUTION AND A LEADER IN OUR COMMUNITY, OUR ROLE HAS BEEN TO CARE FOR PATIENTS EVEN IN THESE DIFFICULT ECONOMIC TIMES IN KEEPING WITH OUR TRADITION OF CARING FOR ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY, PINNACLE HEALTH HOSPITALS IS A FORCE FOR STABILITY, STRENGTH, AND RELIABILITY FOR THOSE WE SERVE IN ADDITION TO FINANCIAL SUPPORT, OUTREACH TO THE COMMUNITY IS CRUCIAL TO ACHIEVING OUR MISSION THROUGH VOLUNTEERISM AND ENGAGEMENT, WE STRIVE TO BE A FORCE FOR HEALTH AND WELL-BEING WE HELP THE UNDERSERVED, MENTOR STUDENTS, LEND EXPERTISE TO COMMUNITY ORGANIZATIONS, AND EDUCATE THE COMMUNITY ON DISEASE PREVENTION AND MANAGEMENT COMMUNITY HEALTH IMPROVEMENT SERVICESAS ONE OF THE LARGEST PROVIDERS OF HEALTHCARE SERVICES IN THE STATE OF PENNSYLVANIA, PINNACLE HEALTH HOSPITALS OFFERS A VARIETY OF CLINICAL, EDUCATION AND SUPPORT SERVICES FOCUSED ON IMPROVING THE HEALTH OF THE COMMUNITIES WE SERVE COMMUNITY HEALTH EDUCATIONDIABETES EDUCATION FOR DISPARATE POPULATIONS TO PROVIDE CULTURALLY AND ECONOMICALLY APPROPRIATE EDUCATION THAT ENABLES PERSONS WITH DIABETES TO BETTER MANAGE THEIR DISEASE KIDSHAPE 9 WEEK PEDIATRIC WEIGHT MANAGEMENT PROGRAM FOR KIDS AGE 6 - 14 YEARS OLD KIDSHAPE TEACHES THE ENTIRE FAMILY HOW TO EAT MORE NUTRITIOUSLY, MAKE EXERCISE A FUN PART OF THE DAILY ROUTINE, FORM NEW HEALTHY HABITS, AND TO LIKE THEMSELVES, REGARDLESS OF SIZE A TEAM OF HEALTH EXPERTS CONSISTING OF A REGISTERED DIETITIAN, A MENTAL HEALTH PROFESSIONAL, A PHYSICAL ACTIVITY EXPERT, AND A HEALTH EDUCATOR ADMINISTERS THE KIDSHAPE PROGRAM ALL KIDSHAPE PROGRAMS ARE FAMILY-BASED EACH PROGRAM INCORPORATES HANDS-ON ACTIVITIES TO EMPOWER YOUTH AND ADULTS TO EAT HEALTHY, MOVE MORE, AND FEEL GOOD A VARIETY OF CHILDBIRTH EDUCATION PROGRAMS ARE OFFERED FOR NEW AND EXPECTANT PARENTS AND SIBLINGS INCLUDING INFANT CARE CLASSES SUPPORT GROUPS ARE OFFERED FREE OF CHARGE TO HELP PEOPLE UNDERSTAND AND COPE WITH PARTICULAR PROBLEMS OR ILLNESSES THEY INCLUDE DIABETES, BEREAVEMENT, CAREGIVER, TRANSPLANT, AND HEART DISEASE CHILDREN'S HEALTH FAIR, CONFERENCES AND LECTURES PROVIDE INFORMATION ON HEALTHY LIFESTYLES AND HEALTH CAREER SESSIONS, YOUTH HEALTH SCREENINGS, YOUTH OBESITY PREVENTION, CHILD ABUSE AWARENESS/PREVENTION AND LITERACY PROGRAMS FOR CHILDREN COMMUNITY HEALTH FAIRSCOMMUNITY LECTURES ON A VARIETY OF TOPICS, INCLUDING CARDIOVASCULAR HEALTH, AIDS, SPORTS MEDICINE, AND ETHICS TOBACCO CESSATION EDUCATION IN CLINICS HEALTH EDUCATION STORIES IN THE NEWSPAPER, ON TELEVISION, ON RADIO AND IN HOSPITAL NEWSLETTER CLERGY ARE AVAILABLE TO PATIENTS AND FAMILY MEMBERS TWENTY-FOUR HOURS A DAY AS DESCRIBED IN THE HOSPITAL'S MISSION STATEMENT, PINNACLE HEALTH HOSPITALS IS COMMITTED TO PROVIDING COMMUNITY-BASED PROGRAMS AND SERVICES WHICH WILL ENHANCE THE HEALTH STATUS OF THE PEOPLE WE SERVE TOWARD THAT END, PINNACLE HEALTH HOSPITALS PROVIDED THE FOLLOWING WELLNESS AND SCREENING PROGRAMS SCREENINGS CHOLESTEROL SCREENINGSBODY COMPOSITION SCREENINGSPROSTATE SCREENINGSINFANT DEVELOPMENT SCREENINGSSPEECH AND HEARING SCREENINGSDEPRESSION AND ANXIETY SCREENINGSBONE DENSITY SCREENINGSNUTRITION THERAPY EDUCATION PROGRAMSLEAD POISONING SCREENINGS PINNACLE HEALTH CANCER CENTER'S BOARD-CERTIFIED SURGEONS AND MEDICAL ONCOLOGISTS ATTACK ALL TYPES OF CANCER, SUPPORTED BY A TEAM OF PHARMACISTS, SOCIAL WORKERS, REHABILITATION AND PAIN MANAGEMENT SPECIALISTS EACH WITH A UNIQUE AWARENESS OF PATIENT NEEDS HEART FAILURE CENTER WAS DEVELOPED IN AN EFFORT TO PROVIDE PATIENTS SUFFERING FROM HEART FAILURE AN ALTERNATIVE TO FREQUENT HOSPITALIZATIONS OUR TEAM OF EXPERIENCED HEALTHCARE PROFESSIONALS ASSISTS YOU IN LEARNING THE SKILLS NEEDED TO HELP SELF-MANAGE YOUR CHRONIC ILLNESS THE PINNACLE HEALTH WOUND AND HYPERBARIC CENTER WITH HYPERBARIC OXYGEN THERAPY CAPABILITIES IS DEVOTED TO THE TREATMENT, REHABILITATION AND PREVENTION OF CHRONIC WOUNDS OUR CARING TEAM OF SPECIALTY PHYSICIANS, NURSES, PHYSICAL THERAPISTS AND NUTRITIONISTS CAN HELP ACCELERATE PATIENTS' HEALING, DECREASE DISCOMFORT, REDUCE COMPLICATIONS AND DECREASE RE-OCCURRENCE SPINE INSTITUTE COMBINES THE EXPERTISE OF NEUROSURGEONS, ORTHOPEDIC SURGEONS, PSYCHIATRISTS, NEUROLOGISTS, PAIN MANAGEMENT SPECIALISTS, NURSES, IMAGING SERVICES AND REHABILITATION SERVICES TO TARGET EVERY PATIENT'S PARTICULAR PROBLEM AND PROVIDE OPTIMAL TREATMENT BUS PASSES OR TAXI FEES ARE PROVIDED TO PATIENTS AND FAMILIES MEETING THE ORGANIZATION'S FINANCIAL ASSISTANCE GUIDELINES TO ENHANCE PATIENT ACCESS TO CARE RESIDENT PHYSICIAN TRAINING PROGRAMS FOR ORTHOPEDIC SURGERY, INTERNAL MEDICINE, GENERAL SURGERY, PODIATRY, AND FAMILY PRACTICE FELLOWSHIP PROGRAMS FOR TOXICOLOGY, SPORTS MEDICINE, AND MATERNAL FETAL MEDICINE CLINICAL SITE FOR MEDICAL STUDENTSCLINICAL SITE FOR NURSING STUDENTSCLINICAL SITE FOR DIETITIANSCLINICAL SITE FOR EMERGENCY MEDICAL PERSONNELCLINICAL SITE FOR PARAMEDIC STUDENTSCLINICAL SITE FOR RESPIRATORY THERAPY STUDENTSCLINICAL SITE FOR RADIOLOGY STUDENTS INTERNSHIPS FOR MEDICAL ASSISTANTS, SPEECH AND HEARING, PT/OT AND OTHER ALLIED HEALTH PROFESSIONAL TRAINING SUPERVISION FOR PSYCHOLOGY STUDENTSCONTINUING EDUCATION FOR NURSES AND PHYSICIAN OFFICE STAFF AND FOR LOCAL COMMUNITY PROFESSIONALS SUCH AS SCHOOL NURSES AUXILIARY ERNEST R MCDOWELL SCHOLARSHIP PROGRAMEQUIPMENT DONATIONSUNITED WAY FUNDRAISINGBAILEY HOUSE IS OUR HOME AWAY FROM HOME IT PROVIDES FREE OVERNIGHT LODGING AND A COMFORTABLE, SUPPORTIVE, AND NURTURING ENVIRONMENT FOR FAMILIES FROM OUTSIDE THE HARRISBURG AREA NURSE/FAMILY PARTNERSHIP PROGRAM WAS IMPLEMENTED BASED ON VERY HIGH TEEN BIRTH RATES AND A HIGH INCIDENCE OF WOMEN NOT RECEIVING PRENATAL CARE DURING THE FIRST TRIMESTER THIS IS A NATIONALLY RENOWNED, EVIDENCE-BASED, NURSE HOME VISITATION PROGRAM THAT IMPROVES THE HEALTH, WELL-BEING AND SELF SUFFICIENCY OF LOW INCOME, FIRST TIME PARENTS AND THEIR CHILDREN CHILDREN'S RESOURCE CENTER(CRC) PROVIDES CARE AND COORDINATION TO CHILDREN SUSPECTED OF BEING ABUSED AND ENGAGES MULTIPLE DISCIPLINES TO DIAGNOSE, EVALUATE AND TREAT CHILDREN WHO ARE VICTIMS OF SEXUAL ABUSE

4b (Code) (Expenses $ 14,906,267 including grants of $ 0) (Revenue $ 1,112,492)

PINNACLE HEALTH EMERGENCY DEPARTMENT SERVICESPINNACLE HEALTH EMERGENCY DEPARTMENT SERVICES (PHEDS) IS A TAX EXEMPT, NON-PROFIT CORPORATION ENGAGED IN PROVIDING PROFESSIONAL SERVICES IN THE PINNACLE HEALTH EMERGENCY DEPARTMENT EMERGENCY SERVICESTWENTY-FOUR HOUR MEDICAL EMERGENCY SERVICE IS PROVIDED IN THREE EMERGENCY DEPARTMENTS, (HARRISBURG HOSPITAL, COMMUNITY GENERAL HOSPITAL, AND WEST SHORE HOSPITAL) STAFFED BY PHYSICIANS AND NURSES SPECIALIZING IN EMERGENCY MEDICINE AND SUPPORT PERSONNEL SERVICES ARE OPEN TO ALL PERSONS WITHOUT REGARD TO AGE, SEX, RACE, RELIGION, NATIONAL ORIGIN, HANDICAP OR ABILITY TO PAY MEDICAL COVERAGE IS GIVEN FOR COMMUNITY SPORTING EVENTS CPR TRAINING PROGRAMS ARE OFFERED TO COMMUNITY GROUPS AND ORGANIZATIONS TWENTY-FOUR HOUR EMERGENCY MEDICAL COMMAND IS PROVIDED FOR THE TRI-COUNTY AREA DURING FISCAL YEAR 2014, PINNACLE HEALTH HOSPITALS TREATED 120,840 PATIENTS IN ITS THREE EMERGENCY DEPARTMENTS THIS WAS AN INCREASE OF 1% OVER THE PRIOR YEAR WHICH IS ATTRIBUTED TO THE OPENING OF THE EMERGENCY ROOM AT THE NEW WEST SHORE HSOPITAL LATE IN THE FISCAL YEAR

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** ▶ 561,751,747

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	0		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	5,052		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)		2b	Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O*		3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O		13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*		14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	22		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	17		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

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

Section C. Disclosure

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

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

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

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

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

▶ WILLIAM H PUGH CFO 409 SOUTH SECOND ST
HARRISBURG, PA 171048700 (717) 231-8245

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b **Sub-Total** ▶										
c **Total from continuation sheets to Part VII, Section A** ▶										
d **Total (add lines 1b and 1c)** ▶								2,059,362	4,545,030	438,329

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 214

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
SODEXO PO BOX 905374 CHARLOTTE NC 28290	FOOD SERVICES	18,072,788
SIEMENS MEDICAL SOLUTIONS USA INC PO BOX 640401 PITTSBURGH PA 15264	SOFTWARE SUPPORT SVCS	16,831,311
XTEND HEALTHCARE 500 WEST MAIN ST HENDESONVILLE TN 37075	OUTSOURCED BILLING SERVICE	2,366,231
CPTA INC 205 SOUTH FRONT STREET HARRISBURG PA 17104	TRANSPLANT SERVICES	2,141,877
MILTON HERSHEY MEDICAL CENTER 500 UNIVERSITY DR HERSHEY PA 17033	MEDICAL SERVICES	2,117,662

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 49

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a 38,692				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d 313,310				
	e	Government grants (contributions)	1e 4,486,563				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 7,324,562				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f	▶	12,163,127			
Program Service Revenue			Business Code				
	2a	PATIENT REVENUE, NET	621500	738,187,056	732,997,900	5,189,156	
	b	CONTRACTED MEDICAL SERVICES	621990	2,247,659	2,247,659		
	c	MEDICAL EDUCATION	900099	401,923	401,923		
	d	MANAGEMENT & SUPPORT	900099	396,657	396,657		
	e	COMMUNITY PROGRAM INCOME	900099	165,640	165,640		
	f	All other program service revenue		253,570	253,570		
	g	**Total.** Add lines 2a–2f	▶	741,652,505			
	3	Investment income (including dividends, interest, and other similar amounts)	▶	2,308,139			2,308,139
	4	Income from investment of tax-exempt bond proceeds	▶				
	5	Royalties	▶				
			(i) Real / (ii) Personal				
	6a	Gross rents	8,113,088				
	b	Less rental expenses	10,825,405				
	c	Rental income or (loss)	-2,712,317				
	d	Net rental income or (loss)	▶	-2,712,317			-2,712,317
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	163,438,894 / 696,826				
	b	Less cost or other basis and sales expenses	160,226,610 / 1,886,136				
	c	Gain or (loss)	3,212,284 / -1,189,310				
	d	Net gain or (loss)	▶	2,022,974			2,022,974
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events	▶				
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities	▶				
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory	▶				
		Miscellaneous Revenue	Business Code				
	11a	HITECH REPORTING INCENTIVES	900099	2,064,884			2,064,884
	b	VENDOR REBATE INCOME	900099	997,146			997,146
	c	CAFETERIA SALES	900099	241,540			241,540
	d	All other revenue		334,210			334,210
	e	**Total.** Add lines 11a–11d	▶	3,637,780			
	12	**Total revenue.** See Instructions	▶	759,072,208	736,463,349	5,189,156	5,256,576

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				
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	237,775,777	212,930,815	24,844,962	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	10,035,790	8,987,160	1,048,630	
9 Other employee benefits	18,595,759	16,652,706	1,943,053	
10 Payroll taxes	16,418,630	14,703,063	1,715,567	
11 Fees for services (non-employees)				
a Management	70,100,018	31,541,965	38,558,053	
b Legal	285,765	145,740	140,025	
c Accounting	53,492	52,957	535	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees	23,053		23,053	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	75,857,062	59,557,394	16,299,668	
12 Advertising and promotion	171,424	137,618	33,806	
13 Office expenses	6,597,730	6,326,351	271,379	
14 Information technology	8,312,991	6,011,950	2,301,041	
15 Royalties . .				
16 Occupancy	39,944,126	31,131,906	8,812,220	
17 Travel	380,307	264,049	116,258	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	1,116,386	967,772	148,614	
20 Interest	13,778,195	11,808,849	1,969,346	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	45,893,323	42,021,415	3,871,908	
23 Insurance	13,338	9,859	3,479	
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	117,648,891	117,617,360	31,531	
b TEMP RESTRICTED DONATI	823,422	411,711	411,711	
c DUES AND SUBSCRIPTIONS	277,946	243,515	34,431	
d SAFETY COMPLIANCE	14,980	13,482	1,498	
e All other expenses	258,007	214,110	43,897	
25 **Total functional expenses.** Add lines 1 through 24e	664,376,412	561,751,747	102,624,665	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		5,134	1	2,813
	2	Savings and temporary cash investments		1,043,778	2	1,043,071
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		85,037,195	4	119,798,012
	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	0
	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		2,390,946	7	2,094,498
	8	Inventories for sale or use		11,425,874	8	13,949,746
	9	Prepaid expenses and deferred charges		10,525,395	9	8,899,715
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 967,473,410			
	b	Less accumulated depreciation	10b 475,756,139	376,177,753	10c	491,717,271
	11	Investments—publicly traded securities		326,855,888	11	246,040,102
	12	Investments—other securities See Part IV, line 11		12,289,138	12	11,638,664
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		1,853,669	14	327,069
	15	Other assets See Part IV, line 11		30,212,452	15	48,871,290
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		857,817,222	16	944,382,251
Liabilities	17	Accounts payable and accrued expenses		143,120,451	17	143,915,525
	18	Grants payable			18	
	19	Deferred revenue		21,823	19	43,743
	20	Tax-exempt bond liabilities		404,515,661	20	398,972,228
	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		13,075,340	23	18,731,965
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		11,387,424	25	10,967,736
	26	**Total liabilities.** Add lines 17 through 25		572,120,699	26	572,631,197
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		253,919,159	27	329,947,539
	28	Temporarily restricted net assets		12,153,612	28	20,505,311
	29	Permanently restricted net assets		19,623,752	29	21,298,204
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		285,696,523	33	371,751,054
	34	Total liabilities and net assets/fund balances		857,817,222	34	944,382,251

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	759,072,208
2	Total expenses (must equal Part IX, column (A), line 25)	2	664,376,412
3	Revenue less expenses Subtract line 2 from line 1	3	94,695,796
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	285,696,523
5	Net unrealized gains (losses) on investments	5	12,632,077
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	-21,273,342
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	371,751,054

Part XII Financial Statements and Reporting

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

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

Additional Data

Software ID:
Software Version:
EIN: 25-1778644
Name: PINNACLE HEALTH HOSPITALS

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			
ROBERT L LYON DIRECTOR (RESIGNED MAY 2013)	60 60	X						0	0	0
GEORGE F GRODE CHAIRMAN	90 90	X		X				0	0	0
FELIX GUTIERREZ MD DIRECTOR	30 39 70	X						0	514,313	53,622
M RICHARD KLEIMAN DIRECTOR	30 30	X						0	0	0
DEBORAH S MILLER DIRECTOR	60 60	X						0	0	0
CLARENCE E ASBURY VICE-CHAIR	80 80	X		X				0	0	0
DENNIS WALSH DIRECTOR	40 40	X						0	0	0
BONY R DAWOOD DIRECTOR	70 70	X						0	0	0
STEVEN C KUSIC DIRECTOR	80 80	X						0	0	0
KENNETH OKEN MD DIRECTOR	70 70	X						0	75,000	0
MICHAEL L FERNANDEZ MD DIRECTOR	20 20	X						0	0	0
JOHN C HICKEY DIRECTOR	60 60	X						0	0	0
CAROLYN KREAMER PHD DIRECTOR	50 30	X						0	0	0
MICHAEL A YOUNG PRESIDENT/CEO	11 30 28 70	X		X				0	1,238,747	25,574
JOHN CAVANAUGH PHD DIRECTOR	30 30	X						0	0	0
KEVIN KELLY MD DIRECTOR	60 39 40	X						0	241,289	22,795
ROGER LEVIN MD DIRECTOR	70 70	X						0	0	0
TINA NIXON DIRECTOR	30 30	X						0	0	0
CYNTHIA TOLSMA DIRECTOR	80 1 10	X						0	0	0
E GERALD WOODWARD MD DIRECTOR	30 30	X						0	0	0
BARRY KAIN DIRECTOR	10 30	X						0	0	0
DANIEL KAMBIC DIRECTOR	30 30	X						0	110,008	25,739
MICHAEL MURCHIE DIRECTOR	50 50	X						0	0	0
CHRISTOPHER P MARKLEY ESQ SEC'Y/SR VP STAT SVCC/GEN COUNSEL	20 00 20 00			X				0	476,014	29,949
WILLIAM H PUGH TREASURER/SR VP CORP FIN/CFO	24 40 15 60			X				0	749,963	23,090

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			
NANCY HAMMONDS ASST TREASURER/CFO	29 60 10 40			X				0	226,790	40,988
PHILIP GUARNESCHELLI SR VICE PRESIDENT/COO	24 00 16 00			X				0	758,047	34,618
JOHN DELORENZO ASSISTANT SECRETARY	26 00 14 00			X				0	154,859	17,869
EDWARD HILDREW ED PHYSICIAN	40 00					X		330,138	0	43,136
FRANK DITRAGLIA ED PHYSICIAN	40 00					X		454,200	0	5,100
R SCOTT RANKIN ED PHYSICIAN	40 00					X		480,091	0	27,800
HARRY MATTA ER PHYSICIAN	40 00					X		425,988	0	54,300
JED SPRUCE SEITZINGER ER PHYSICIAN	40 00					X		368,945	0	33,749

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f)) **14**

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

16a **33 1/3% support test—2013.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2012.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2013.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

19a **33 1/3% support tests—2013.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2012.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

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

Facts And Circumstances Test		
Return Reference	Explanation	

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		12,711,254		12,711,254
b Buildings		578,666,164	272,337,579	306,328,585
c Leasehold improvements		15,292,048	9,776,941	5,515,107
d Equipment		295,881,868	175,579,579	120,302,289
e Other		64,922,076	18,062,040	46,860,036
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				491,717,271

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

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

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

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

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

(a) Description	(b) Book value
(1) DUE FROM RELATED PARTIES	3,083,722
(2) DEFERRED FINANCING COSTS (NET)	3,984,053
(3) PERM RESTRICTED ASSETS HELD BY PINNACLE HEALTH FOUNDATION	21,298,204
(4) TEMP RESTRICTED ASSETS HELD BY PINNACLE HEALTH FOUNDATION	20,505,311
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	48,871,290

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
ADVANCES FROM THIRD-PARTY PAYORS	3,809,400
DUE TO THIRD PARTY PAYORS	1,636,772
ACCRUED LONG-TERM SWAP CONTRACT	5,521,564
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	10,967,736

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

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

1	Total revenue, gains, and other support per audited financial statements			1	761,233,295
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	12,632,077		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-21,273,342		
e	Add lines **2a** through **2d**			2e	-8,641,265
3	Subtract line **2e** from line **1**			3	769,874,560
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	23,053		
b	Other (Describe in Part XIII)	4b	-10,825,405		
c	Add lines **4a** and **4b**			4c	-10,802,352
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	759,072,208

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	675,178,764
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	10,825,405		
e	Add lines **2a** through **2d**			2e	10,825,405
3	Subtract line **2e** from line **1**			3	664,353,359
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	23,053		
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	23,053
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	664,376,412

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 X, LINE 2	THE PINNACLE HEALTH SYSTEM EVALUATES UNCERTAIN TAX POSITIONS USING A TWO-STEP APPROACH FOR RECOGNIZING AND MEASURING TAX BENEFITS TAKEN OR EXPECTED TO BE TAKEN IN AN UNRELATED BUSINESS ACTIVITY TAX RETURN AND DISCLOSURES REGARDING UNCERTAINTIES IN TAX POSITIONS NO ADJUSTMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS WERE REQUIRED AS A RESULT OF THIS EVALUATION
PART XI, LINE 2D - OTHER ADJUSTMENTS	FINANCING FRAMEWORK TRANSFERS -22,503,724 CHANGE IN ADDITIONAL PENSION LIABILITY 43,913,212 INTERCOMPANY TRANSFERS - TEMP RESTRICTED 2,230,340 PENSION SETTLEMENT LOSS -44,913,170
PART XI, LINE 4B - OTHER ADJUSTMENTS	RENTAL EXPENSES SHOWN NET OF RENTAL INCOME -10,825,405
PART XII, LINE 2D - OTHER ADJUSTMENTS	RENTAL EXPENSES SHOWN NET OF RENTAL INCOME 10,825,405

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			10,100,248		10,100,248	1 520 %
b Medicaid (from Worksheet 3, column a)			72,079,968	52,032,671	20,047,297	3 020 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			82,180,216	52,032,671	30,147,545	4 540 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			4,005,936		4,005,936	0 600 %
f Health professions education (from Worksheet 5)			8,514,356		8,514,356	1 280 %
g Subsidized health services (from Worksheet 6)			146,220		146,220	0 020 %
h Research (from Worksheet 7)			0			
i Cash and in-kind contributions for community benefit (from Worksheet 8)			3,906,385		3,906,385	0 590 %
j **Total.** Other Benefits			16,572,897		16,572,897	2 490 %
k **Total.** Add lines 7d and 7j			98,753,113	52,032,671	46,720,442	7 030 %

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		11,470	119,561		119,561	0 020 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building		2,500	21,749		21,749	0 %
7	Community health improvement advocacy		3,500	137,898		137,898	0 020 %
8	Workforce development		127	2,066		2,066	0 %
9	Other						
10	**Total**		17,597	281,274		281,274	0 040 %

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	19,804,211		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	6,475,463		
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	132,805,913
6	Enter Medicare allowable costs of care relating to payments on line 5	6	130,474,926
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	2,330,987

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

☑ Cost accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

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

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1	1 WEST SHORE SURGERY CENTER LTD	SURGICAL CARE - MEDICAL SERVICES	49 000 %	0 %	49 000 %
2	2 SUSQUEHANNA VALLEY SURGERY CENTER	SURGICAL CARE - MEDICAL SERVICES	50 000 %	0 %	50 000 %
3	3 WALNUT BOTTOM RADIOLOGY LLC	OUTPATIENT IMAGING SERVICES	50 000 %	0 %	50 000 %
4	4 RIVER HEALTH ACO	SURGICAL CARE - MEDICAL SERVICES	70 000 %	0 %	30 000 %
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?
3

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

	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
See Additional Data Table										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group PINNACLE HEALTH HOSPITALS - HARRISBURG

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

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

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 250 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☑ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

Part V Facility Information *(continued)*

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

- **a** ☑ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- **d** ☑ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group PINNACLE HEALTH HOSPITALS - CGOH

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) 2

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

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 250 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☑ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

Part V Facility Information *(continued)*

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

- **a** ☑ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- **d** ☑ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section 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)

PINNACLE HEALTH HOSPITALS - WEST SHORE

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) 3

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

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 250 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☑ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

Part V Facility Information *(continued)*

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

- **a** ☑ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- **d** ☑ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

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

Form and Line Reference	Explanation
See Additional Data Table	

Part V Facility Information *(continued)*

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

How many non-hospital health care facilities did the organization operate during the tax year? 7

	Name and address	Type of Facility (describe)
1	HORIZON HEALTH CARE SERVICES LLP 607 N DUKE STREET LANCASTER,PA 17602	IN-HOME DRUG INFUSION THERAPY
2	PINNACLE HEALTH EMERGENCY DEPARTMENT SER 111 SOUTH FRONT STREET HARRISBURG,PA 17101	EMERGENCY MEDICAL SERVICES
3	SUSQUEHANNA VALLEY SURGERY CENTER LLC 4310 LONDONDERRY ROAD SUITE 1 HARRISBURG,PA 17109	SURGICAL CARE - MEDICAL SERVICES
4	WEST SHORE SURGERY CENTER LTD 2015 TECHNOLOGY PARKWAY MECHANICSBURG,PA 17050	SURGICAL CARE - MEDICAL SERVICES
5	CONCENTRA OCCUPATIONAL HEALTHCARE HARRIS 495 OLD CONNECTICUT PATH SUITE 220 FRAMINGHAM,MA 01701	URGENT CARE CENTER - MEDICAL SERVICES
6	WALNUT BOTTOM RADIOLOGY LLC 850 WALNUT BOTTOM ROAD CARLISLE,PA 17013	OUTPATIENT RADIOLOGY AND IMAGING SERVICES
7	VNA COMMUNITY CARE SERVICES 1811 OLDE HOMESTEAD LANE PO BOX 10788 LANCASTER,PA 17604	HOME HEALTH CARE PROVIDER
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 6A	THE COMMUNITY BENEFIT REPORT IS PREPARED BY PINNACLE HEALTH SYSTEM, THE PARENT ORGANIZATION

Form and Line Reference	Explanation
PART I, LINE 7	THE COSTS OF CHARITY CARE AND UNREIMBURSED MEDICAID COSTS ARE CALCULATED BY THE HOSPITAL'S COST ACCOUNTING SYSTEM FOR EACH OF THE INDIVIDUAL SERVICES PROVIDED TO THE PATIENT IT UTILIZES HOSPITAL EXPENSES FROM THE GENERAL LEDGER AND REVENUE DETAILS FROM THE PATIENT ACCOUNTING SYSTEM EACH DEPARTMENT WITHIN THE HOSPITAL IS CLASSIFIED AS EITHER INDIRECT (OVERHEAD) OR DIRECT (PATIENT CARE AREAS) EXPENSES ARE CLASSIFIED AS FIXED OR VARIABLE AS THEY RELATE TO PATIENT VOLUME LOGICAL STATISTICS ARE USED TO ALLOCATE OVERHEAD EXPENSES TO THE PATIENT CARE DEPARTMENTS USING EITHER A RATIO OF COST-TO-CHARGE OR RVUS (RELATIVE VALUE UNITS), THE DIRECT AND INDIRECT COSTS FOR EACH DEPARTMENT ARE ALLOCATED TO THE SERVICES THEY PROVIDE

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	BAD DEBT EXPENSE OF $41,970,682 IS INCLUDED IN NET PATIENT REVENUE ON FORM 990, PART VIII LINE 2A, AND THEREFORE IS NOT INCLUDED FOR THE PURPOSES OF CALCULATING THE APPLICABLE EXPENSE PERCENTAGES OF SCHEDULE H

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	WITH A FOCUS ON PROVIDING LEADERSHIP IN IMPROVING THE OVERALL HEALTH OF OUR COMMUNITY, PIN NACLE HEALTH HOSPITALS VALUES RELATIONSHIPS WITH COMMUNITY PARTNERS AND THE ASSETS THEY BR ING TO ANY COLLABORATIVE EFFORTS PINNACLE HEALTH HOSPITALS HELPED CREATE THE DAUPHIN COUN TY HEALTH IMPROVEMENT PARTNERSHIP (DCHIP) COMPRISED OF REGIONAL HEALTH AND HUMAN SERVICE P ROVIDERS, PAYORS, COUNTY GOVERNMENT, BUSINESSES AND EDUCATION PHH HAS WORKED COLLABORATIV ELY WITH PHYSICIANS AND HEALTH AND HUMAN SERVICE ORGANIZATIONS FOR MANY YEARS TO MAXIMIZE COMMUNITY CAPACITY, PROVIDE NECESSARY SERVICES TO THE COMMUNITY AND REDUCE DUPLICATION OF SERVICES PHH SERVES IN A CONVENING ROLE TO STRENGTHEN COMMUNITY ASSETS THROUGH REFERRAL N ETWORKS AND PARTNERSHIPS, SUCH INITIATIVES INCLUDE THE PHARMACY VOUCHER PROGRAM WITH THE H ARRISBURG PHARMACY AND WITH THE LOCAL SCHOOL SYSTEM TO PROMOTE HEALTH AWARENESS AND PHYSIC AL ACTIVITY AMONG CHILDREN THE PROGRAM INCLUDES A PREMIUM SYSTEM TO ENCOURAGE STUDENTS TO ADOPT AND MAINTAIN A HEALTHIER LIFESTYLE AND OFFERS OPPORTUNITIES FOR FAMILIES TO PARTICI PATE IN CLASSES TOGETHER TO LEARN ABOUT HEALTHY COOKING AND PHYSICAL ACTIVITY BASED ON ID ENTIFIED COMMUNITY NEEDS AND VULNERABLE POPULATIONS, CONTINUOUS AND FREE PUBLIC PROGRAMS A RE TARGETED AT VARIOUS LOCATIONS THROUGHOUT THE COMMUNITY AND INTO AREAS OF LIMITED ACCESS TO SPECIALTY SERVICES THESE PROGRAMS ARE INTENDED TO INFORM AND CHANGE THE HEALTH HABITS OF PARTICIPANTS THROUGH SUCH TOPIC AREAS AS DIABETES, HEART DISEASE, SEXUALLY TRANSMITTED DISEASE PREVENTION, CANCER, ACCESSING HEALTHCARE, BEHAVIORAL HEALTH, SMOKING CESSATION AN D NUTRITION EXAMPLES OF PINNACLEHEALTH'S LEADERSHIP IN BUILDING COMMUNITY CAPACITY ARE FA ITH COMMUNITY HEALTH CONNECTION (FCHC) - FORMERLY KNOWN AS CONGREGATIONAL HEALTH NETWORK O R CHNPINNACLEHEALTH SYSTEM KNOWS THAT 70% OF OUR PATIENTS BELONG TO A CONGREGATION IN CENT RAL PENNSYLVANIA THE FCHC IS A PARTNERSHIP BETWEEN CONGREGATIONS, THE HEALTHCARE SYSTEM A ND THE COMMUNITY BY NETWORKING WITH THESE SPIRITUAL LEADERS AS PARTNERS, IN FY2014 THE FC HC WORKED TO IMPROVE THE HEALTH OF ALL IN OUR REGION IN FY2014, THE PINNACLEHEALTH'S BILI NGUAL OUTREACH COORDINATOR GAVE SPECIAL FOCUS TO THE LATINO CONGREGATIONS AND ENGAGED MORE THAN 25 LATINO SPIRITUAL LEADERS AS MEMBERS OF A CONGREGATION, AND AS MEMBERS OF THE FCH C, INDIVIDUALS HAVE ACCESS TO A WEALTH OF SUPPORT ON ISSUES SUCH AS PREVENTIVE MEDICINE AN D FOLLOW-UP CARE THE FCHC WORKS WITH CONGREGATIONS TO EDUCATE AND PROVIDE A SUPPORTIVE NE TWORK TO HELP INDIVIDUAL MEMBERS NAVIGATE THE HEALTH SYSTEM TRAINED LEADERS AT LOCAL CONG REGATIONS AND AT PINNACLEHEALTH SYSTEM CAN HELP - PROVIDE ACCESS TO QUALITY HEALTH CARE AN D HELP GUIDE INDIVIDUALS THROUGH THE HEALTHCARE SYSTEM - PROVIDE ADVOCACY TO EMPOWER CONGR EGANTS IN HEALTHCARE DECISION MAKING - CONNECT FAITH COMMUNITIES TO A NETWORK OF SUPPORT F OLLOWING ILLNESS, INJURY, AND HOSPITALIZATION - CONNECT PEOPLE WITH EDUCATION AND SERVICES THAT WILL ENABLE THEM TO MAINTAIN OPTIMAL LEVELS OF HEALTH AND WELLBEING KEYSTONE COMMUNI TY CARE CONTINUUM (KCCC) SINCE 2009, PINNACLEHEALTH HAS COLLABORATED WITH FIVE COMMUNITY C LINICS TO IMPROVE ACCESS TO AND INTEGRATION OF CARE FOR OUR REGION'S NEEDIEST POPULATIONS THIS INNOVATIVE PROGRAM REQUIRES THE COLLABORATION AND COOPERATION OF NUMEROUS ENTITIES B OTH INTERNAL AND EXTERNAL TO PINNACLEHEALTH TO ESTABLISH THE INFRASTRUCTURE TO SUPPORT THE IMPLEMENTATION OF PINNACLEHEALTH'S HEALTH INFORMATION EXCHANGE (HIE) TO COMMUNICATE CARE, DIAGNOSTIC NEEDS AND RESULTS AMONG THE CONTINUUM OF HEALTHCARE PROVIDERS TO DATE, THE CON TINUUM PROJECT DISBURSED OVER $100,000 IN FREE CARE FUNDS TO COVER THE COST OF DIAGNOSTIC SERVICES TO PATIENTS AT THE HOPE WITHIN CLINIC, BETHESDA MISSION, AND THE COMMUNITY CHECK UP CENTER BASED ON THE ANALYSIS TO DATE AND PINNACLEHEALTH SYSTEM GOALS, THE FOLLOWING OU TCOMES HAVE BEEN ESTABLISHED FOR THE KCCC PROJECT - DECREASE READMISSIONS WITHIN THIRTY DA YS FOR COMMUNITY HEALTH CENTER PATIENTS FROM 23% TO 18% IN EIGHTEEN MONTHS - DECREASE PERC ENT OF COMMUNITY HEALTH CENTER PATIENTS WITH ACUITY LEVELS OF 4 OR 5 IN THE ED FROM 55% TO 38% IN EIGHTEEN MONTHS THIS TRANSFORMATION FROM A TRADITIONAL INPATIENT BASED HEALTH CAR E MODEL TO A COLLABORATIVE, PATIENT-CENTERED MEDICAL HOME MODEL FACILITATES A PARTNERSHIP BETWEEN INDIVIDUAL PATIENTS, PHYSICIANS, CLINICS AND THE COMMUNITY-BASED PATIENT SUPPORT S YSTEM PATIENT CARE IS FACILITATED BY THE COMMUNITY HEALTH NAVIGATION TEAM USING RELATIONS HIPS WITH COMMUNITY BASED ORGANIZATIONS, AND A HEALTH INFORMATION EXCHANGE TO ASSURE THAT PATIENTS GET THE INDICATED CARE WHEN AND WHERE THEY NEED AND WANT IT IN A CULTURALLY AND L INGUISTICALLY APPROPRIATE MANNER AS A TRUSTED PLACE FOR OUR COMMUNITY TO GO FOR ACCESS TO PUBLIC HEALTH SERVICES AND INFORMATION, THE PHH AND ITS STAFF OF PROFESSIONALS MEET THE NE EDS OF A DIVERSE POPULATION WITH CULTURAL AWARENESS AND SENSITIVITY THE CHILDREN'S RESOUR CE CENTER (CRC) PARTNERS WITH LAW ENFORCEMENT, DIS

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	TRICT ATTORNEY OFFICES, SOCIAL SERVICES, PSYCHOLOGICAL SUPPORT SERVICES, CRISIS INTERVENTI ON, AND CHILD PROTECTION SERVICES TO PROVIDE EFFICIENT, QUALITY CARE IN A SAFE, CHILD-FRIE NDLY ENVIRONMENT FOR CHILDREN SUSPECTED OF HAVING BEEN ABUSED OR NEGLECTED THROUGH ONGOIN G TRAINING AND EDUCATION IN THE COMMUNITY, THE CRC HAS SEEN AN INCREASE IN PARTICIPATION W ITH PARTNER AGENCIES IN AN EVER-WIDENING GEOGRAPHIC SERVICE AREA IN FISCAL YEAR 2014, 845 CHILDREN WERE SERVED ACROSS 25 COUNTIES IN THE CENTRAL PENNSYLVANIA REGION WE SERVED APP ROXIMATELY 1,200 NON-OFFENDING CAREGIVERS OUR MAIN SERVICE AREAS ARE DAUPHIN, CUMBERLAND, PERRY, LEBANON, SCHUYLKILL, MIFFLIN, AND JUNIATA COUNTIES LEAD AND HEALTHY HOMES PROGRAM (LHHP)THE LHHP SEEKS TO CREATE SAFE AND HEALTHY HOUSING BY ADDRESSING ENVIRONMENTAL HEALTH AND SAFETY ISSUES IN HOMES WHEN HAZARDS ARE PRESENT IN A HOME, THEY CAN AFFECT THE HEALT H OF THE OCCUPANTS, PARTICULARLY THOSE MOST VULNERABLE SUCH AS CHILDREN AND SENIORS THE P URPOSE OF THE LHHP IS TO REDUCE HOSPITALIZATIONS, INJURIES, ILLNESSES, OR DEATHS FROM PREV ENTABLE HOME HEALTH OR SAFETY RISKS RESOURCE EDUCATION AND COMPREHENSIVE CARE FOR HIV (REA CCH)PINNACLEHEALTH SERVES THE HIV/AIDS POPULATION THROUGH THE RESOURCES, EDUCATION, AND CO MPREHENSIVE CARE FOR HIV (REACCH) CLINIC THE PROGRAM SERVES APPROXIMATELY 450 PATIENTS, P RIMARILY IN THE DAUPHIN, CUMBERLAND, OR PERRY COUNTIES REACCH HAS A HISTORY OF WORKING WI TH ETHNICALLY DIVERSE PATIENTS IN 2014, PATIENTS SELF-IDENTIFIED AS 43% AFRICAN AMERICAN, 43% CAUCASIAN/NON-HISPANIC, 11% HISPANIC, AND 3% MULTI-RACIAL OR OTHER REACCH ALSO SERVE S AN ECONOMICALLY DIVERSE POPULATION 41% WERE COVERED BY MEDICAID OR MEDICARE AND 11% WER E UNINSURED IN ORDER TO SERVE AS A COMPREHENSIVE MEDICAL CARE PROGRAM FOR ALL PEOPLE LIVI NG WITH HIV/AIDS WITHIN THE SOUTH CENTRAL PENNSYLVANIA REGION, REACCH SEEKS TO REMOVE SOCI AL AND ECONOMIC BARRIERS TO CARE IN 2013 AND 2014 REACCH TESTED HIGH-RISK POPULATIONS IN DAUPHIN COUNTY IN RESPONSE TO THE COUNTY'S HIGH HIV ANNUAL DIAGNOSIS RATE (THIRD ONLY IN T HE STATE TO PHILADELPHIA AND DELAWARE COUNTIES) AND TO THE NEED FOR ROUTINE SCREENING FOR AT-RISK POPULATIONS WHO HAVE NO PRIMARY CARE PROVIDER OR INSURANCE IN 2013 REACCH STARTED A MEDICAL CASE MANAGEMENT PROGRAM TO COACH CLIENTS IN GOAL-SETTING AND FACILITATE INSURAN CE AND CHARITY CARE APPLICATIONS IN LATE 2014, 89% OF REACCH CLIENTS HAD AN UNDETECTABLE AMOUNT OF HIV IN THEIR BLOOD, WHICH FACILITATES HEALTH AND LONGEVITY AND REDUCES THE RISK OF HIV TRANSMISSION

Form and Line Reference	Explanation
PART III, LINE 4	THE FINANCIAL STATEMENTS DO NOT HAVE A SPECIFIC NOTE ON BAD DEBT EXPENSE, RATHER THE FINANCIAL STATEMENTS EVALUATE BAD DEBTS BASED ON ITS ALLOWANCE FOR DOUBTFUL ACCOUNTS THE FOOTNOTE RELATED TO THE ALLOWANCE IS SUMMARIZED AS FOLLOWS "PATIENT RECEIVABLES ARE RECORDED AT THEIR ESTIMATED NET REALIZABLE VALUE THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IS ESTIMATED BASED UPON HISTORICAL COLLECTION RATES "THE BAD DEBT EXPENSE ON FORM 990, PART III, LINE 2 WAS CALCULATED BY TAKING THE AMOUNT WRITTEN OFF TO BAD DEBT FOR EACH ACCOUNT AND CONVERTING IT TO CHARGES BY APPROPRIATELY ADJUSTING THE AMOUNT BY THE PAYOR REIMBURSEMENT PERCENTAGE FOR THAT ACCOUNT THEN, THE COST/CHARGE RATIO FOR EACH SPECIFIC ACCOUNT, UTILIZING THE COSTS FROM THE HOSPITAL COST ACCOUNTING SYSTEM (DESCRIBED IN DETAIL ABOVE), WAS APPLIED TO THIS CALCULATED PORTION OF THE TOTAL CHARGES FOR THE PORTION OF BAD DEBT EXPENSE THAT IS ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY, THE HOSPITAL UTILIZES A HISTORICAL PERCENTAGE PROVIDED BY MEDEANALYTICS, A THIRD PARTY INDEPENDENT COMPANY, ON THE PATIENT'S ESTIMATED INCOME WHICH IS DERIVED BY NORMALIZING DATA FROM MULTIPLE, DISPARATE SOURCES TO DETERMINE WHICH OF THE BAD DEBT ACCOUNTS COULD HAVE BEEN ELIGIBLE FOR CHARITY CARE BUT THE PATIENT HAD NOT APPLIED THIS PATIENT FINANCIAL DATA HAS BEEN FOUND TO BE REASONABLY ACCURATE BASED ON COMPARISONS TO THE PATIENTS' ACTUAL INCOME PER SUPPORTING DOCUMENTATION PROVIDED FOR THOSE THAT HAVE APPLIED FOR CHARITY CARE AN OVERALL COST TO CHARGE RATIO WAS THEN APPLIED TO THIS AMOUNT TO ARRIVE AT AN EXPENSE FIGURE

Form and Line Reference	Explanation
PART III, LINE 8	THE MEDICARE COSTS WERE DETERMINED BASED ON THE HOSPITALS' COST ACCOUNTING SYSTEM ALLOCATION OF COSTS BASED ON THE SERVICES RENDERED

Form and Line Reference	Explanation
PART III, LINE 9B	PATIENTS ARE NOTIFIED OF OUR CHARITY CARE POLICY IN A VARIETY OF WAYS THERE ARE POSTERS INFORMING PATIENTS OF OUR CHARITY CARE POLICY AND PAMPHLETS OUTLINING THE APPLICATION PROCESS AT ALL THE REGISTRATION SITES ALL OUR PATIENT ACCOUNT STATEMENTS CONTAIN LANGUAGE THAT INDICATES THERE IS FINANCIAL AID AVAILABLE FOR QUALIFYING INDIVIDUALS IN ADDITION, THE POLICY AND APPLICATION ARE POSTED ON THE HOSPITAL WEBSITE IN BOTH ENGLISH AND SPANISH PATIENTS WHO APPLY FOR FINANCIAL ASSISTANCE AND PROVIDE ALL THE NECESSARY DOCUMENTATION REQUIREMENTS ARE NOTIFIED WITHIN TWO WEEKS OF THE HOSPITAL'S DECISION WHEN THE APPROVAL IS DETERMINED, THE APPROPRIATE DISCOUNT IS POSTED TO THE PATIENT'S ACCOUNT IMMEDIATELY THE FINANCIAL ASSISTANCE DISCOUNT WILL BE APPLIED TO SERVICES FOR THE PREVIOUS EIGHTEEN MONTHS AND SUBSEQUENT SIX MONTHS THE HOSPITAL'S COLLECTION POLICY CONTAINS PROVISIONS ON THE COLLECTION PRACTICES TO BE FOLLOWED FOR PATIENTS WHO ARE KNOWN TO QUALIFY FOR FINANCIAL ASSISTANCE FOR THOSE INDIVIDUALS DETERMINED TO FULLY QUALIFY FOR CHARITY CARE (OVER 96% OF APPROVED CHARGES) NO ADDITIONAL COLLECTION EFFORTS ARE MADE APPLICANTS APPROVED FOR ONLY PARTIAL DISCOUNT WILL BE REQUIRED TO MAKE REASONABLE PAYMENT ARRANGEMENTS ON THEIR BALANCE IN ACCORDANCE WITH THE HOSPITAL'S CREDIT AND COLLECTION POLICY THIS POLICY DOES PERMIT THE USE OF BOTH INTERNAL COLLECTION STAFF AND EXTERNAL COLLECTION AGENCIES WHO WILL ENGAGE IN STANDARD ACCEPTABLE BUSINESS PRACTICES WHICH INCLUDE PHONE CALLS, MAILINGS AND THE REPORTING OF ITS UNPAID DEBT TO THE CREDIT REPORTING AGENCIES, BUT UNDER NO CIRCUMSTANCES WILL THE HOSPITALS OR ITS CONTRACTED COLLECTION AGENCY ADOPT "EXTRAORDINARY COLLECTION ACTIONS" THAT ENTAIL LEGAL COURSE OF ACTION OR JUDICIAL PROCESS SUCH AS LAWSUITS OR LIENS

Form and Line Reference	Explanation
PART VI, LINE 2	LED BY THE MISSION EFFECTIVENESS DEPARTMENT, THE CHNA PROCESS REPRESENTS A COMPREHENSIVE C OMMUNITY-WIDE PROCESS THAT CONNECTED MORE THAN 500,000 COMMUNITY RESIDENTS, A WIDE RANGE O F PUBLIC AND PRIVATE ORGANIZATIONS, SUCH AS EDUCATIONAL INSTITUTIONS, HEALTH-RELATED PROFE SSIONALS, LOCAL GOVERNMENT OFFICIALS, HUMAN SERVICE ORGANIZATIONS, AND FAITH-BASED ORGANIZ ATIONS TO EVALUATE THE COMMUNITY'S HEALTH AND SOCIAL NEEDS THE ASSESSMENT UTILIZED SECOND ARY DATA COLLECTION, INTERVIEWS WITH KEY COMMUNITY LEADERS, PUBLIC FORUMS AND FOCUS GROUPS TO IDENTIFY HEALTH PROGRAMS AND RISK FACTORS IN THE SERVICE AREA PINNACLEHEALTH ENGAGED THE BROADER COMMUNITY TO GATHER INPUT AND DOCUMENT COMMUNITY HEALTH NEEDS THE FOLLOWING T OOLS WERE USED TO ASSESS THE COMMUNITY COMMUNITY LEADER INTERVIEWSINTERVIEWS WITH FIFTY-EI GHT COMMUNITY LEADERS THROUGHOUT THE REGION WERE CONDUCTED TO GAIN AN UNDERSTANDING OF THE COMMUNITY'S HEALTH NEEDS FROM ORGANIZATIONS AND AGENCIES THAT HAVE A DEEP UNDERSTANDING O F THE POPULATIONS IN THE GREATEST NEED THE COLLABORATIVE DEVELOPED A LIST OF COMMUNITY LE ADERS TO INTERVIEW INTERVIEWS WERE CONDUCTED WITH AN ARRAY OF DIRECTORS AND STAFF MEMBERS FROM COMMUNITY HEALTH CENTERS, MEMBERS FROM SOCIAL SERVICES ORGANIZATIONS, EDUCATIONAL LE ADERS, RELIGIOUS GROUPS, AND ELECTED OFFICIALS THE INFORMATION COLLECTED PROVIDED KNOWLED GE ABOUT THE COMMUNITY'S HEALTH STATUS, RISK FACTORS, SERVICE UTILIZATION, AND COMMUNITY R ESOURCE NEEDS, AS WELL AS GAPS AND SERVICE SUGGESTIONS SECONDARY DATA COLLECTIONSECONDARY DATA WAS COLLECTED FROM MULTIPLE SOURCES, INCLUDING COUNTY HEALTH RANKINGS, HEALTHY PEOPL E 2020, OFFICE OF APPLIED STUDIES, PENNSYLVANIA DEPARTMENT OF HEALTH, BUREAU OF HEALTH STA TISTICS AND RESEARCH, PENNSYLVANIA OFFICE OF RURAL HEALTH, CAPITAL AREA COALITION ON HOMEL ESSNESS, THE CENTERS FOR DISEASE PREVENTION AND CONTROL (CDC), ETC THE DATA RESOURCES WER E RELATED TO DISEASE PREVALENCE, SOCIO-ECONOMIC FACTORS, AND BEHAVIORAL HABITS THE DATA W AS BENCHMARKED AGAINST STATE AND NATIONAL TRENDS DATA WAS ALSO OBTAINED THROUGH TRUVEN HEA LTH ANALYTICS (FORMERLY KNOWN AS THOMSON REUTERS) TO QUANTIFY THE SEVERITY OF HEALTH DISPA RITIES FOR EVERY ZIP CODE IN THE NEEDS ASSESSMENT AREA BASED ON SPECIFIC BARRIERS TO HEALT HCARE ACCESS FIVE PROMINENT SOCIO-ECONOMIC BARRIERS TO COMMUNITY HEALTH WERE IDENTIFIED INCOME BARRIERS, CULTURAL/LANGUAGE BARRIERS, EDUCATIONAL BARRIERS, INSURANCE BARRIERS, AND HOUSING BARRIERS HAND DISTRIBUTED SURVEYSA HAND-DISTRIBUTION METHODOLOGY WAS EMPLOYED TO DISSEMINATE SURVEYS TO INDIVIDUALS THROUGHOUT THE STUDY AREA THE SURVEY WAS AVAILABLE IN BOTH ENGLISH AND IN SPANISH THE ASSISTANCE OF LOCAL COMMUNITY ORGANIZATIONS WAS VITAL TO THE SURVEY DISTRIBUTION PROCESS IN TOTAL, 1,279 SURVEYS WERE USED FOR ANALYSIS OF THESE SURVEYS 1,175 WERE COLLECTED IN ENGLISH, AND 104 SURVEYS WERE COLLECTED IN SPANISH FOCUS GROUPSNINE FOCUS GROUPS WERE FACILITATED WITHIN THE STUDY AREA WITH AT-RISK HEALTHCARE POP ULATIONS THE FOLLOWING TABLE LISTS THE TARGETED FOCUS GROUPS 1 HIV/AIDS 2 HOMELESS 3 IMMIGRANT/DISENFRANCHISED 4 OBESE ADULTS/DIABETIC 5 RURAL UNDER-SERVED 6 SENIORS ON A F IXED-INCOME 7 SPANISH-SPEAKING ADULTS 8 VETERANS 9 WORKING-POOR COMMUNITY FORUMSA SERIE S OF THREE COMMUNITY FORUMS WERE FACILITATED WITH COMMUNITY ORGANIZATION LEADERS, RELIGIOU S LEADERS, GOVERNMENT STAKEHOLDERS, AND OTHER KEY COMMUNITY LEADERS AT EACH OF THE SPONSOR ING HOSPITAL/HEALTH SYSTEM LOCATIONS THE PURPOSE OF THE COMMUNITY FORUMS WAS TO PRESENT T HE CHNA FINDINGS TO DATE AND TO RECEIVE INPUT WITH REGARD TO THE NEEDS AND CONCERNS OF THE COMMUNITY WITH INPUT RECEIVED FROM FORUM PARTICIPANTS, COLLABORATIVE MEMBERS IDENTIFIED THE THREE TOP PRIORITY AREAS AS HEALTHY LIFESTYLES, HEALTH EDUCATION, AND ACCESS TO AFFOR DABLE HEALTHCARE PINNACLE HEALTH HOSPITALS UTILIZES THE US DEPARTMENT OF HEALTH AND HUMAN SERVICES' COMMUNITY HEALTH STATUS INDICATORS WHICH PROVIDES DATA THAT CAN BE COMPARED TO PEER COUNTIES ON A STATE AND NATIONAL LEVEL IN ADDITION, HEALTHY PEOPLE 2020 IDENTIFIES N EARLY 600 OBJECTIVES WITH MORE THAN 1,300 MEASURES TO IMPROVE THE HEALTH OF ALL AMERICANS TO MONITOR PROGRESS TOWARD ACHIEVING INDIVIDUAL OBJECTIVES, HEALTHY PEOPLE RELIES ON DATA SOURCES DERIVED FROM A NATIONAL CENSUS OF EVENTS LIKE THE NATIONAL VITAL STATISTICS SYSTE M AND NATIONALLY REPRESENTATIVE SAMPLE SURVEYS LIKE THE NATIONAL HEALTH INTERVIEW SURVEY PINNACLEHEALTH HOSPITALS SEARCHES THE HEALTH INDICATORS WAREHOUSE FOR DATA RELATED TO HEAL THY PEOPLE 2020 OBJECTIVES DEVELOPED BY THE NATIONAL CENTER FOR HEALTH STATISTICS TO DEFIN E PRIORITIES THAT ASSIST IN IMPROVING HEALTH IN THE COMMUNITY PINNACLE HEALTH HOSPITALS US ES DIRECT PATIENT FEEDBACK, OUTREACH EFFORTS, AND COMMUNITY BASED PARTNERSHIPS TO DETERMIN E THE HEALTH CARE NEEDS IN CUMBERLAND, DAUPHIN, AND PERRY COUNTIES THE PRIMARY DATA SOURC ES FOR ASSESSING THE UNMET NEEDS OF THE COMMUNITY ARE DIRECT PATIENT CONTACT, QUESTIONNAIR ES, AND OBSERVATION OF THE PATIENT POPULATION IN P

Form and Line Reference	Explanation
PART VI, LINE 2	INNACLE'S FOUR CAMPUSES (COMMUNITY, CUMBERLAND, HARRISBURG AND POLYCLINIC), FAMILY CARE PH YSICIAN PRACTICES, OUTPATIENT SURGERY AND IMAGING CENTERS THROUGH VARIOUS OUTREACH PROGRA MS INCLUDING HEALTH FAIRS, SCREENINGS, LECTURES, AND EDUCATION SESSIONS, DATA IS COLLECTED AND INCLUDED IN ASSESSING THE OVERALL UNMET NEEDS OF THE COMMUNITY AS A PART OF THE CHNA PROCESS, OUR TEAM GATHERED BOTH PRIMARY AND SECONDARY DATA AS A PART OF THE PRIMARY DATA COLLECTION, WE CONDUCTED 58 PHONE INTERVIEWS WITH LOCAL COMMUNITY LEADERS WITH THE HELP O F COMMUNITY BASED, GRASSROOTS ORGANIZATIONS, A HAND-DISTRIBUTED SURVEY WAS DISSEMINATED TO OUR MOST VULNERABLE POPULATIONS AVAILABLE IN BOTH ENGLISH AND SPANISH, WE RECEIVED 1,279 COMPLETED SURVEYS IN ADDITION, WE CONDUCTED (9) FOCUS GROUPS IN THE AREAS OF HIV/AIDS, HOMELESS, IMMIGRANTS/DISENFRANCHISED, OBESE ADULTS/DIABETICS, RURAL UNDERSERVED SENIORS O N FIXED INCOME, SPANISH SPEAKING ADULTS, VETERANS, AND WORKING POOR LASTLY, THREE COMMUNI TY FORUMS WERE HELD WELCOMING THE ENTIRE COMMUNITY TO REVIEW THE FINDINGS AND ADD COMMENTS OR ADDITIONAL CONCERNS AFTER REVIEWING THIS DATA AND MAPPING EXISTING INTERNAL AND COMMU NITY BASED RESOURCES, PINNACLEHEALTH DEVELOPED THE FOLLOWING IMPLEMENTATION PLAN WITH EVID ENCE-BASED STRATEGIES PINNACLEHEALTH'S CHNA IMPLEMENTATION PLAN (THE PLAN) DESCRIBES THE ASSESSMENT PROCESS, THE NEEDS IDENTIFIED, AND THE PRIORITIES CHOSEN TO INCLUDE (1) HEALTH Y LIFESTYLES WITH A FOCUS ON OBESITY AND PHYSICAL ACTIVITY/NUTRITION, (2) HEALTH EDUCATION IN THE AREAS OF DIABETES, HEART DISEASE AND CANCER ENSURING THAT THE EDUCATION IS CULTURA LLY COMPETENT AND PRIMARILY FOCUSED ON SCHOOL AGED CHILDREN, AND (3) ACCESS TO CARE IN THE AREAS OF SPECIALTY CARE, PRIMARY CARE, DENTAL CARE, AND MENTAL HEALTH CARE FOR EACH PRIO RITY, THE PLAN DOCUMENTS PINNACLEHEALTH'S OBJECTIVES, GOALS, AND STRATEGIES FOR ADDRESSING THE COMMUNITY NEED THE STRATEGIES ARE SUPPORTED BY SENIOR MANAGEMENT AND WILL BE SUSTAIN ED BY PINNACLEHEALTH STAFF, VOLUNTEERS, PARTNERSHIPS WITH COMMUNITY BASED ORGANIZATIONS IN CLUDING PAYORS AND LOCAL FOUNDATIONS, AND FUNDING FROM THE PINNACLEHEALTH FOUNDATION WHEN APPROPRIATE AS PINNACLEHEALTH LOOKS TOWARD THE FUTURE, WE ENSURE THAT OUR CORE VALUES OF QUALITY, ACCESS TO CARE AND COORDINATION OF CARE ARE AT THE CENTER OF ALL OF OUR ORGANIZAT IONAL STRATEGIES WE EMBRACE OUR COMMUNITY PARTNERS AND WORK COLLABORATIVELY WITH THEM TO STRENGTHEN THE SUPPORT SYSTEMS THAT WILL ALLOW OUR PATIENTS TO MAINTAIN POSITIVE HEALTH OU TCOMES THE PINNACLEHEALTH SYSTEM PRESENTED THE RESULTS OF A COMMUNITY HEALTH NEEDS ASSESS MENT (CHNA) IN SEPTEMBER 2012 AND DEVELOPED AN IMPLEMENTATION PLAN WITH STRATEGIES TO ADDR ESS THE IDENTIFIED COMMUNITY HEALTH NEEDS THE FINAL IMPLEMENTATION PLAN WAS REVIEWED BY T HE MISSION EFFECTIVENESS AND STRATEGIC ISSUES COMMITTEE OF THE BOARD IN MAY 2013 AND APPRO VED BY THE PINNACLEHEALTH BOARD OF DIRECTORS IN MAY 2013 THE FINAL APPROVED VERSION OF TH E CHNA AND IMPLEMENTATION PLAN IS AVAILABLE TO THE PUBLIC ON THE WWW PINNACLEHEALTH ORG WE BSITE IN ACCORDANCE WITH IRS GUIDELINES, PINNACLEHEALTH HOSPITALS WILL BEGIN THE NEXT COMM UNITY HEALTH NEEDS ASSESSMENT IN FALL 2014

Form and Line Reference	Explanation
PART VI, LINE 3	PATIENTS ARE INFORMED OF AVAILABLE ASSISTANCE IN NUMEROUS WAYS SIGNAGE IS POSTED AND PAMPHLETS ARE AVAILABLE AT ALL THE REGISTRATION SITES INDICATING TO THE PATIENTS THAT FINANCIAL ASSISTANCE IS AVAILABLE ALL UNINSURED PATIENTS WHO ARE SCHEDULED FOR HIGH DOLLAR TESTS AND SURGERIES ARE CONTACTED BY ONE OF THE HOSPITAL'S FINANCIAL COUNSELORS TO DISCUSS THE FINANCIAL ASSISTANCE OPTIONS AVAILABLE TO THEM THE FINANCIAL ASSISTANCE POLICY IS ALSO DISCLOSED ON THE HOSPITAL WEBSITE, ALONG WITH THE APPLICATION, IN BOTH ENGLISH AND SPANISH IN ADDITION, ALL INPATIENTS WHO ARE RESIDENTS OF PENNSYLVANIA ARE PROVIDED PERSONAL ASSISTANCE IN THE COMPLETION OF THE MEDICAL ASSISTANCE APPLICATION AS PART OF THE DISCHARGE PROCESS IN THE EMERGENCY DEPARTMENT, ALL UNINSURED PATIENTS ARE SCREENED FOR CHARITY CARE ELIGIBILITY UNDER THE HOSPITAL POLICY LASTLY, INFORMATION ABOUT FINANCIAL ASSISTANCE IS INCLUDED ON THE PATIENT BILLING STATEMENTS PROGRAMS DISCUSSED INCLUDE THE PENNSYLVANIA STATE MEDICAID PROGRAM (MEDICAL ASSISTANCE), HOSPITAL CHARITY CARE PROGRAM, AND FUNDS AVAILABLE THROUGH HOSPITAL ENDOWMENT FUNDS

Form and Line Reference	Explanation
PART VI, LINE 4	PINNACLE HEALTH HOSPITALS' (PHH) PRIMARY SERVICE AREA (PSA) CONSISTS OF 53 CONTIGUOUS ZIP CODES IN PORTIONS OF 6 COUNTIES IN THE GREATER HARRISBURG AREA OF SOUTH CENTRAL PENNSYLVANIA THE SIX COUNTIES INCLUDE DAUPHIN, CUMBERLAND, PERRY, YORK, LANCASTER AND LEBANON THE COMMUNITY CAN BE DESCRIBED AS A MIX OF RURAL IN THE OUTLYING COUNTIES, SUBURBAN AND THE URBAN AREA OF THE CITY OF HARRISBURG THE PSA ACCOUNTS FOR APPROXIMATELY 85 PERCENT OF THE OVERALL ACUTE PATIENT DISCHARGES OF THE HOSPITALS PINNACLE HEALTH HOSPITALS COMPETES WITH THREE ACUTE CARE HOSPITALS AND 2 REHABILITATION HOSPITALS WITHIN THE PSA ONE OF THE ACUTE CARE HOSPITALS IS A FOR-PROFIT HOSPITAL OWNED BY A LARGE PUBLICLY REGISTERED HEALTH CARE SYSTEM THE SECOND COMPETITOR IS A MEDICAL ACADEMIC HOSPITAL AFFILIATED WITH A LARGE STATE FUNDED PUBLIC UNIVERSITY AND THE FINAL COMPETITOR IS A SMALLER, NON-TEACHING NOT-FOR-PROFIT HOSPITAL THE FIRST REHABILITATION HOSPITAL IS OWNED AND OPERATED BY A LARGE PUBLICLY REGISTERED CORPORATION AND THE OTHER REHABILITATION HOSPITAL IS OPERATED BY THE MEDICAL ACADEMIC HOSPITAL OF THE LARGE STATE FUNDED PUBLIC UNIVERSITY ALREADY MENTIONED THE PSA IN WHICH PHH SERVES HAS 12 CENSUS TRACTS WHICH HAVE BEEN IDENTIFIED BY THE U S HEALTH RESOURCES AND SERVICES ADMINISTRATION AS MEDICALLY UNDERSERVED AREAS (MUAS) IN ADDITION, IMMEDIATELY ADJACENT TO THE WEST OF THE PSA ARE AN ADDITIONAL 5 MINOR CIVIL DIVISIONS WHICH HAVE BEEN IDENTIFIED AS MUAS PHH IS A SIGNIFICANT PROVIDER OF HEALTHCARE SERVICES TO PATIENTS IN THE AREAS ADJACENT TO ITS PSA PHH IS THE PRIMARY PROVIDER FOR THE 49,000 PEOPLE LIVING IN THE CITY OF HARRISBURG THE EMERGENCY DEPARTMENT (ED) OF THE HOSPITAL IS THE FIRST OPTION FOR A LARGE MAJORITY OF THE CITY RESIDENTS IN ADDITION, THE HOSPITAL AND RELATED ORGANIZATIONS OPERATE ADULT, CHILDREN, WOMAN AND TEEN PRIMARY CARE CLINICS THAT MAINLY SERVE THE CITY'S MEDICAID AND UNINSURED POPULATION NEARLY 75% OF THE HARRISBURG CITY POPULATION IS MINORITY, COMPARED TO 30% OF THE COUNTY POPULATION AFRICAN-AMERICANS/BLACKS COMPRISE 52 4% OF HARRISBURG'S POPULATION AND HISPANICS/LATINOS MAKE UP 18% OF THE CITY'S POPULATION, COMPARED TO 18 6% AFRICAN-AMERICANS/BLACKS AND 7 5% HISPANICS/LATINOS IN DAUPHIN COUNTY AS A WHOLE NEARLY 17% OF HARRISBURG CITY RESIDENTS SPEAK A LANGUAGE OTHER THAN ENGLISH IN THE HOME, COMPARED TO 10% OF COUNTY RESIDENTS FULLY 31 6% OF CITY RESIDENTS HAVE INCOME BELOW THE POVERTY LEVEL, WHILE ONLY 12 3% OF COUNTY RESIDENTS HAVE INCOME BELOW POVERTY WHILE THE CITY REPRESENTS 18% OF THE COUNTY POPULATION, IT IS HOME TO 45% OF THOSE WITH INCOMES AT OR BELOW THE FEDERAL POVERTY LEVEL (FPL) NEARLY 26% OF HARRISBURG CITY RESIDENTS RECEIVED FOOD STAMPS/SNAP BENEFITS AT SOME POINT IN THE PAST YEAR, COMPARED TO 9 1% IN THE COUNTY AS A WHOLE COUNTY HEALTH RAKINGS FOR 2013 SHOWED THAT 12% OF DAUPHIN COUNTY RESIDENTS HAD NO HEALTH INSURANCE ALTHOUGH INSURANCE COVERAGE RATES FOR MOST OF THE COUNTRY INCREASED BECAUSE OF THE AFFORDABLE CARE ACT'S PROVISIONS EXTENDING PARENT'S INSURANCE TO 18-TO-26-YEAR-OLDS, AN INCREASE IN COVERAGE RATES WAS NOT VISIBLE IN DAUPHIN COUNTY PINNACLEHEALTH WORKS IN COLLABORATION WITH OUR LOCAL FEDERALLY QUALIFIED HEALTH CENTER (FQHC), HAMILTON HEALTH CENTER, WHICH IS LOCATED IN THE HEART OF THE HARRISBURG HIGH-NEED AREA ZIP CODE ANALYSIS CONDUCTED BY PINNACLE SHOWED THAT THIS SAME POPULATION USES PINNACLEHEALTH AS THEIR PRIMARY HOSPITAL INCLUDING THE EMERGENCY DEPARTMENT IN 2013, 81% OF THOSE SERVED HAD INCOME AT OR BELOW THE FEDERAL POVERTY LEVEL (FPL) AND 99% HAD INCOME AT OR BELOW 200% OF THE FPL MORE THAN A THIRD OF THOSE SERVED (34 5%) BY HAMILTON DID NOT HAVE INSURANCE COVERAGE THIS IS SUBSTANTIALLY HIGHER THAN FQHCS IN THE STATE AS A WHOLE, WHERE 26 9% OF PATIENTS SERVED HAD NO INSURANCE PHH IS ALSO THE MAJOR PROVIDER OF HEALTH CARE SERVICES FOR ALL OF DAUPHIN COUNTY, WHERE THE CITY OF HARRISBURG IS LOCATED, AND ACCORDING TO "COUNTY HEALTH RANKINGS," DAUPHIN COUNTY RANKS 38TH OUT OF A TOTAL OF 67 PENNSYLVANIA COUNTIES IN AN ASSESSMENT OF THE OVERALL HEALTH OF EACH COUNTY THE PA DEPARTMENT OF HEALTH (DOH) REPORTS THAT DAUPHIN COUNTY RANKS ABOVE THE STATE OF PA AS A WHOLE IN THE FOLLOWING CATEGORIES LOW BIRTH WEIGHT, BIRTHS TO MOTHERS UNDER THE AGE OF 18, MOTHERS RECEIVING NO PRENATAL CARE IN THE FIRST TRIMESTER, BREAST CANCER INCIDENCE, HEART DISEASE AND DIABETES

Form and Line Reference	Explanation
PART VI, LINE 5	PINNACLE HEALTH HOSPITALS MAINTAINS AN ACTIVE ROLE IN THE COMMUNITY IN WHICH IT SERVES TH E ROLE IS REFLECTIVE IN ITS BOARD OF DIRECTORS WHOSE COMPOSITION IS GREATER THAN 80 PERCEN T INDEPENDENT COMMUNITY BASED LEADERS PHH HAS AN OPEN MEDICAL STAFF PHH PROVIDES TRAININ G FOR BOTH MEDICAL STUDENTS AND RESIDENTS IN A NUMBER OF SPECIALTIES PINNACLE HEALTH HOSP ITALS HAS ACCREDITATION COUNCIL FOR GRADUATE MEDICAL EDUCATION (ACGME) ACCREDITED RESIDENC Y PROGRAMS AS WELL AS AMERICAN OSTEOPATHIC ASSOCIATION (AOA) ACCREDITED TEACHING PROGRAMS PHH USES ITS SURPLUS FUNDS TO RENOVATE AND EXPAND PATIENT CARE AREAS IN ADDITION TO PROVI DING PATIENT SERVICES WHICH MAY NOT BE CURRENTLY AVAILABLE IN THE COMMUNITY PINNACLEHEALTH HOSPITALS RECOGNIZES THAT THE HEALTH OF THE COMMUNITY GOES BEYOND THAT OF THE PHYSICAL HE ALTH OF ITS MEMBERS TAKING A HOLISTIC APPROACH TO ADDRESSING THE HEALTH NEEDS OF THE COMM UNITY, PINNACLEHEALTH SUPPORTS A PLETHORA OF COMMUNITY-WIDE INITIATIVES THAT ADDRESS SOCIO -ECONOMIC BARRIERS TO IMPROVED HEALTH STAFF WORK CLOSELY WITH THE CAPITAL AREA COALITION ON HOMELESSNESS AND HOLD SEATS ON BROAD-BASED INITIATIVES SUCH AS PROJECT HOMELESS CONNECT , AN EVENT THAT TARGETS THE HARDEST-TO-REACH MEN, WOMEN, TEENS, AND CHILDREN WHO ARE IN SH ELTERS, ABOUT TO LEAVE SHELTERS, OR LIVING ON THE STREET IN SEPTEMBER 2013, THIS EVENT HE LPED MORE THAN THREE HUNDRED INDIVIDUALS MOVE FROM CRISIS TO MEANINGFUL AND LASTING SUCCES S PINNACLE STAFF ALSO HAS A LEAD ROLE IN THE COMPASSIONATE CLOSURES PROGRAM TO ASSIST IND IGENT FAMILIES WITH NO FINANCIAL RESOURCES TO RESPECTFULLY MEMORIALIZE, CREMATE OR BURY TH EIR LOVED ONES A BROAD COMMUNITY PARTNERSHIP HAS COME TOGETHER TO ADDRESS THIS NEED AND T HE PARTNERS ARE THE VNA OF CENTRAL PENNSYLVANIA AND CROSSINGS HOSPICE, THE HISPANIC COMMU NITY CENTER, THE INTERNATIONAL SERVICE CENTER, THE PENNSYLVANIA FUNERAL DIRECTORS ASSOCIAT ION, PINNACLEHEALTH SYSTEM, THE SALVATION ARMY, THE UNITED WAY OF THE CAPITAL REGION, DAUP HIN COUNTY COMMISSIONERS AND CORONER'S OFFICE, CUMBERLAND COUNTY COMMISSIONERS AND CORONER 'S OFFICE, THE FOUNDATION FOR ENHANCING COMMUNITIES AND THE PA DEPARTMENT OF PUBLIC WELFAR E THE MISSION OF THE PARTNERS IS TO OFFER A MEASURE OF COMPASSIONATE CARE BLENDED WITH DI GNITY AND RESPECT FOR OUR INDIGENT FAMILIES LIVING IN DAUPHIN OR CUMBERLAND COUNTIES WHO H AVE LOST LOVED ONES SEVERAL MAJOR CONSTRUCTION PROJECTS WERE COMPLETED IN FISCAL YEAR 201 4 INCLUDING CONSTRUCTION OF A NEW 108 BED ACUTE CARE HOSPITAL ON THE FREDRICKSEN CAMPUS AT A COST OF $114 4 MILLION, EXPANSION AND RENOVATION FROM SEMI-PRIVATE TO MOSTLY PRIVATE RO OMS AT COMMUNITY GENERAL HOSPITAL WITH AN EXPECTED COST OF $25 0 MILLION, RENOVATIONS AND NEW CONSTRUCTION AT HARRISBURG HOSPITAL TO INCLUDE NEW HEART CATH AND ELECTROPHYSIOLOGY LA BS AND A CARDIOTHORACIC INTENSIVE CARE UNIT, AND PATIENT ROOM UPGRADES TO MOSTLY PRIVATE R OOMS WITH COSTS ESTIMATED AT $34 0 MILLION, AND CONSTRUCTION OF A NEW CANCER CENTER LOCATE D ON THE WEST SHORE FREDRICKSEN CAMPUS WITH A COST OF $20 6 MILLION THE NEW WEST SHORE HO SPITAL BEGAN OPERATIONS ON MAY 19, 2014 FOLLOWED BY THE OPENING OF THE WEST SHORE CANCER C ENTER IN AUGUST 2014 ADDITIONAL PROJECTS INCLUDE MODERNIZING AND UPDATING EXISTING LOCATIO NS WITHIN THE PHH SERVICE AREA TO MEET THE PATIENT NEEDS IN THE COMMUNITY WE SERVE AND EXP ANDING THE UTILIZATION OF ELECTRONIC MEDICAL RECORDS BOTH WITHIN PINNACLE HEALTH SYSTEM AS WELL AS WITHIN THE COMMUNITY-BASED PHYSICIAN PRACTICES OF OUR AREA AS ONE OF THE LEADING HOSPITALS IN SOUTH CENTRAL PENNSYLVANIA, PINNACLE HEALTH HOSPITALS STRIVES TO STRENGTHEN ACCESS TO CARE AS WE PROVIDE A CONTINUUM OF COMMUNITY-BASED SERVICES THAT EXTEND BEYOND TH E ROLE OF AN ACUTE CARE HOSPITAL - FROM IN-HOME PRENATAL CARE FOR FIRST TIME MOTHERS TO A LEAD AGENCY ON A REGIONAL DISASTER PREPAREDNESS TASK FORCE TO BRING FOCUS TO OUR MISSION, PINNACLE HEALTH HOSPITALS IS COMMITTED TO SIX STRATEGIC PILLARS COMMITMENT TO PEOPLE, SE RVICE, QUALITY, GROWTH, COMMUNITY, AND FINANCE GUIDED BY THESE PILLARS, THE SIX INITIATIV ES HIGHLIGHTED BELOW ARE KEY EXAMPLES OF OUR COMMITMENT TO BEING A TRUSTED PLACE FOR OUR C OMMUNITY TO GO FOR ACCESS TO PUBLIC HEALTH SERVICES AND INFORMATION -NURSE FAMILY PARTNER SHIP (NFP) - WITH A FOCUS ON PEOPLE AND A DESIRE TO MAKE THE HEALTHCARE SYSTEM EASIER TO N AVIGATE, WE OFFER THIS VOLUNTARY PREVENTION PROGRAM THAT PROVIDES NURSE HOME VISITATION SE RVICES TO LOW INCOME, FIRST-TIME MOTHERS THIS NATIONALLY RENOWNED, EVIDENCE-BASED COMMUNI TY HEALTH CURRICULUM TRANSFORMS THE LIVES OF VULNERABLE FAMILIES -CERTIFIED APPLICATION CO UNSELORS (CAC) DURING THE LAUNCH OF THE INSURANCE MARKETPLACE IN FALL 2013, PINNACLEHHEALT H HOSPITALS DEDICATED TWO STAFF TO THE OPEN ENROLLMENT PROCESS AND SUPPORTED THEIR ROLES A S CERTIFIED APPLICATION COUNSELORS PINNACLEHEALTH CACS WERE POSITIONED IN OUR HEALTH CLIN ICS WHERE MANY UNINSURED AND VULNERABLE MEMBERS OF OUR COMMUNITY VISIT OUR HEALTHSYSTEM FO R SERVICES THE CACS HELPED PEOPLE UNDERSTAND, APP

Form and Line Reference	Explanation
PART VI, LINE 5	LY, AND ENROLL FOR HEALTH COVERAGE THROUGH THE MARKETPLACE THE CACS COMPLETED REQUIRED TR AINING, AND COMPLIED WITH PRIVACY AND SECURITY LAWS, AND OTHER PROGRAM STANDARDS -BRIDGES TO CARE - NEARLY 1,000 CHILDREN AND MORE THAN 6,700 ADULTS IN THE CITY OF HARRISBURG ARE NOT RECEIVING ADEQUATE HEALTH CARE OR DO NOT HAVE HEALTH INSURANCE TO ADDRESS THIS GAP IN CARE AND COVERAGE, CAPITAL BLUECROSS, HAMILTON HEALTH CENTER AND PINNACLEHEALTH HAVE PART NERED WITH DAUPHIN COUNTY ON THIS PROGRAM, WHICH CONNECTS PEOPLE TO MUCH-NEEDED HEALTH CAR E LAUNCHED IN APRIL 2013, THE PROGRAM'S MISSION IS TO IDENTIFY, ENROLL AND COORDINATE HEAL TH CARE SERVICES FOR HARRISBURG AREA CHILDREN UP TO AGE 19 WHO ARE UNINSURED OR MEDICALLY UNDERSERVED THE PROGRAM ALSO PROVIDES FAMILY-CENTERED SUPPORT TO PARENTS OR GUARDIANS OF THESE CHILDREN -DAUPHIN COUNTY HEALTH IMPROVEMENT PARTNERSHIP (DCHIP) - WITH A FOCUS ON C REATING A COHESIVE SYSTEM OF PUBLIC HEALTH SERVICES, WE CONVENE A TEAM OF MULTI-SECTOR, CO MMUNITY-BASED PARTNERS FROM HEALTHCARE, HUMAN SERVICE, GOVERNMENT, EDUCATION, FAITH AND PA YOR COMMUNITIES MEMBERS ARE COMMITTED TO WORKING COLLABORATIVELY TO IMPROVE HEALTH, REDUC E DISPARITIES, AND ADDRESS THE QUALITY OF LIFE OF COMMUNITY RESIDENTS -RESOURCE EDUCATION AND COMPREHENSIVE CARE FOR HIV (REACCH) PROGRAM - WITH A FOCUS ON ACCESS TO QUALITY CARE F OR VULNERABLE MEMBERS OF THE COMMUNITY WE EMPHASIZE TREATMENT AND PREVENTION OF THE SPREAD OF HIV FOR WOMEN AND CHILDREN REACCH INCLUDES DIAGNOSTIC, THERAPEUTIC AND SUPPORTIVE SER VICES SUCH AS EDUCATION ABOUT HIV DISEASE AND TRANSMISSION, AS WELL AS TREATMENT RECOMMEND ATIONS AND HOW TO ACCESS THEM -EAT SMART, PLAY SMART - WITH A FOCUS ON LONG RANGE SUSTAINA BLE GROWTH WITHIN OUR COMMUNITIES, IT IS EVIDENT THAT THE HEALTH OF OUR CHILDREN IS A FOCA L POINT A MULTI-STEP, LONG-TERM APPROACH TO PARTNERING WITH SCHOOLS, BUSINESSES, AND PAYO RS TO EDUCATE STUDENTS AND FAMILIES ON HEALTHY FOOD CHOICES AND PHYSICAL ACTIVITY ALTERNAT IVES ENSURES SUSTAINABLE BEHAVIOR CHANGE -EMERGENCY MANAGEMENT PLAN-SOUTH CENTRAL TASK FO RCE - WITH A FOCUS ON PROVIDING LEADERSHIP IN IMPROVING THE OVERALL HEALTH OF OUR COMMUNIT Y, OUR EMERGENCY MANAGEMENT TEAM CREATES AN ENVIRONMENT THAT SUPPORTS ACCESSIBILITY AND CO NSIDERATION OF BASIC FAMILY NEEDS INCLUDING SAFETY THE TASK FORCE COLLABORATES AND COORDI NATES BOTH PUBLIC AND PRIVATE SECTOR RESOURCES FOR REGIONAL SOLUTIONS THAT PROVIDE SUPPORT TO COMMUNITIES WHEN EVENTS EXCEED THEIR CAPABILITIES -SMILES - IN JANUARY 2013, PINNACLEH EALTH STARTED WORKING IN PARTNERSHIP WITH MEMBERS OF THE HARRISBURG AREA DENTAL SOCIETY TO PROVIDE ACCESS TO DENTAL SERVICES FOR UNINSURED AND UNDERINSURED PATIENTS WITH URGENT DEN TAL NEEDS A NETWORK OF MORE THAN FIFTY VOLUNTEER DENTISTS SPAN THE EAST AND WEST SHORES O F HARRISBURG ONCE IT IS DETERMINED THAT A PATIENT HAS AN URGENT DENTAL NEED, HE/SHE CAN B E REFERRED TO SMILES USING THE FOLLOWING REFERRAL PROCESS PINNACLEHEALTH'S DENTAL ACCESS COORDINATOR WILL WORK WITH THE PATIENT AND DENTIST TO SET UP AN APPOINTMENT TO ALLEVIATE T HE URGENT NEED IN 2012, PINNACLE REFERRED CLOSE TO 100 PATIENTS TO VOLUNTEER DENTISTS FOR URGENT DENTAL NEEDS -FAITH COMMUNITY CONNECTION - A CONGREGATIONAL HEALTH NETWORK DEVELOP ED AS A PATIENT NAVIGATION MODEL THAT LINKS BODY, MIND, SPIRIT AND COMMUNITY TO ADDRESS CH RONIC DISEASES THAT SUPPORTS OUTCOME BASED PLANNING, CARE COORDINATION AND FOLLOW UP OF CA RE

Form and Line Reference	Explanation
PART VI, LINE 6	PINNACLE HEALTH HOSPITALS IS PART OF THE PINNACLE HEALTH SYSTEM, A FULLY INTEGRATED, AFFILIATED HEALTH CARE SYSTEM THE SYSTEM IS COMPRISED OF NINE WHOLLY OWNED ENTITIES AS WELL AS A VARIETY OF AFFILIATED JOINT VENTURES THE ORGANIZATION'S MISSION IS TO MAINTAIN AND IMPROVE THE HEALTH AND QUALITY OF LIFE FOR EVERYONE IN CENTRAL PENNSYLVANIA PINNACLE HEALTH SYSTEM IS ENGAGED IN AND CONDUCTS CHARITABLE, EDUCATIONAL, AND SCIENTIFIC ACTIVITIES THROUGH THE SUPPORT AND BENEFIT OF PINNACLE HEALTH FOUNDATION, AND PROVIDES MANAGEMENT AND CONSULTATIVE SERVICES TO AFFILIATED ENTITIES PINNACLE HEALTH FOUNDATION ENGAGES IN INVESTMENT AND FUNDRAISING ACTIVITIES FOR THE BENEFIT OF THE RELATED ORGANIZATIONS PINNACLE HEALTH MEDICAL SERVICES IS PRIMARILY ENGAGED IN THE PROVISION OF PHYSICIAN SERVICES TO SUPPORT AND ENHANCE THE SERVICES WITHIN PINNACLE HEALTH HOSPITALS AND PINNACLE HEALTH SYSTEM THE PINNACLE HEALTH CARDIOVASCULAR INSTITUTE IS ENGAGED IN PROVIDING COMPREHENSIVE CARDIAC CARE, INCLUDING LEADING EDGE TECHNOLOGICAL ADVANCES IN ORDER TO PROVIDE THE BEST CLINICAL OUTCOMES TO THE COMMUNITY THE COMMUNITY LIFE TEAM IS ENGAGED IN PROVIDING COMMUNITY BASED, EFFICIENT AND COST EFFECTIVE MEDICAL TRANSPORT SERVICES, PRE-HOSPITAL EMERGENCY MEDICAL SERVICES FOR THE RESIDENTS AND COMMUNITIES OF THE CENTRAL PENNSYLVANIA REGION PINNACLE HEALTH VENTURES, INC WAS FORMED AS A RESULT OF THE ACQUISITION OF 100% OF THE STOCK OF TRISTAN ASSOCIATES ON MARCH 1, 2012 AND IS THE SOLE SHAREHOLDER OF PINNACLE HEALTH IMAGING (PHI) PHI LEASES EQUIPMENT AND SERVICES TO PINNACLE HEALTH HOSPITALS UNITED HEALTH RISK IS A WHOLLY-OWNED, FOR PROFIT, OFFSHORE CAPTIVE INSURANCE COMPANY AND UNITED CENTRAL PENNSYLVANIA RECIPROCAL RISK RETENTION GROUP IS A WHOLLY-OWNED, FOR PROFIT, VERMONT CAPTIVE INSURANCE COMPANY BOTH INSURANCE ENTITIES OPERATE FOR THE BENEIFIT OF PINNACLE HEALTH SYSTEM RIVER HEALTH ACO IS AN ACCOUNTABLE CARE ORGANIZATION DEDICATED TO IMPROVING THE COST, QUALITY, ACCESS, AND PATIENT EXPERIENCE TO CARE FOR A MEDICARE POPULATION IN CENTRAL PENNSYLVANIA PINNACLE HEALTH SYSTEM IS A 70% MAJORITY PARTNER IN THIS ENTITY THE PINNACLE HEALTH SYSTEM AND ITS AFFILIATES ARE ACTIVELY INVOLVED IN THE CENTRAL PENNSYLVANIA REGION THROUGH VARIOUS CHARITY AND COMMUNITY BENEFIT ACTIVITIES THE OTHER ENTITIES WITHIN THE SYSTEM, NOT INCLUDING THE HOSPITAL, PROVIDED $349,714 OF CHARITY CARE RECORDED AT CHARGES THE SYSTEM ENTITIES ARE ALSO ACTIVELY ENGAGED IN A VARIETY OF COMMUNITY BENEFIT ACTIVITIES THE FOLLOWING LISTS THE VARIETY OF COMMUNITY BENEFITS PERFORMED WITHIN THE SYSTEM, THAT HAD THEY BEEN PERFORMED AT THE HOSPITAL LEVEL, WOULD HAVE BEEN INCLUDABLE ON SCHEDULE H -PINNACLE HEALTH SYSTEM - $1,096,183 IN COMMUNITY HEALTH IMPROVEMENT SERVICES, HEALTH PROFESSIONS EDUCATION, COMMUNITY BENEFIT OPERATIONS AND CASH AND IN-KIND CONTRIBUTIONS -PINNACLE HEALTH MEDICAL SERVICES - $892,302 IN COMMUNITY HEALTH IMPROVEMENT SERVICES, COMMUNITY BASED CLINICAL SERVICES AND HEALTH CARE SUPPORT SERVICES - COMMUNITY LIFE TEAM - $83,880 IN SUBSIDIZED HEALTH SERVICES-PINNACLE HEALTH FOUNDATION - $775,891 IN COMMUNITY BENEFIT OPERATIONS AND FINANCIAL CONTRIBUTIONS WERE THE ABOVE COMMUNITY BENEFIT EXPENSES OF $3 2 MILLION INCLUDED IN THE HOSPITAL COMMUNITY BENEFIT EXPENSES OF $46 7 MILLION, THE PERCENTAGE OF COMMUNITY BENEFIT EXPENSE TO TOTAL EXPENSE WOULD HAVE BEEN 7 51%

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

Additional Data

Software ID:
Software Version:
EIN: 25-1778644
Name: PINNACLE HEALTH HOSPITALS

990 Schedule H, Supplemental Information

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

Form and Line Reference	Explanation
PINNACLE HEALTH HOSPITALS - HARRISBURG	PART V, SECTION B, LINE 4 PENN STATE HERSHEY MEDICAL CENTERHOLY SPIRIT HOSPITAL
PINNACLE HEALTH HOSPITALS - CGOH	PART V, SECTION B, LINE 4 PENN STATE HERSHEY MEDICAL CENTERHOLY SPIRIT HOSPITAL
PINNACLE HEALTH HOSPITALS - HARRISBURG	PART V, SECTION B, LINE 5D COMMUNITY EVENTS
PINNACLE HEALTH HOSPITALS - CGOH	PART V, SECTION B, LINE 5D COMMUNITY EVENTS
PINNACLE HEALTH HOSPITALS - HARRISBURG	PART V, SECTION B, LINE 7 PINNACLEHEALTH WILL NOT DIRECTLY ADDRESS THE NEED FOR ACCESS TO MENTAL HEALTH SERVICES, HOWEVER, THE NEED WILL BE ADDRESSED BY THE PENNSYLVANIA PSYCHIATR IC INSTITUTE (PPI) WHICH IS A PARTNERSHIP BETWEEN PINNACLEHEALTH AND PENN STATE HERSHEY ME DICAL CENTER, CREATED IN 2008 PPI STAFFS A COMPREHENSIVE TEAM OF SPECIALISTS WHO PROVIDE CARE FOR CHILDREN, ADOLESCENTS, ADULTS AND OLDER ADULTS ADVANTAGES OF PPI EXPERTISE INCLU DE - LICENSED PSYCHIATRISTS, PSYCHOLOGISTS, THERAPISTS, NURSES AND OTHER MENTAL HEALTH PRO FESSIONALS- PERSONALIZED TREATMENT PLANS TO MEET UNIQUE PATIENT NEEDS- THE FULL RANGE OF I NPATIENT AND OUTPATIENT THERAPIES- MODERN, 74-BED INPATIENT FACILITY- FOUR CONVENIENT LOCA TIONS OFFERING OUTPATIENT SERVICESPPI ALSO OFFERS HISPANIC PSYCHIATRIC PROGRAMS WHICH INCL UDE PSYCHIATRIC EVALUATIONS, MEDICATION MANAGEMENT AND THERAPY THAT ARE DESIGNED FORADOLES CENTS AND ADULTS IN INDIVIDUAL, FAMILY OR GROUP SETTINGS
PINNACLE HEALTH HOSPITALS - CGOH	PART V, SECTION B, LINE 7 PINNACLEHEALTH WILL NOT DIRECTLY ADDRESS THE NEED FOR ACCESS TO MENTAL HEALTH SERVICES, HOWEVER, THE NEED WILL BE ADDRESSED BY THE PENNSYLVANIA PSYCHIATR IC INSTITUTE (PPI) WHICH IS A PARTNERSHIP BETWEEN PINNACLEHEALTH AND PENN STATE HERSHEY ME DICAL CENTER, CREATED IN 2008 PPI STAFFS A COMPREHENSIVE TEAM OF SPECIALISTS WHO PROVIDE CARE FOR CHILDREN, ADOLESCENTS, ADULTS AND OLDER ADULTS ADVANTAGES OF PPI EXPERTISE INCLU DE - LICENSED PSYCHIATRISTS, PSYCHOLOGISTS, THERAPISTS, NURSES AND OTHER MENTAL HEALTH PRO FESSIONALS- PERSONALIZED TREATMENT PLANS TO MEET UNIQUE PATIENT NEEDS- THE FULL RANGE OF I NPATIENT AND OUTPATIENT THERAPIES- MODERN, 74-BED INPATIENT FACILITY- FOUR CONVENIENT LOCA TIONS OFFERING OUTPATIENT SERVICESPPI ALSO OFFERS HISPANIC PSYCHIATRIC PROGRAMS WHICH INCL UDE PSYCHIATRIC EVALUATIONS, MEDICATION MANAGEMENT AND THERAPY THAT ARE DESIGNED FORADOLES CENTS AND ADULTS IN INDIVIDUAL, FAMILY OR GROUP SETTINGS

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

Part I Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
PART I, LINE 1A	THE ORGANIZATION PAYS FOR THE CEO'S CLUB DUES, WHICH ARE REPORTABLE AS TAXABLE COMPENSATION FOR THE CEO THE CEO'S SPOUSE ACCOMPANIED THE CEO ON INFREQUENT TRIPS WHERE THE PRESENCE OF THE SPOUSE WAS EXPECTED RELATED COSTS WERE MINIMAL AND WERE NOT INCLUDED IN THE CEO'S COMPENSATION
PART I, LINE 1B	THERE IS A WRITTEN POLICY REGARDING THE PAYMENT OF CLUB DUES, HOWEVER, THERE IS NO WRITTEN POLICY REGARDING COMPANION TRAVEL THE INFREQUENCY OF THE TRAVEL AND THE DE MINIMIS COSTS ASSOCIATED WITH THE ACTIVITY WERE DEEMED NOT TO RISE TO THE LEVEL WHERE A WRITTEN POLICY WAS CONSIDERED NECESSARY
PART I, LINE 3	PINNACLE HEALTH HOSPITALS RELIES ON PINNACLE HEALTH SYSTEM, A RELATED ORGANIZATION, TO ESTABLISH THE COMPENSATION OF THE ORGANIZATION'S CEO METHODS USED TO ESTABLISH COMPENSATION BY THE RELATED ORGANIZATION INCLUDE * COMPENSATION COMMITTEE * INDEPENDENT COMPENSATION CONSULTANT * COMPENSATION SURVEY OR STUDY * APPROVAL BY THE COMPENSATION COMMITTEE OF THE BOARD
PART I, LINE 4B	DR FELIX GUTIERREZ IS A MEMBER OF THE BOARD OF DIRECTORS AND IS EMPLOYED AS A CARDIOLOGIST IN A RELATED ENTITY HE WAS COVERED BY A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN IN CALENDAR YEAR 2013 AT A TOTAL COST OF $16,200 MICHAEL YOUNG PARTICIPATES IN A SPLIT INTEREST LIFE INSURANCE POLICY WHEREBY THE ORGANIZATION PAYS THE PREMIUMS AND MR YOUNG REPORTS THE PREMIUMS AS OTHER REPORTABLE COMPENSATION UPON MR YOUNG'S DEATH, THE ORGANIZATION WILL RECOVER ITS PREMIUMS BEFORE ANY PROCEEDS ARE RELEASED TO THE BENEFICIARIES
PART I, LINE 7	THE COMPENSATION COMMITTEE OF THE BOARD WITH ASSISTANCE FROM AN INDEPENDENT OUTSIDE ADVISOR ESTABLISHES A COMPENSATION PHILOSOPHY TO COMPENSATE LEADERS OF THE ORGANIZATION AT THE MARKET MEDIAN WITH AN INCENTIVE OPPORTUNITY TO REACH THE 75TH PERECENTILE OF THE MARKET FOR THEIR POSITION THE INCENTIVE OPPORTUNITY IS DIVIDED BETWEEN PERSONAL GOALS AND SYSTEM LEVEL GOALS ALL GOALS ARE MEASURABLE AND ARE DESIGNED TO IMPROVE QUALITY OF CARE, PATIENT SAFETY, PATIENT EXPERIENCE, AND MANAGEMENT OF RESOURCES PERFORMANCE IS REWARDED AT THREE LEVELS, THRESHOLD (IMPROVEMENT OVER THE BASELINE), TARGET (SIGNIFICANT IMPROVEMENT OVER THE PRIOR YEAR) AND OPTIMUM (STRETCH)

Additional Data

Software ID:
Software Version:
EIN: 25-1778644
Name: PINNACLE HEALTH HOSPITALS

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				
FELIX GUTIERREZ MD DIRECTOR	(I)	0	0	0	0	0	0	0
	(II)	398,423	100,787	15,103	26,400	27,222	567,935	0
MICHAEL A YOUNG PRESIDENT/CEO	(I)	0	0	0	0	0	0	0
	(II)	729,377	361,078	148,292	12,750	12,824	1,264,321	0
KEVIN KELLY MD DIRECTOR	(I)	0	0	0	0	0	0	0
	(II)	142,501	21,493	77,295	14,179	8,616	264,084	0
CHRISTOPHER P MARKLEY ESQ SEC'Y/SR VP STAT SVCC/GEN COUNSEL	(I)	0	0	0	0	0	0	0
	(II)	306,071	112,249	57,694	15,200	14,749	505,963	0
WILLIAM H PUGH TREASURER/SR VP CORP FIN/CFO	(I)	0	0	0	0	0	0	0
	(II)	487,274	190,935	71,754	15,200	7,890	773,053	0
NANCY HAMMONDS ASST TREASURER/CFO	(I)	0	0	0	0	0	0	0
	(II)	157,488	51,358	17,944	24,950	16,038	267,778	0
PHILIP GUARNESCHELLI SR VICE PRESIDENT/COO	(I)	0	0	0	0	0	0	0
	(II)	458,225	171,873	127,949	15,300	19,318	792,665	0
JOHN DELORENZO ASSISTANT SECRETARY	(I)	0	0	0	0	0	0	0
	(II)	142,077	12,782	0	602	17,267	172,728	0
EDWARD HILDREW ED PHYSICIAN	(I)	247,411	81,390	1,337	35,700	7,436	373,274	0
	(II)	0	0	0	0	0	0	0
FRANK DITRAGLIA ED PHYSICIAN	(I)	454,200	0	0	5,100	0	459,300	0
	(II)	0	0	0	0	0	0	0
R SCOTT RANKIN ED PHYSICIAN	(I)	247,411	231,282	1,398	15,300	12,500	507,891	0
	(II)	0	0	0	0	0	0	0
HARRY MATTA ER PHYSICIAN	(I)	247,411	21,849	156,728	37,350	16,950	480,288	0
	(II)	0	0	0	0	0	0	0
JED SPRUCE SEITZINGER ER PHYSICIAN	(I)	266,947	101,998	0	15,300	18,449	402,694	0
	(II)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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	DAUPHIN COUNTY GENERAL AUTHORITY	23-2336949	23825ECL6	06-24-2009	187,538,449	REFUND SERIES 2004, 2005 & 2007, SWAP TERMINATION, CAPITAL PROJECTS		X		X		X
B	DAUPHIN COUNTY GENERAL AUTHORITY	23-2336949	23825ECY8	06-28-2011	100,000,000	REFUND 2009B NOTES AND CAPITAL PROJECTS		X		X		X
C	DAUPHIN COUNTY GENERAL AUTHORITY	23-2336949	23825EDB7	08-07-2012	135,249,990	CAPITAL PROJECTS		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	19,641,212	4,175,000		
2	Amount of bonds legally defeased				
3	Total proceeds of issue	187,538,449	100,000,000	135,249,990	
4	Gross proceeds in reserve funds	14,590,708			
5	Capitalized interest from proceeds			10,851,923	
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	2,962,259	279,272	1,512,711	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	6,775,515	27,640,702	122,255,668	
11	Other spent proceeds	168,307,000	70,000,000		
12	Other unspent proceeds			668,893	
13	Year of substantial completion	2009	2012	2014	

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %		0 %			
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 680 %		0 %		0 %			
6	Total of lines 4 and 5	0 680 %		0 %		0 %			
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X		X			

Part IV Arbitrage

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

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

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

Return Reference	Explanation
DATE REBATE COMPUTATION PERFORMED	ISSUER NAME DAUPHIN COUNTY GENERAL AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 06/24/2014 ISSUER NAME DAUPHIN COUNTY GENERAL AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 07/01/2013 ISSUER NAME DAUPHIN COUNTY GENERAL AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 09/30/2014

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

Return Reference	Explanation
FORM 990, PART III, LINE 2	UTILIZING PROCEEDS FROM THE SERIES A REVENUE BONDS OF 2012, PINNACLEHEALTH HOSPITAL UNDERTOOK A PROJECT CONSISTING OF THE CONSTRUCTION, EQUIPPING, AND DEVELOPMENT OF A NEW APPROXIMATELY 200,000 SQUARE FOOT, 108 BED PRIVATE ROOM ACUTE CARE HOSPITAL ON THE FREDRICKSON CAMPUS LOCATED IN HAMPDEN TOWNSHIP PENNSYLVANIA KNOWN AS THE WEST SHORE HOSPITAL, THIS FACILITY WAS COMPLETED AND OPENED IN MAY 2014 PROVIDING CONVENIENT ACCESS TO HEALTHCARE FOR THE RESIDENTS IN AND AROUND CUMBERLAND AND PERRY COUNTIES

Return Reference	Explanation
FORM 990, PART V, LINE 1	PINNACLE HEALTH SYSTEM, THE PARENT ENTITY OF A GROUP OF TAX-EXEMPT ORGANIZATIONS, IS THE COMMON REPORTING AGENT FOR THE GROUP AND FILES ALL 1099 FORMS FOR PINNACLE HEALTH HOSPITALS

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6	THE SOLE MEMBER OF THE CORPORATION IS PINNACLE HEALTH SYSTEM, A NONPROFIT CORPORATION (EIN 25-1778658)

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A	AS SOLE MEMBER OF THE ORGANIZATION, PINNACLE HEALTH SYSTEM SHALL ELECT THE BOARD OF DIRECTORS

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B	THE FOLLOWING POWERS ARE RESERVED TO THE SOLE MEMBER, PINNACLE HEALTH SYSTEM TO APPROVE AND AUTHORIZE ANNUAL OPERATING AND CAPITAL BUDGETS STRATEGIC PLANS BORROWINGS OR EXTENSIONS OF CREDIT EQUAL TO OR GREATER THAN ONE MILLION DOLLARS VOLUNTARY DISSOLUTION, MERGER, OR CONSOLIDATION THE SALE, PLEDGING, LEASING OR TRANSFER OF ASSETS IN EXCESS OF $500,000 THE CREATION OR ACQUISITION OF ANY SUBSIDIARY OR AFFILIATE ADDITION OR DELETION OF CLINICAL CENTERS OF EMPHASIS ANY CONTRACT WITH AN UNRELATED PARTY FOR MANAGEMENT OF SUBSTANTIALLY ALL ACTIVITIES INVESTMENT POLICIES UNBUDGETED CAPITAL EXPENDITURES TO SELECT THE CERTIFIED PUBLIC ACCOUNTANTS TO ESTABLISH AN OBLIGATED GROUP FOR FINANCING PURPOSES TO ADOPT EMPLOYEE BENEFIT PLANS

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	THE AUTHORITY AND RESPONSIBILITY FOR REVIEW OF THE FORM 990 FOR PINNACLE HEALTH SYSTEM AND SUBSIDIARIES IS DELEGATED TO THE FINANCE AND AUDIT COMMITTEE OF THE PINNACLE HEALTH SYSTEM BOARD IN ORDER TO ACCOMPLISH THIS, ALL MEMBERS OF THE FINANCE AND AUDIT COMMITTEE ARE PROVIDED WITH A REASONABLE OPPORTUNITY TO REVIEW AND COMMENT TO EXECUTIVE LEADERSHIP ON THE IRS FORMS 990 OF THE PINNACLE HEALTH SYSTEM AND ITS SUBSIDIARIES, INCLUDING PINNACLE HEALTH HOSPITALS, PINNACLE HEALTH MEDICAL SERVICES, PINNACLE HEALTH FOUNDATION, AND COMMUNITY LIFE TEAM BEFORE THE RETURNS ARE FILED WITH THE INTERNAL REVENUE SERVICE. IN ADDITION, EACH MEMBER OF EACH RESPECTIVE BOARD OF DIRECTORS WILL BE GIVEN ACCESS TO VIEW THEIR INDIVIDUAL FORM 990 VIA A SHARED, PASSWORD-PROTECTED WEBSITE.

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 12C	IN THE PERFORMANCE OF THEIR DUTIES TO PINNACLE HEALTH SYSTEM AND SUBSIDIARIES (COLLECTIVELY REFERRED TO AS "PHS"), COVERED PERSONS SHALL SEEK TO ACT IN THE BEST INTERESTS OF PHS, AND SHALL EXERCISE GOOD FAITH, LOYALTY, DILIGENCE AND HONESTY A COVERED PERSON IS ANY INDIVIDUAL WHO SERVES IN A FIDUCIARY CAPACITY TO, OR WHO HAS LEGAL AUTHORITY TO REPRESENT OR OBLIGATE, THE PINNACLE HEALTH SYSTEM OR ANY OF ITS AFFILIATED ORGANIZATIONS INCLUDING, BUT NOT LIMITED TO, DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS COVERED PERSONS ALSO INCLUDE A) IMMEDIATE FAMILIES (SPOUSES, CHILDREN, SIBLINGS, PARENTS, OR SPOUSE'S PARENTS), B) ANY ORGANIZATION IN WHICH THEY OR THEIR IMMEDIATE FAMILIES DIRECTLY OR INDIRECTLY I) HAVE A MATERIAL FINANCIAL OR BENEFICIAL INTEREST, OR II) SERVE AS A DIRECTOR, OFFICER, EMPLOYEE, AGENT, ATTORNEY OR SIMILAR CAPACITY A COVERED PERSON SHALL DISCLOSE ANY BUSINESS OR PERSONAL INTERESTS OR RELATIONSHIPS WHICH MAY BE IN CONFLICT WITH THE INTERESTS OF PHS, INCLUDING, BUT NOT LIMITED TO (A) ENGAGING IN OR SEEKING TO BE ENGAGED IN (I) THE DELIVERY OF HEALTH CARE SERVICES OR (II) THE DELIVERY OF GOODS OR SERVICES TO PHS, OR (B) ANY TRANSACTION OR ARRANGEMENT WITH PHS WHICH WOULD RESULT IN BENEFIT TO COVERED PERSONS THE GOVERNANCE COMMITTEE OF THE PHS BOARD REVIEWS ALL CONFLICT OF INTEREST STATEMENTS AND DETERMINES WHETHER EACH DIRECTOR ON THE BOARD IS INDEPENDENT COVERED PERSONS WHO ARE DIRECTORS MUST COMPLY WITH THE PINNACLE HEALTH SYSTEM GUIDELINES FOR DETERMINING DIRECTOR INDEPENDENCE AND APPLYING DIRECTOR INDEPENDENCE REQUIREMENTS COVERED PERSONS WITH A CONFLICT OF INTEREST SHALL NOT VOTE ON THE MATTER, AND THE PHS BOARD OR COMMITTEE MUST APPROVE, AUTHORIZE, OR RATIFY THE TRANSACTION OR ARRANGEMENT BY A MAJORITY VOTE OF THE NON-INTERESTED DIRECTORS OR COMMITTEE MEMBERS PRESENT AT A MEETING THAT HAS A QUORUM VIOLATIONS OF THIS STATEMENT OF POLICY MAY SUBJECT COVERED PERSONS TO APPROPRIATE SANCTIONS, INCLUDING REMOVAL FROM THEIR POSITIONS WITH PHS

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION COMMITTEE OF THE PINNACLE HEALTH SYSTEM ("PHS") BOARD OF DIRECTORS HAS THE AUTHORITY TO DEVELOP AND MAINTAIN EXECUTIVE AND PHYSICIAN COMPENSATION TO BE APPROVED BY THE PINNACLE HEALTH SYSTEM BOARD THE COMPENSATION COMMITTEE WILL FOLLOW A DILIGENT PROCESS THAT MEETS REGULATORY REQUIREMENTS FOR A REBUTTABLE PRESUMPTION OF REASONABLENESS AND PROMOTES EFFECTIVE GOVERNANCE OF EXECUTIVE COMPENSATION, CONSISTENT WITH THE PHS COMPENSATION PHILOSOPHY 1 FOLLOW A PROCESS THAT ESTABLISHES AND MAINTAINS A REBUTTABLE PRESUMPTION OF REASONABLENESS FOR ALL EXECUTIVES AND PHYSICIANS POTENTIALLY SUBJECT TO INTERMEDIATE SANCTIONS 2 PREPARE MINUTES FOR EACH MEETING TO RECORD THE TERMS OF THE COMMITTEE'S DECISIONS AND THE PROCESS FOLLOWED IN REACHING THOSE DECISIONS THESE MINUTES MUST INCLUDE INDICATIONS THAT THE COMMITTEE IS FOLLOWING GOOD PRACTICES IN DEALING WITH CONFLICTS OF INTEREST AND IN OBTAINING AND RELYING ON APPROPRIATE COMPARABILITY DATA ON TOTAL COMPENSATION 3 SELECT AND DIRECTLY ENGAGE AND SUPERVISE ANY CONSULTANT HIRED BY PHS TO ADVISE THE COMMITTEE ON EXECUTIVE AND PHYSICIAN COMPENSATION 4 PERIODICALLY EVALUATE THE APPROPRIATENESS OF THIS CHARTER AND THE EFFECTIVENESS OF THE PROCESS THE COMMITTEE USES IN GOVERNING EXECUTIVE AND PHYSICIAN COMPENSATION AND REPORT THIS EVALUATION TO THE BOARD 5 PROVIDE THE BOARD WITH AN ANNUAL REPORT ON THE COMMITTEE'S ACTIONS 6 MONITOR CHANGES IN LAWS AND REGULATIONS PERTAINING TO EXECUTIVE COMPENSATION AND BENEFITS TO SEE THAT PHS COMPLIES WITH THEM 7 SEEK OUTSIDE REVIEW OF COMMITTEE OPERATIONS TO ENSURE COMPLIANCE WITH THE IRS REBUTTABLE PRESUMPTION OF REASONABLENESS 8 REVIEW ACTUAL EXECUTIVE COMPENSATION AND BENEFITS PROVIDED TO CONFIRM CONSISTENCY WITH COMPENSATION AND BENEFITS APPROVED BY THE COMMITTEE

Return Reference	Explanation
FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY AVAILABLE FOR PUBLIC INSPECTION THE ORGANIZATION INCLUDES A COPY OF ITS FINANCIAL STATEMENTS WITH THE STATE REGISTRATION FILED WITH THE PENNSYLVANIA DEPARTMENT OF STATE, BUREAU OF CHARITABLE ORGANIZATIONS THESE DOCUMENTS ARE A MATTER OF PUBLIC RECORD AND CAN BE VIEWED AT THE BUREAU OFFICE

Return Reference	Explanation
FORM 990, PART IX, LINE 11G	PHYSICIAN FEES PROGRAM SERVICE EXPENSES 2,654,023 MANAGEMENT AND GENERAL EXPENSES 1,307,205 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 3,961,228 OUTSOURCING PROGRAM SERVICE EXPENSES 25,282,517 MANAGEMENT AND GENERAL EXPENSES 5,930,467 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 31,212,984 CLEANING SERVICES PROGRAM SERVICE EXPENSES 6,820,232 MANAGEMENT AND GENERAL EXPENSES 1,497,124 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 8,317,356 LAB FEES PROGRAM SERVICE EXPENSES 3,256,765 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 3,256,765 RESIDENT ROTATION PROGRAM SERVICE EXPENSES 1,201,526 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 1,201,526 OTHER PROFESSIONAL FEES PROGRAM SERVICE EXPENSES 20,342,331 MANAGEMENT AND GENERAL EXPENSES 7,564,872 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 27,907,203

Return Reference	Explanation
FORM 990, PART XI, LINE 9	PENSION SETTLEMENT LOSS -44,913,170 CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY 43,913,212 FINANCING FRAMEWORK TRANSFERS -22,503,724 INTERCOMPANY TRANFERS - TEMP RESTRICTED 2,230,340

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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
(1) PINNACLE HEALTH EMERGENCY DEPARTMENT SERVICES LLC 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 17105 86-1057582	MEDICAL EMERGENCY SERVICES	PA	-6,912,825	1,656,180	PINNACLE HEALTH HOSPITALS
(2) PINNACLE HEALTH HOSPITALISTS SERVICES LLC 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 17105	HOSPITALISTS SERVICES	PA	4,814,076	1,085,978	PINNACLE HEALTH HOSPITALS

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) PINNACLE HEALTH SYSTEM 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 25-1778658	MANAGEMENT AND CONSULTATIVE SERVICES FOR RELATED EXEMPT ORGS	PA	501(C)(3)	LINE 11C, III-FI	N/A		No
(2) PINNACLE HEALTH MEDICAL SERVICES 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 25-1709054	PHYSICIAN SERVICES	PA	501(C)(3)	LINE 3	PINNACLE HEALTH SYSTEM		No
(3) PINNACLE HEALTH FOUNDATION 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 22-2691718	INVESTMENT AND FUNDRAISING ACTIVITIES FOR RELATED TAX-EXEMPT ORGANIZATIONS	PA	501(C)(3)	LINE 11B, II	PINNACLE HEALTH SYSTEM		No
(4) COMMUNITY LIFE TEAM 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 23-1890444	COMMUNITY EMERGENCY MANAGEMENT SERVICE AND MEDICAL TRANSPORT PROVIDER	PA	501(C)(3)	LINE 9	PINNACLE HEALTH SYSTEM		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) WEST SHORE SURGERY CENTER LTD 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 25-1821415	SURGICAL CARE - MEDICAL SERVICES	PA	SEE PART VII - SUPPLEMENTAL INFORMATION	RELATED	1,117,416	1,101,889		No			No	49 000 %
(2) RIVER HEALTH ACO LLC 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 46-2567488	MEDICAL SERVICES	PA	N/A									
(3) SUSQUEHANNA VALLEY SURGICAL CENTER 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 25-1847818	SURGICAL CARE - MEDICAL SERVICES	PA	N/A									

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) UNITED CENTRAL PA RISK RETENTION GROUP 76 ST PAUL STREET SUITE 500 BULINGTON, VT 054014477 13-4224033	CAPTIVE INSURANCE	VT	N/A	C					No
(2) UNITED HEALTH RISK LTD PO BOX 2450 HAMILTON HM JX BD	CAPTIVE INSURANCE	BD	N/A	C					No
(3) PINNACLE HEALTH CARDIOVASCULAR INSTITUTE PO BOX 8700 HARRISBURG, PA 17105 32-0321362	PHYSICIAN SERVICES	PA	N/A	C					No
(4) PINNACLE HEALTH MEDICAL GROUP PO BOX 8700 HARRISBURG, PA 17105 80-0771040	PHYSICIAN SERVICES	PA	N/A	C					No
(5) PINNACLE HEALTH VENTURES INC PO BOX 8700 HARRISBURG, PA 17105 61-1677624	HOLDING COMPANY	PA	N/A	C					No
(6) PINNACLE HEALTH IMAGING INC PO BOX 8700 HARRISBURG, PA 17105 23-1718571	IMAGING SERVICES	PA	N/A	C					No

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

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

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) WEST SHORE SURGERY CENTER LTD	A	552,532	FMV
(2) WEST SHORE SURGERY CENTER LTD	R	749,372	FMV

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

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

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

Part VII Supplemental Information

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

Return Reference	Explanation
FORM 990, SCHEDULE R, PART III	WEST SHORE SURGERY CENTER IS OWNED BY THE FOLLOWING RELATED ENTITIES PINNACLE HEALTH HOSPITALS - 49% PINNACLE HEALTH MEDICAL SERVICES - 2% THE REMAINING 49% IS OWNED BY A NUMBER OF INDIVIDUAL PHYSICIANS PINNACLE HEALTH HOSPITALS' 49% OWNERSHIP PERCENTAGE DOES NOT RESULT IN ANY DIRECT CONTROLLING ENTITY, HOWEVER, COMBINED WITH THE OWNERSHIP PERCENTAGE OF PINNACLE HEALTH MEDICAL SERVICES, A RELATED ENTITY, THERE IS MORE THAN 50% CONTROL AMONG THE RELATED GROUP

Pinnacle Health System

(And controlled entities and subsidiaries)

Consolidated Financial Statements and Supplemental Data

June 30, 2014 and 2013

Pinnacle Health System
(And controlled entities and subsidiaries)
Index
June 30, 2014 and 2013

Independent Auditor's Report

To the Board of Directors of Pinnacle Health System

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, we consider internal control relevant to the System 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 System'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

pwc

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pinnacle Health System and its subsidiaries at June 30, 2014 and June 30, 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

PricewaterhouseCoopers LLP

Harrisburg, PA
September 10, 2014

Pinnacle Health System
(And controlled entities and subsidiaries)
Consolidated Statements of Financial Position
June 30, 2014 and 2013

(in thousands of dollars)	2014	2013
Assets		
Current		
Cash and cash equivalents	$ 23,152	$ 34,446
Accounts receivable - Patient, less allowance for doubtful accounts of approximately $37,092 in 2014 and $28,378 in 2013	120,370	84,476
Accounts receivable - Other	14,235	12,646
Investments	206,686	203,373
Inventories	14,816	12,282
Prepaid expenses	14,662	13,440
Trustee held funds for capital projects	738	89,285
Current portion of self-insurance trust funds	-	1,227
Total current assets	394,659	451,175
Assets limited as to use		
Self-insurance trust funds, net of current portion	-	3,450
Board-designated funds	65,153	54,602
Board-designated funds for capital acquisition	170,495	154,380
Funds held by trustee for debt service fund	14,591	14,588
Total assets limited as to use	250,239	227,020
Investments temporarily restricted as to use	15,724	13,474
Investments permanently restricted as to use	21,296	19,624
Property, plant and equipment, net	517,006	399,802
Pledges receivable	10,651	6,927
Goodwill	43,086	43,891
Other assets	20,914	21,071
Total assets	$ 1,273,575	$ 1,182,984

The accompanying notes are an integral part of these consolidated financial statements

Pinnacle Health System
(And controlled entities and subsidiaries)
Consolidated Statements of Financial Position
June 30, 2014 and 2013

(in thousands of dollars)	2014	2013
Liabilities and Net Assets		
Current		
Current portion of long-term debt	$ 12,495	$ 11,273
Accounts payable and accrued expenses	62,694	51,605
Accrued salaries, wages and fees	33,546	27,772
Accrued vacation	20,752	19,671
Accrued insurance costs	22,689	26,705
Accrued retirement costs	499	460
Due to third-party payors	1,637	1,837
Advances from third-party payors	3,809	3,809
Total current liabilities	158,121	143,132
Long-term liabilities		
Accrued insurance costs, net of current portion	4,888	5,597
Accrued retirement costs, net of current portion	43,802	51,095
Interest rate swap agreement	5,522	5,741
Long-term debt, net of current portion	410,704	411,802
Total long-term liabilities	464,916	474,235
Net assets		
Unrestricted net assets		
Unrestricted net assets Pinnacle Health System	594,715	524,080
Noncontrolling interests in consolidated subsidiary company	1,435	1,512
Total unrestricted net assets	596,150	525,592
Temporarily restricted net assets	33,090	20,401
Permanently restricted net assets	21,298	19,624
Total net assets	650,538	565,617
Total liabilities and net assets	$ 1,273,575	$ 1,182,984

The accompanying notes are an integral part of these consolidated financial statements

Pinnacle Health System
(And controlled entities and subsidiaries)
Consolidated Statements of Operations
Years Ended June 30, 2014 and 2013

(in thousands of dollars)	2014	2013
Unrestricted revenues		
Net patient service revenues (net of contractual allowances and discounts)	$ 882,429	$ 849,717
Provision for bad debts	(49,081)	(42,625)
Net patient service revenue less provision for bad debts	833,348	807,092
Other revenues	22,451	20,066
Net assets released from restrictions used for operations	3,446	3,393
Total unrestricted revenues	859,245	830,551
Expenses		
Salaries and wages	362,441	333,663
Fringe benefits	80,163	83,397
Professional fees	25,674	24,204
Supplies	136,040	128,978
Purchased services	145,570	138,340
Interest	15,768	17,582
Depreciation and amortization	56,821	51,287
Total expenses	822,477	777,451
Income from operations before pension settlement loss	36,768	53,100
Pension settlement loss	(44,913)	-
(Loss) income from operations after pension settlement loss	(8,145)	53,100
Nonoperating gains (losses)		
Investment income	37,495	23,500
(Loss) gain on disposal of assets	(225)	336
Loss on goodwill impairment	(1,525)	(1,584)
Realized and unrealized (losses) gains on interest rate swap	(1,235)	1,375
Nonoperating gain, net	34,510	23,627
Revenues and gains over expenses and losses	$ 26,365	$ 76,727

The accompanying notes are an integral part of these consolidated financial statements

Pinnacle Health System
(And controlled entities and subsidiaries)
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2014 and 2013

(in thousands of dollars)	2014	2013
Unrestricted net assets		
Revenues and gains over expenses and losses	$ 26,365	$ 76,727
Change in post-retirement liability	43,913	34,440
Net assets released from restrictions for purchases of property, plant and equipment	36	2,413
Income (loss) attributable to and other changes in noncontrolling interests	245	(1,272)
Increase in unrestricted net assets	70,559	112,308
Temporarily restricted net assets		
Contributions	9,167	8,165
Net realized and unrealized gains on investments	7,032	4,156
Net assets released from restrictions	(3,511)	(5,729)
Increase in temporarily restricted net assets	12,688	6,592
Permanently restricted net assets		
Contributions	3	1
Net realized and unrealized gains on investments and changes in interests in beneficial trusts	2,225	1,937
Appropriation of endowment assets for spending	(554)	(511)
Increase in permanently restricted net assets	1,674	1,427
Increase in net assets	84,921	120,327
Net assets		
Beginning of year	565,617	445,290
End of year	$ 650,538	$ 565,617

The accompanying notes are an integral part of these consolidated financial statements

Pinnacle Health System
(And controlled entities and subsidiaries)
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

(in thousands of dollars)	2014	2013
Cash flows from operating activities		
Change in net assets	$ 84,921	$ 120,327
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(43,178)	(19,273)
Provision for bad debts	49,081	42,625
Depreciation and amortization	56,821	51,287
Loss (gain) on disposal of assets	225	(336)
Change in pension liability	(43,913)	(34,440)
Equity in (gains) losses of joint ventures and affiliates	699	(1,823)
Changes in noncontrolling interest in consolidated subsidiary company	(245)	1,272
Loss on goodwill impairment	1,525	1,584
Loss on pension settlement accounting	44,913	-
Restricted contributions and investment gain income	739	807
Change in current assets and liabilities		
Increase in accounts receivable	(86,564)	(50,143)
Increase in pledges receivable	(6,567)	(6,381)
Increase in inventories, goodwill, and other assets	(3,296)	(2,719)
Increase in prepaid expenses	(1,222)	(2,285)
Increase in accounts payable and accrued expenses	10,870	10,660
Increase in accrued salaries, wages and fees and accrued vacation	6,855	5,125
Decrease in accrued insurance and retirement costs	(12,979)	(90)
Decrease in advances from and amounts due to third-party payors	(200)	(4,058)
Net cash provided by operating activities	58,485	112,139
Cash flows from investing activities		
Purchase of property, plant and equipment	(169,450)	(102,287)
Net (contributions) distributions to joint ventures and affiliates	(454)	689
Sale (purchase) of investments, including assets limited as to use, net	102,499	(111,593)
Proceeds from sale of assets	195	276
Net cash used in investing activities	(67,210)	(212,915)
Cash flows from financing activities		
Cash paid for financing costs	-	(1,501)
Repayments of long-term debt	(5,719)	(30,224)
Proceeds from long-term debt	801	135,250
Cash receipts from pledges	2,843	1,901
Distributions (contributions) to noncontrolling interests in in consolidated subsidiary	245	(1,272)
Restricted contributions and investment income	(739)	(807)
Net cash (used) provided by financing activities	(2,569)	103,347
Net (decrease) increase in cash and cash equivalents	(11,294)	2,571
Cash and cash equivalents		
Beginning of year	34,446	31,875
End of year	$ 23,152	$ 34,446

The accompanying notes are an integral part of these consolidated financial statements

1. Description of Organization

Pinnacle Health System ("Parent"), located in Harrisburg, Pennsylvania, consists of the following controlled entities and subsidiaries (collectively the "System")

Pinnacle Health Foundation ("Foundation"), is a tax-exempt, nonprofit corporation, engaged in fund raising activities for the benefit of the controlled entities of the System

Pinnacle Health Hospitals ("Hospital"), is a tax-exempt, nonprofit, multi-facility acute care hospital

Pinnacle Health Emergency Department Services, LLC ("PHEDS"), is a tax-exempt, nonprofit corporation engaged in providing professional services in the Pinnacle Health Emergency Department

Pinnacle Health Hospitalist Services, LLC ("Hospitalists"), is a tax-exempt, nonprofit company that provides physician services to Pinnacle Health Hospital's inpatients and observation patients

Community Life Team ("CLT"), is a tax-exempt, nonprofit entity that provides both emergency and nonemergency ambulance services to citizens in the Harrisburg, PA area and surrounding counties

Pinnacle Health Medical Services ("PHMS"), is a tax-exempt, nonprofit entity engaged in the operation of both primary care and specialty physician practices and providing mental health services

Pinnacle Health Cardiovascular Institute ("PHCVI") and its wholly-owned subsidiary, Cardiology Practice Inc ("CPI"), are 100% owned for profit corporations engaged in providing comprehensive cardiac care CPI ceased operations on December 31, 2012 and all assets and liabilities merged into PHCVI

Pinnacle Health Medical Group ("PHMG") is a wholly-owned, for profit corporation engaged in the operation of primary care physician practices PHMG ceased operations on December 31, 2013 and all assets and liabilities were transferred into PHMS

Pinnacle Health Ventures Inc. (PHVI) and Pinnacle Health Imaging Inc (PHI) were formed as a result of the acquisition of 100% of the stock of Tristan Associates on March 1, 2012 PHVI is the stock holding company and sole shareholder of PHI PHI owns and/or leases radiology and imaging equipment and services at four office locations PHI leases equipment and services to Hospital

River Health ACO, LLC ("RHACO") was formed on April 15, 2013 and was approved by CMS to become recognized as an Accountable Care Organization (ACO) dedicated to improving the cost, quality, access and patient experience to care for residents of Central Pennsylvania The ACO is comprised of two founding partners Pinnacle Health System and Susquehanna Health System, Inc , and two independent primary care practice partners, Family Practice Centers, P C and Annville Family Medicine, P C

United Health Risk, Ltd ("UHR") is a wholly-owned, for profit, offshore captive insurance company

United Central Pennsylvania Reciprocal Risk Retention Group ("RRG") is a wholly-owned, for profit, Vermont captive insurance company

West Shore Surgery Center, LLP ("WSSC") is a limited liability partnership owned 2% by PHMS, the general partner, 49% by the Hospital and 49% by physicians

Pinnacle Health System Obligated Group ("Obligated Group"), consists of the Parent, Hospital, and PHMS

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Parent and its controlled entities and subsidiaries The accounts of the controlled entities have been included in the consolidated financial statements to reflect the results of operations of entities under common control All significant intercompany transactions have been eliminated

Basis of Financial Reporting

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 These significant estimates include the accounts receivable allowance for doubtful accounts, contractual allowances, due to third party payors, accrued pension liabilities, accrued retirement costs and accrued insurance costs Actual results could differ from those estimates as they are prepared based on certain assumptions which are subject to change

Reclassification of Prior Year Balances

Certain 2013 balances have been reclassified to conform to the 2014 presentation

Net Patient Service Revenues

The hospital has agreements with third party payors that provide for payments to the hospital at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods for tentative and final settlements

Allowance for Doubtful Accounts

Accounts receivable are recorded at their estimated net realizable value The allowance for doubtful accounts is estimated based upon historical collection rates

Revenues and Gains Over Expenses and Losses

The consolidated statements of operations include revenues and gains over expenses and losses Changes in unrestricted net assets which are excluded from revenues and gains over expenses and losses, consistent with industry practice, include changes in the post-retirement liability, noncontrolling interests and net assets released from donor restrictions to be used for purchases of property, plant and equipment

Cash and Cash Equivalents
Cash and cash equivalents include cash management funds with original maturities of three months or less, excluding amounts whose use is limited by Board-designation or other arrangements under trust agreements The System maintains cash and cash equivalents in local banks

Investments
The System follows standards issued by the Financial Accounting Standards Board ("FASB") related to fair value accounting The standards define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements The standards also provide an option to report selected financial assets and liabilities at fair value and establish presentation and disclosure requirements The fair value option permits the System to elect to measure eligible items at fair value on an instrument-by-instrument basis and then report the unrealized gains and losses for those items in the System's revenues and gains over expenses and losses The System has chosen to record all of its investments under the fair value option permitted under these standards

Under these fair value standards, the System is required to categorize and disclose certain assets and liabilities, including investments, at fair value, according to 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 always 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date

The following is a description of the System's valuation methodologies for investments carried at fair value These methods may produce a fair value calculation that may not be reflective of future fair values Furthermore, while the System believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of investments could result in a different estimate of fair value at the reporting date

Where quoted prices are available in an active market, investments are classified in Level 1 of the valuation hierarchy Investments in Level 1 include cash management funds, US Treasury Obligations, exchange-traded equity securities and mutual funds with a published daily net asset value or its equivalent ("NAV") Investments in Level 2 include financial instruments valued based on quoted market prices for identical securities in markets that are not always active, quoted prices for similar securities in markets that are active, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency If quoted prices are not available, other accepted valuation methodologies, such as interest rates, observable yield curves and spreads may be used to determine fair value This level includes investments in marketable corporate debt securities, U S agency debt securities, and other debt securities

Level 2 also includes investments in certain mutual funds that permit daily redemptions but whose NAV is not published and investments in certain private entities that calculate NAV per share, or its equivalent, if the System has the ability to redeem its investment with the investee at the stated NAV at the measurement date or shortly thereafter Such investments are considered "alternative investments" and are recorded at fair value based on the NAV as a practical expedient, as provided by the respective general partner or fund administrator of the individual alternative investment funds There are no unfunded commitments for these investments

The System believes the fair value of alternative investments in the consolidated balance sheets is a reasonable estimate of its ownership interest in the alternative investment funds As part of the System's overall valuation process, management evaluates these third-party methodologies to ensure that they are representative of exit prices in the security's principal markets

These valuation methods may produce a fair value estimate that may not be reflective of future fair values Furthermore, while the System believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a materially different estimate of fair value at the reporting date See Note 6 for additional details related to the System's investments

Derivative Instruments
The System accounts for derivative financial instruments in accordance with standards issued by the FASB These standards require that all derivative instruments be recorded on the balance sheet at fair value as either assets or liabilities Since the derivatives entered into by the System do not qualify for hedge accounting, changes in fair value of the derivative are recognized in nonoperating gains/(losses) The use of derivative instruments by the System is currently limited to interest rate swaps

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

Assets Limited as to Use
Assets limited as to use include Board-designated funds, Board-designated funds for capital acquisition and the portion of self-insurance funds and funds held by trustee that have not been reflected as current assets to meet the current portion of self-insured liabilities and long-term debt Insurance collateral funds represent monies that are designated as collateral for a letter of credit that is designated to fund current and future liabilities for payment of professional liability and workers' compensation claims Board-designated funds and Board-designated funds for capital acquisition represent funds designated by the Board of Directors for capital acquisition and replacement and to support System initiatives

Property, Plant and Equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and amortization Depreciation is computed on the straight-line method over the estimated useful lives of the assets Gains and losses resulting from the sale or disposal of property, plant and equipment are included in nonoperating gains (losses) Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the financial statements

Investments in and Advances to Joint Ventures and Affiliates
The System, through its controlled entities and subsidiaries, maintains an ownership interest in several joint ventures which provide various clinical and nonclinical services These investments, with the exception of Affilia, are accounted for under the equity method since the ownership interest is between 20 0% and 50 0% and control is not exercised The System maintains an 11 8% ownership interest in Affilia and accounts for it on the cost method Under the terms of the agreements, the System may be required from time to time to make additional cash contributions and provide working capital advances to the joint ventures

Pledges Receivable
The System records its pledges receivable at the estimated net realizable value, discounted at a rate of 4% at June 30, 2014 and 2013 Pledges receivable in the amounts of $2,361, $2,233, $2,162, $1,021 and $72 are due in fiscal years 2015, 2016, 2017, 2018 and 2019, respectively

Deferred Financing Costs
Deferred financing costs are amortized over the life of the bonds using the effective interest method

During 2013, the System capitalized financing costs of $1,501, incurred as a result of the issuance of the Series 2012A Health System Revenue Bond During 2014, the System capitalized financing costs of $0

Amortization expense was $165 and $161 for the years ended June 30, 2014 and 2013, respectively

Accrued Insurance Costs
Accrued insurance costs consist of estimated liabilities for reported and incurred but not reported claims related to professional liability, workers' compensation and employee health care The System discounts its liabilities for professional liability and workers' compensation claims As of June 30, 2014 and 2013, the discount rate was 3 50%

Temporarily and Permanently Restricted Net Assets
Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose Permanently restricted net assets, excluding interest and dividend income earned on such assets which is unrestricted, have been restricted by donors to be maintained by the System or outside beneficial trusts in perpetuity

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

Income Taxes
The majority of the System is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code On such basis, the exempt entities will not incur any liability for federal income taxes, except for possible unrelated business income

The System evaluates uncertain tax positions using a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in an unrelated business activity tax return and disclosures regarding uncertainties in tax positions No adjustments to the consolidated financial statements were required as a result of this evaluation

The following entities are not exempt from federal income tax PHCVI, PHMG, PHVI, RRG, RHACO and WSSC, and therefore, may incur liabilities for federal and state income taxes

Fair Value of Financial Instruments
Financial instruments include cash and cash equivalents, accounts receivable, investments, and interest rate swap agreement The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, approximates fair value and investments and interest rate swap agreement equal fair value as of June 30, 2014 and 2013

The undiscounted carrying value of the System's 2009A, 2011A, and 2012A revenue bonds was $398,235 and $403,825 at June 30, 2014 and 2013, respectively The undiscounted fair value of the System's 2009A, 2011A, and 2012A revenue bonds was $419,829 and $415,968 at June 30, 2014 and 2013, respectively The fair value of the System's revenue bonds was based on quoted market prices The System considers the inputs in the valuation process of its long-term debt to be Level 2 in the fair value hierarchy

Supplemental Disclosure of Cash Flow Information
Interest paid for the years ended June 30, 2014 and 2013 was $18,411 and $18,800, respectively

There were no income taxes paid in fiscal 2014 and 2013

During 2014 and 2013, capital lease obligations of $1,745 and $0, respectively, were incurred when the System entered into lease agreements to provide imaging equipment These obligations are considered to be a noncash financing activity

During 2014 and 2013, property, plant and equipment of $18,341 and $14,240 were included in accounts payable and accrued expenses

Accounting for Defined Benefit and Other Postretirement Benefits
The System follows FASB standards over employer's accounting for defined benefit pension and other postretirement plans Included in these standards is a requirement for an entity to recognize in its balance sheet, the overfunded or underfunded status of its defined benefit postretirement plans measured as the difference between the fair value of the plan assets and the benefit obligation For a pension plan, this would be the projected benefit obligation, for any other postretirement plan, the benefit obligation would be the accumulated postretirement benefit obligation These standards also require measurement dates for the pension plan obligation to be measured as of the date of the entity's balance sheet

Goodwill
In accordance with Accounting Standards Update No 2011-08 ("ASU 2011-08"), Testing Goodwill for Impairment, the System performs its annual goodwill impairment test as of March 31 Under ASU 2011-08, the Company assessed certain qualitative factors to determine if it was more likely than not that the fair value of certain segments within Pinnacle Health Medical Services, Pinnacle Health Hospitals, Pinnacle Health Ventures, and Pinnacle Health Cardiovascular Institute were less than their carrying amount

3. Acquisitions

During fiscal year ended June 30, 2013 Pinnacle Health System acquired the building and assets of Greater Harrisburg Cancer Center for a total cost of $4,600 which included goodwill totaling $3,050 The building was located on land owned by Pinnacle Health System adjacent to the Pinnacle Health System Cancer Center and was used to accommodate the increased demand in the area for cancer treatment services It was later decided to build a new Cancer Center near the new West Shore Hospital and the total goodwill of $3,050 was written off over FY13 and 14

4. Net Patient Service Revenues

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

- **Medicare** Inpatient acute care and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Medical education and transplant costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology Outpatient services are paid based on the ambulatory payment classification system The System is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary

- **Medicaid** Inpatient services are rendered to Medicaid program beneficiaries based on a patient classification system similar to Medicare Outpatient services are paid on a predetermined fee schedule

- **Capital Blue Cross and Highmark Blue Shield** Inpatient acute care services and certain outpatient procedures rendered to Blue Cross and Blue Shield program beneficiaries are paid at prospectively determined rates per discharge or per procedure Other outpatient services are paid at a discount from established rates

- **Other Payors** The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates

Notes to Consolidated Financial Statements (in thousands of dollars)

In accordance with ASU 2011-07, the following schedule represents the System's estimated net patient service revenue, before provision for bad debt expense, aggregated between self-pay and all other third-party payors for the fiscal years ended June 30, 2014 and 2013

	June 30, 2014		
	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	$ 838,375	$ 44,055	$ 882,430

	June 30, 2013		
	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	$ 806,669	$ 43,048	$ 849,717

Revenue received under agreements with several third-party payors is subject to audit and retroactive adjustment Adjustments related to settlements with third-party payors are included in the determination of revenues and gains over expenses and losses in the year in which such adjustments become known Such adjustments resulted in an increase in revenue of approximately $2,284 and $2,730 in 2014 and 2013, respectively, due to the receipt of tobacco settlement payments, Medicare budget neutrality appeal payment and changes in general reserve estimates and other miscellaneous estimates

5. Charity Care and Community Service

The System provides services to patients who meet the criteria of its charity care policy without charge or at amounts less than the established rates Criteria for charity care consider family income levels, household size and ability to pay Federal poverty guidelines are used as a means to determine the patient's ability to pay Individuals who qualify for charity care are either uninsured or are extremely indigent and cannot afford their deductibles or coinsurance amounts

The System maintains records to identify and monitor the level of charity care and community service it provides These records include the amount of charges foregone based on established rates for services and the estimated cost of those services furnished under its charity care policy The System provides community service programs to the community at large A report is issued annually to inventory community benefits in furtherance of its exempt purpose

Charges foregone associated with charity care service to individuals were approximately $30,749 and $26,597 for 2014 and 2013, respectively The charity care amounts have been excluded from net patient service revenues The cost incurred to provide such care was approximately $10,500 and $8,498 for 2014 and 2013, respectively

Notes to Consolidated Financial Statements (in thousands of dollars)

6. Investments

Investments at June 30, 2014 and 2013, consist of

	2014	2013
Investments		
Cash management funds	$ 12,326	$ 24,807
U S Government obligations	10,699	9,770
U S Treasuries	22,453	22,693
Corporate obligations	94,274	88,147
Fixed income investments	13,308	12,451
Domestic common stock	18,025	17,260
Other domestic equity investments and pooled trusts	20,254	15,543
Foreign equity investments	14,390	11,735
Accrued income	957	967
	$ 206,686	$ 203,373
Investments designated for capital projects		
Cash management funds	$ 738	$ 89,285
	$ 738	$ 89,285
Assets whose use is limited		
Self-Insurance Trust Funds		
Cash management funds	$ -	$ 140
U S Government obligations	-	200
U S Treasuries	-	2,356
Corporate obligations	-	1,956
Accrued income	-	25
	-	4,677
Less Current portion	-	1,227
	$ -	$ 3,450
Board-designated funds		
Cash management funds	$ 387	$ 176
Fixed income investments	21,489	17,075
Domestic common stock	16,208	15,264
Other domestic equity investments and pooled trusts	16,120	13,165
Foreign equity investments	10,943	8,909
Accrued income	6	13
	$ 65,153	$ 54,602

Notes to Consolidated Financial Statements (in thousands of dollars)

	2014	2013
Board designated for capital acquisition		
Cash management funds	$ 1,154	$ 1,493
U S Government obligations	8,814	7,900
U S Treasuries	13,627	14,414
Corporate obligations	75,778	69,887
Fixed income investments	10,063	9,031
Domestic common stock	23,114	21,676
Other domestic equity investments and pooled trusts	22,936	17,684
Foreign equity investments	14,280	11,555
Accrued income	729	740
	$ 170,495	$ 154,380
Funds held by trustee		
Cash management funds	$ 14,591	$ 14,588
	$ 14,591	$ 14,588
Investments temporarily restricted as to use		
Cash management funds	$ 120	$ 1,191
U S Government obligations	124	30
U S Treasuries	21	16
Corporate obligations	590	232
Fixed income investments	4,922	3,977
Domestic common stock	3,702	2,846
Other domestic equity investments and pooled trusts	3,601	3,184
Foreign equity investments	2,639	1,994
Accrued income	5	4
	$ 15,724	$ 13,474
Investments permanently restricted as to use		
Cash management funds	$ 62	$ 35
Fixed income investments	4,394	3,568
Domestic common stock	3,379	3,656
Other domestic equity investments and pooled trusts	3,427	2,563
Foreign equity investments	2,152	1,900
Interests in beneficial trust	7,882	7,898
Accrued income	-	4
	$ 21,296	$ 19,624

Alternative investments, which are non-readily marketable investments, included in cash management funds, fixed income investments, other domestic equity and pooled trusts and foreign equity investments in the above totaled $106,939 and $92,201, respectively, at June 30, 2014 and 2013

Investments designated for capital projects represent unspent proceeds from the 2012A Revenue Bonds for June 30, 2014 and June 30, 2013, respectively, which are required to be expended on capital projects

Notes to Consolidated Financial Statements (in thousands of dollars)

In FY13, assets whose use is limited included investments pledged as collateral for a letter of credit to satisfy the requirements of the State of Pennsylvania to fund current and future payments of worker's compensation claims In FY14 the letter of credit was replaced with a surety bond

At the time of issuance of the 2009A bonds, the System was required to deposit an amount equal to $14,584 into a Debt Service Reserve Fund These funds are invested in cash management funds and are classified as "Funds held by trustee for debt service fund" on the System's balance sheet There was no Debt Service Fund requirement associated with the issuance of the 2012A bonds

Investment income, on the consolidated statements of operations, including interest and dividend income, realized gains or losses on sales of securities, unrealized gains and losses from certain wholly owned insurance captives, investment partnerships, and unrestricted income from temporarily restricted funds and investments permanently restricted as to use, is comprised of the following for the years ended June 30, 2014 and 2013

	2014	2013
Investment income		
Interest and dividend income	$ 10,835	$ 10,322
Realized gains	26,660	13,178
	$ 37,495	$ 23,500

The System's investments are managed by investment managers and bank trust departments Because the System's investments include a variety of financial instruments, the related values as presented in the consolidated financial statements are subject to various market fluctuations which include changes in the equity markets, interest rate environment and general economic conditions

The following table represents the fair value measurement levels for all assets and liabilities, which the System has recorded at fair value

		Fair Value Measurement Using		
	June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash management funds (1)	$ 29,387	$ 29,339	$ 48	$ -
U S Government obligations (2)	19,597	-	19,597	-
U S Treasuries (2)	36,100	36,100	-	-
Corporate obligations (3)	170,642	-	170,642	-
Fixed income investments (3)	54,211	25,967	28,244	-
Domestic common stock (4)	64,427	64,427	-	-
Other domestic equity investments and pooled trusts (5)	66,339	9,725	56,614	-
Foreign equity investments (5)	44,405	22,378	22,027	-
Funds held in trust by others (6)	7,883	-	7,883	-
Accrued income	1,692	1,692	-	-
	$ 494,683	$ 189,628	$ 305,055	$ -
Liabilities				
Interest rate swap	$ 5,522	$ -	$ 5,522	$ -

Notes to Consolidated Financial Statements (in thousands of dollars)

	June 30, 2013	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash management funds (1)	$ 131,943	131,877	$ 66	$ -
U S Government obligations (2)	17,522	-	17,522	-
U S Treasuries (2)	39,628	39,628	-	-
Corporate obligations (3)	160,223	-	160,223	-
Fixed income investments (3)	46,103	22,114	23,989	-
Domestic common stock (4)	60,702	60,702	-	-
Other domestic equity investments and pooled trusts (5)	52,140	1,938	50,202	-
Foreign equity investments (5)	36,094	18,140	17,954	-
Funds held in trust by others (6)	7,898	-	7,898	-
Accrued income	1,750	1,750	-	-
	$ 554,003	$ 276,149	$ 277,854	$ -
Liabilities				
Interest rate swap	$ 5,741	$ -	$ 5,741	$ -

(1) Cash management funds include investments with original maturities of three months or less, including cash, money market funds, overnight investments and commercial paper Cash management funds are carried at market value

(2) U S Treasuries, are individually owned and held through the System's investment portfolio are readily marketable securities and traded on an active market, therefore, they are considered Level 1 U S Government obligations are not always traded on an active market, therefore they are considered level 2

(3) Corporate obligations and fixed income securities are direct investments in mutual funds and investment partnerships whose underlying investments include corporate bonds, mortgage backed securities, collateralized mortgage obligations and other fixed income securities The mutual funds investments are considered Level 1 The direct investments in corporate obligations are considered Level 2

(4) Domestic common stock includes individual exchange traded equities held All individual equities are considered Level 1

(5) Other domestic equity investments and foreign equity investments are investments in mutual funds and investment partnerships whose underlying investments are individual equity securities Mutual fund investments are considered Level 1 The investment partnership holdings are valued periodically using NAV per unit and are considered Level 2

(6) Funds held in trust are investments held in trust instruments that have been either donated or received as a testamentary trust from the grantors will where the System is the beneficiary of the trust instrument The underlying securities in each trust are typically individually owned fixed income or equity securities or mutual funds which are invested in fixed income or equity securities The trustee of each trust is responsible for managing and investing the assets in accordance with the trust arrangement The funds held in trust are classified as Level 2

Notes to Consolidated Financial Statements (in thousands of dollars)

As of June 30, 2014 and 2013, certain cash management funds, fixed income securities, other domestic equity investments and pooled trusts and foreign equity investments are considered Level 2 due to being included in investment funds whose NAV is not published or investment partnerships where the partners determine the fair value of the investment

The System applies the valuation standard guidance related to investment funds that do not have a readily determinable fair value The guidance allows the fair value measurements for these funds to be based on reported NAV if certain criteria are met, and establishes additional disclosures related to these investment funds Accordingly, the fair values of the following investment funds have been estimated using reported NAV

	2014		
Category of Investment	**Fair Value**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Equity - Global	$ 22,026	Monthly	15 days
Equity - Domestic	56,614	Daily	same day
Fixed income	21,521	Daily	same day
Fixed income	6,730	Daily	3 to 5 days
Cash Management	48	Daily	same day
	$ 106,939		

	2013		
Category of Investment	**Fair Value**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Equity - Global	$ 17,944	Monthly	15 days
Equity - Domestic	50,202	Daily	3 to 5 days
Fixed income	23,989	Daily/Weekly	3 to 5 days
Cash Management	66	Daily	same day
	$ 92,201		

7. Goodwill

Accounting standards do not allow goodwill to be amortized but requires that it be tested for impairment annually or more frequently when events or circumstances indicates that the carrying value of a reporting unit more likely than not either exceeds or is less than its fair value

As a result of the annual goodwill impairment testing, an impairment loss of $1,525 and $1,584 was needed to be recognized in the year ended June 30, 2014 and 2013, respectively The factors that management considered in determining that it was not more likely than not that the fair value of the segments containing goodwill was less than its carrying amount included industry and market conditions, overall financial performance compared to projected results, and volume growth

Goodwill recorded on the Consolidated Balance Sheets at June 30, 2014 and 2013 amounted to $43,086 and $43,891, respectively

Notes to Consolidated Financial Statements (in thousands of dollars)

The changes in the carrying amount of goodwill for the System for the years ended June 30, 2014 and 2013 are as follows

Balance as of July 1, 2012	$ 42,425
Goodwill acquired during the year	3,050
Goodwill impaired during the year	(1,584)
Balance as of June 30, 2013	43,891
Goodwill acquired during the year	720
Goodwill impaired during the year	(1,525)
Balance as of June 30, 2014	$ 43,086

8. Net Assets

A summary of changes in consolidated unrestricted net assets attributable to Pinnacle Health System and transfers (to) from the noncontrolling interest in West Shore Surgery Center and River Health ACO for the years ended June 30, 2014 and 2013 are as follows

	Total	Pinnacle Health System	Noncontrolling Interest in Partnerships
Balance June 30, 2012	$ 413,284	$ 411,809	$ 1,475
Revenues and gains over expenses and losses	76,727	75,420	1,307
Change in post-retirement liability	34,440	34,440	-
Net assets released from restrictions for purchase of property, plant, and equipment	2,411	2,411	-
Distributions to noncontrolling interests	(1,272)	-	(1,272)
Change in net assets	112,306	112,271	35
Balance June 30, 2013	525,590	524,080	1,510
Revenues and gains over expenses and losses	26,365	26,687	(322)
Change in post-retirement liability	43,913	43,913	-
Net assets released from restrictions for purchase of property, plant, and equipment	38	38	-
Contributions from noncontrolling interests	1,314	-	1,314
Distributions to noncontrolling interests	(1,070)	-	(1,070)
Change in net assets	70,560	70,638	(78)
Balance June 30, 2014	$ 596,150	$ 594,718	$ 1,432

Notes to Consolidated Financial Statements (in thousands of dollars)

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

	2014	2013
Health care services		
Purchase of equipment	$ 21,849	$ 12,425
Health education	9,465	6,409
Research and development	442	351
Indigent care	1,334	1,216
	$ 33,090	$ 20,401

In August 2008, FASB updated ASC 958-205, which requires enhanced disclosures about an organization's endowment funds Although the state of Pennsylvania did not enact the Uniform Prudent Management of Institutional Funds "UPMIFA" Act, the System has disclosed its changes in net asset composition in accordance with ASC 958-205

Changes to the reported amount of the System's endowments as of June 30th are as follows

	Permanently Restricted
Net assets, June 30, 2012	$ 10,653
Investment return	
Investment income	879
Net appreciation (realized and unrealized)	704
Total investment return	1,583
New gifts	1
Appropriation of endowment assets for spending	(511)
Net assets, June 30, 2013	$ 11,726
Investment return	
Investment income	736
Net appreciation (realized and unrealized)	1,504
Total investment return	2,240
New gifts	3
Appropriation of endowment assets for spending	(554)
Net assets, June 30, 2014	$ 13,415

Permanently restricted net assets include investments held in perpetuity by others for the benefit of the Hospital of $7,883 and $7,898 and investments to be held in perpetuity by the Foundation for the benefit of the Hospital of $13,415 and $11,726, respectively, at June 30, 2014 and 2013 The income from these investments is expendable to support health care services and is reported as either a temporary restricted fund balance or as non-operating income in the consolidated statements of operations depending upon the donor instructions

Notes to Consolidated Financial Statements (in thousands of dollars)

9. Property, Plant and Equipment

Property, plant and equipment at June 30, 2014 and 2013 consists of

	2014	2013
Land	$ 12,858	$ 12,905
Land improvements	11,463	10,522
Leasehold Improvements	28,317	24,947
Building and building improvements	576,105	474,367
Equipment	370,682	302,551
	999,425	825,292
Accumulated depreciation and amortization	(522,186)	(489,762)
Construction in progress	39,767	64,272
	$ 517,006	$ 399,802

Depreciation expense was $56,253 and $50,785 for the years ended June 30, 2014 and 2013, respectively Accumulated amortization for equipment under capital lease obligations was $20,966 and $16,542 at June 30, 2014 and 2013, respectively Construction purchase commitments at June 30, 2014 and 2013 have been disclosed in Note 16

10. Long-Term Debt

Long-term debt at June 30, 2014 and 2013 consists of

	2014	2013
Dauphin County General Authority, Health System Revenue Bonds, Series 2009A, due at various dates through 2036 with a fixed interest rate that varies at intervals specified in the bond document between 3 00% to 6 00% and an average rate of 5 92% to 5 89% at June 30, 2014 and 2013, respectively	$ 167,897	$ 171,936
Dauphin County General Authority, Health System Revenue Bond, Series 2011A, due at various dates through 2041 with interest at 70% of a variable monthly interest rate plus 80 basis points The rate was 0 91% and 0 94% at June 30, 2014 and 2013, respectively	95,825	97,330
Dauphin County General Authority, Health System Revenue Bond, Series 2012A, due at various dates through 2042 with a fixed interest rate that varies at intervals specified in the bond document between 3 75% to 5 00% and an average rate of 4 0% at June 30, 2014 and 2013	135,250	135,250
Various capital leases and loans at various interest rates	24,227	18,559
	423,199	423,075
Less Current portion	12,495	11,273
	$ 410,704	$ 411,802

Notes to Consolidated Financial Statements (in thousands of dollars)

Lines of Credit
At June 30, 2014 and 2013, the System had an unused line of credit of $5,000 and $0, which bears interest at variable rates (Daily One Month Libor plus 75 basis points) At June 30, 2014, the variable rate line in the amount of $5,000 had a rate of 90%

Letters of Credit
The System was contingently liable for outstanding letters of credit in the amounts of approximately $2,190 and $8,158 for the years ended June 30, 2014 and 2013, respectively, to satisfy the requirements of professional liability insurance policies, future worker's compensation claims, current construction site work and security deposits on certain real estate leases as applicable

Bank Note
On March 1, 2012, the System secured a $26,000 taxable five year term bank loan through PNC Bank, N A which was primarily used to finance certain acquisitions The interest rate was reset monthly and equals the 1 month LIBOR Index plus a margin of 58 basis points The interest rate will not exceed the maximum rate permitted by law All transaction related fees were paid directly from Pinnacle Health System operating funds The loan was paid in full on March 1, 2013

Revenue Bonds
The Series 2009A, 2011A and 2012A Bonds were issued under Master Trust Indentures which contains certain covenants of the Obligated Group, including, but not limited to, covenants regarding the payment of debt service on all the Master Notes and Master Guarantees issued there under, rates and charges, liquidity, indebtedness, transfers of assets, the incurrence of additional indebtedness and the granting of security interests in property and a pledge of gross receipts to collateralize such indebtedness

A summary of scheduled principal repayments on long-term debt is as follows

Fiscal Year	Debt	Capital Leases and Loans	Total
2015	$ 5,860	$ 6,635	$ 12,495
2016	6,170	4,714	10,884
2017	6,500	3,638	10,138
2018	6,850	2,950	9,800
2019	7,245	2,725	9,970
Thereafter	366,347	3,565	369,912
	$ 398,972	$ 24,227	$ 423,199

11. Interest Rate Swaps

The System has used derivative instruments, such as interest rate swaps, to manage certain interest rate exposures Derivative instruments are viewed as risk management tools by the System and are not used for trading and speculative purposes

When quoted market prices are not available, the valuation of derivative instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative This analysis reflects the contractual terms of the

Notes to Consolidated Financial Statements (in thousands of dollars)

derivatives, including interest rate curves and implied volatilities The estimates of fair value are made by an independent third-party valuation service using a standardized methodology based on observable market inputs As part of the System's overall valuation process, management evaluates this third-party methodology to ensure that it is representative of exit prices in the principal markets These future net cash flows, however, are susceptible to change primarily due to fluctuations in interest rates As a result, the estimated values of these derivatives will change over time as cash is received and paid and also as market conditions change As these changes take place, they may have a positive or negative impact on estimated valuations Based on the nature and limited purposes of the derivatives that the System employs, fluctuation in interest rates have had only a modest effect on its results of operations As such, fluctuations are generally expected to be countered by offsetting changes in income, expense, and/or values of assets and liabilities

As of July 14, 2005, in conjunction with the Series 2005 Bond, the Hospital entered into an interest rate swap agreement with an initial notional amount of $55,000 Under the agreement the Hospital paid the counterparty, Citigroup, a fixed rate of 3 36% and in exchange Citigroup pays the Hospital 61 80% of LIBOR plus 0 32% Due to the redemption of the Series 2005 Bonds, the interest rate swap agreement was amended and restated on June 24, 2009 in conjunction with the Series 2009A Bond As of June 30, 2014, the Hospital recorded a liability of $5,522 and a related loss of $1,235, which was recorded in gain on interest rate swaps in the consolidated statement of operations As of June 30, 2013, the Hospital recorded a liability of $5,741 and a related gain of $1,375, which was recorded in gain on interest rate swaps in the consolidated statement of operations

The System has classified its interest rate swap in Level 2 of the fair value hierarchy, as the significant inputs to the overall valuations are based on market-observable data or information derived from or corroborated by market-observable data For over-the-counter derivatives that trade in liquid markets, such as interest rate swaps, model inputs (i e contractual terms, market prices, yield curves, credit curves, and measures of volatility) can generally be verified, and model selection does not involve significant management judgment

A summary of the related liabilities and income statement impact of the swaps at June 30, 2014 and 2013 is as follows

	Balance Sheets		Statements of Operations	
Interest Rate Swap	**2014**	**2013**	**2014**	**2013**
Series 2005/2009A swap	$ 5,522	$ 5,741	$ (1,235)	$ 1,375
	$ 5,522	$ 5,741	$ (1,235)	$ 1,375

12. Funds Held by Trustee and Other

Certain funds are required to be established and controlled by the trustee during the periods certain bonds are outstanding

Proceeds of $135,250 from the 2012A Revenue Bonds received on August 7, 2012 were used to undertake a project consisting of equipping, and development of a new approximately 200,000 square foot, 108 bed acute care hospital on the Fredricksen Campus located in Cumberland County, Pennsylvania, renovations and improvements to the Harrisburg Hospital facilities located in

the City of Harrisburg, Pennsylvania, renovations and improvements to the Community General Hospital facilities located in Dauphin County, Pennsylvania, and payment of the costs of issuing the Bonds During the fiscal year 2014 and 2013, respectively, $88,551 and $46,064 of the proceeds were released to pay for approved invoices, underwriters discount and issuance fees related to the projects The amount remaining is included in investments designated for capital projects until such time as approved invoices are paid to satisfy the requirements of the Bond agreement

The additional proceeds of $30,000 from the 2011A Revenue Bonds received June 28, 2011 were to be used to fund approved capital projects at both the Harrisburg Hospital and Community General Osteopathic Hospital, plus pay issuance costs As of June 30, 2014, all of the proceeds were expended

Nonoperating gains include $6 and $30 interest earned on the funds held by trustee and other for the years ended June 30, 2014 and 2013, respectively

13. Retirement Plans

The System sponsors defined contribution plans covering substantially all of its employees and employees of certain wholly and partially owned subsidiaries The plans allow participating employees to contribute a percentage of their annual salary subject to current Internal Revenue Service ("IRS") limitations Employee contributions are matched by the System at various percentages The System's contributions to the savings plans are $13,464 and $13,062 for 2014 and 2013, respectively

The System sponsors a noncontributory defined benefit pension plan (the "Plan") covering substantially all of its employees and employees of certain wholly owned subsidiaries employed prior to January 1, 2007 Effective December 31, 2006, the System amended the Plan by freezing benefits for all participants Additional retirement benefits are provided through increased contributions to the defined contribution plans The Parent also sponsors a supplemental noncontributory defined benefit pension plan covering certain executives of the controlled entities of the System The supplemental plan is unfunded and the Hospital has recorded a liability of $3,280 and $3,287 at June 30, 2014 and 2013, respectively

Pinnacle Health System began a process of de-risking the defined benefit retirement plan during the fiscal year ended June 30, 2014 The de-risking strategy included two risk transfer initiatives 1)a series of offers to terminated vested participants for a lump sum payout of their benefit and 2)a buy out transaction with an insurance company which transferred the pension liability for retired participants receiving benefit payments from the Plan to the insurance company The cumulative amount of lump sum distributions for the fiscal year ended June 30, 2014 was $37,148 A total of 1,214 participants accepted the lump sum offers The buy out transaction resulted in the purchase of a single premium annuity contract covering all of the plan participants receiving pension payments at the effective date of the transaction The combined lump sum payout and buy out annuity contract purchase resulted in the accelerated recognition of unrecognized loss ($44,913) prorated on the basis of the cash payout/annuity purchase relative to the plan total liability

The System sponsors a nonqualified deferred compensation plan covering certain employees of PHCVI The plan allows participating employees to defer a percentage of their compensation during the plan year as well as allowing company contributions subject to plan limitations The System's contributions to the plan are $469 and $559 for 2014 and 2013, respectively

Notes to Consolidated Financial Statements (in thousands of dollars)

Pension costs are funded to the limits specified by the Employee Retirement Income Security Act of 1974, as amended From time to time, the System may contribute additional amounts to the Plan as it deems appropriate, subject to funding limitations During fiscal year 2015, the System expects to contribute approximately $24,000 to the Plan

Other benefits provided by the System are a defined benefit postretirement health plan and a defined benefit postretirement life plan both covering employees of the former Capital Area Health Foundation who retired by December 31, 1996 The plan is unfunded and the Hospital has recorded a liability of $5,645 and $5,073 at June 30, 2014 and 2013, respectively

The following is the status of the various employee benefit plans as of the measurement dates of June 30, 2014 and 2013

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Change in benefit obligations				
Benefit obligation at beginning of year	$ 302,125	$ 319,645	$ 5,073	$ 5,162
Service cost	-	-	73	105
Interest cost	10,416	13,780	241	222
Participant contributions	-	-	25	20
Benefit payments from assets	-	-	(264)	(280)
Benefit payments from plan	(172,652)	(17,635)	-	-
Actuarial (gain) loss	22,387	(13,665)	496	(156)
Benefit obligation at end of year	162,276	302,125	5,644	5,073
Change in plan assets				
Fair value of plan assets at beginning of year	255,642	233,727	-	-
Actual return on plan assets	29,161	26,620	-	-
Participant contributions	-	-	25	21
Employer contributions	11,467	12,930	238	259
Benefit payments	(172,652)	(17,635)	(263)	(280)
Fair value of plan assets at end of year	123,618	255,642	-	-
Funded status	$ (38,658)	$ (46,483)	$ (5,644)	$ (5,073)
Amounts recognized in the balance sheet consist of				
Current accrued retirement costs	$ (217)	$ (216)	$ (282)	$ (244)
Long-term accrued retirement costs	(38,439)	(46,265)	(5,362)	(4,829)
	$ (38,656)	$ (46,481)	$ (5,644)	$ (5,073)
Amounts recognized in net assets consist of				
Unrecognized net actuarial loss (gain)	$ 46,639	$ 91,078	$ 390	$ (106)
Net prior service benefit	-	(29)	-	-
	$ 46,639	$ 91,049	$ 390	$ (106)

The accumulated benefit obligation for pension benefits at June 30, 2014 and 2013 is $162,276 and $302,125, respectively

Notes to Consolidated Financial Statements (in thousands of dollars)

The assumptions used in the measurement of the System's net periodic benefit obligations are shown in the following table

(benefit obligations)	Pension Benefits 2014	Pension Benefits 2013	Other Postretirement Benefits 2014	Other Postretirement Benefits 2013
Weighted-average assumptions at the years ending June 30				
Discount rate	4 22 %	4 63 %	4 22 %	4 63 %
Rate of compensation increase	N/A	N/A	2 50 %	2 50 %

The following table provides the components of net periodic benefit cost for the years ended June 30, 2014 and 2013

	Pension Benefits 2014	Pension Benefits 2013	Other Postretirement Benefits 2014	Other Postretirement Benefits 2013
Net periodic benefit cost				
Service cost	$ -	$ -	$ 72	$ 106
Interest cost	10,416	13,780	241	222
Expected return on plan assets	(14,034)	(18,586)	-	-
Amortization of prior service cost	(29)	(30)	-	-
Amortization of net actuarial loss	6,785	12,613	-	-
Loss on pension settlement	44,914	-	-	-
Net periodic benefit cost	$ 48,052	$ 7,777	$ 313	$ 328
Other Changes in Plan Assets and Benefit Obligations recognized in unrestricted net assets				
Net (gain) loss	$ 7,260	$ (21,700)	$ 496	$ (156)
Amortization of net (gain) loss	(6,785)	(12,614)	-	-
Amortization of prior service cost	29	30	-	-
Total (gain) loss recognized in unrestricted net assets	504	(34,284)	496	(156)
Total recognized in net periodic benefit cost and unrestricted net assets	$ 48,556	$ (26,507)	$ 809	$ 172

The estimated net loss and prior service cost that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $4,947 and 10,242, respectively, for the Pension Plan and $0 and $0, respectively for the Other Postretirement Benefits Plan

Notes to Consolidated Financial Statements (in thousands of dollars)

The assumptions used in the measurement of the System's benefit cost are shown in the following table

(net periodic benefit cost)	Pension Benefits 2014	Pension Benefits 2013	Other Postretirement Benefits 2014	Other Postretirement Benefits 2013
Weighted-average assumptions at the years ending June 30				
Discount rate	4 72 %	4 40 %	4 63 %	4 40 %
Expected return on plan assets	7 41 %	8 00 %	N/A	N/A
Rate of compensation increase	N/A	N/A	2 50 %	2 50 %

A 9 00% annual rate of increase in the per capita costs of covered health care benefits was assumed for 2014 gradually decreasing to 5 00% by the year 2018

Sensitivity Analysis, Postretirement Benefits
Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan At June 30, 2014, a one-percentage-point change in assumed health care cost trend rates would have the following effects

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 4	$ (4)
Effect on postretirement benefit obligation	126	(114)

Expected benefit payments for the years ended June 30 are as follows (for 2015 includes $4,281 of lump sum benefits paid to 90 individuals)

	Pension Benefits	Other Benefits
2015	$ 9,908	$ 282
2016	4,707	289
2017	5,656	294
2018	6,434	297
2019	7,182	299
2020 - 2024	45,082	1,477

Notes to Consolidated Financial Statements (in thousands of dollars)

The pension plan's asset allocation at June 30, 2014 and 2013, by asset category, is as follows

	2014	2013
Pension plan assets		
Equity securities	27 30 %	56 40 %
Fixed income securities	51 80	32 20
Tactical allocation	8 50	9 90
Cash and cash equivalents	12 40	1 50
	100 00 %	100 00 %

The primary investment objective for the plan assets is to achieve maximum rates of return commensurate with safety of principal Target asset allocation, credit quality and diversification guidelines and restrictions are approved by the Investment Committee of the Board of Directors of the Parent The plan asset allocation is reviewed quarterly to determine whether the portfolio mix is within an acceptable range of the target allocation Target asset allocations are based on asset and liability studies

The target asset allocation for the portfolio is 23 00% equity, 44 00% fixed income securities, 7 00% tactical allocation and 26 00% cash equivalents

The following table represents the fair value measurement levels for all pension assets, which the System has recorded at fair value

		Fair Value Measurement Using		
	June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash management funds	$ 15,306	$ -	$ 15,306	$ -
Fixed income investments	64,038	-	64,038	-
Balanced Fund	10,471	10,471	-	-
Other domestic equity investments	27,993	27,993	-	-
Foreign equity investments	5,809	-	5,809	-
	$ 123,617	$ 38,464	$ 85,153	$ -

	June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash management funds	$ 3,784	$ -	$ 3,784	$ -
Fixed income investments	118,111	118,111	-	-
Other domestic equity investments	104,531	52,604	51,927	-
Foreign equity investments	29,216	18,894	10,322	-
	$ 255,642	$ 189,609	$ 66,033	$ -

Notes to Consolidated Financial Statements (in thousands of dollars)

As of June 30, 2014 and 2013, cash management funds of $15,306 and $3,784, fixed income securities of $64,038 and $0, respectively, other domestic equity investments and pooled trusts of $0 and $51,927, respectively and foreign equity investments of $5,809 and $10,322, respectively are considered Level 2 due to being included in investment funds whose NAV is not published or investment partnerships where the partners determine the fair value of the investment

The System applies the valuation standard guidance related to investment funds that do not have a readily determinable fair value The guidance allows the fair value measurements for these funds to be based on reported NAV if certain criteria are met, and establishes additional disclosures related to these investment funds Accordingly, the fair values of the following investment funds have been estimated using reported NAV

	2014		
Category of Investment	**Fair Value**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Cash management funds	$ 15,306	Daily	1 day
Equity - Global	5,809	Daily	1 day
Fixed income	64,038	Daily	1 day
	$ 85,153		

	2013		
Category of Investment	**Fair Value**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Cash management funds	$ 3,784	Daily	1 day
Equity - Global	10,322	Daily	1 day
Equity - Domestic	51,927	Daily	1 day
	$ 66,033		

14. Insurance Coverage

The System maintains self-insurance trust funds for professional liability claims that are not insured by captive insurance arrangements The System's contributions to its self-insurance trust funds and the related self-insured liabilities are based on actuarial assumptions and methodologies, which are reviewed continuously with any adjustments reflected in current operations Management believes that the accrual for self-insured liabilities is adequate as of June 30, 2014, however, it is reasonably possible the estimated reserve for self-insurance claims could change in the near term due to the inherent variability in determining such estimates

Effective December 31, 2002, primary professional and general liability insurance is provided through the System's wholly owned for profit captive insurance company, RRG Professional liability is provided on a claims-made basis meeting statutory limit requirements of $500 per claim subject to a $2,500 annual aggregate for the Hospital, and a $1,500 annual aggregate for physician and skilled nursing claims Additional coverage of $500 per claim and $1,500 in the aggregate is provided by the Mcare Fund (formerly the Medical Professional Liability Catastrophic Fund – "CAT Fund") established under the Medical Care Availability and Reduction of Error Act ("Mcare Act")

Coverage for general liability is on an occurrence basis providing $1,000 per claim subject to a $2,000 aggregate

Prior to December 31, 2002, malpractice coverage was provided by commercial carriers on a claims-made basis with statutory/primary limits of $500 per claim and $2,500 for hospital claims and $1,500 for physician and skilled nursing claims in the aggregate with additional coverage of $700 per claim and $2,100 in the aggregate by the Mcare Fund Coverage for general liability was on an occurrence basis providing $1,000 per claim subject to a $1,000 aggregate

Effective January 1, 2013, the System purchased $30,000 in excess liability limits with separate limits established for professional liability exposure and general liability and other underlying coverage For the period January 1, 2012 to December 31, 2012, excess limits were $25,000 with separate limits for Professional and General Liability A $4,000 self-insured retention layer for professional and general liability exposure is underwritten by the System's wholly owned captive, UHR For period January 1, 2010 to December 31, 2011, excess limits were $20,000 with separate limits for Professional and General Liability For period January 1, 2007 to December 31, 2009, excess limits were $10,000 with separate limits for Professional and General Liability At January 1, 2006, coverage included a $2,000 self-insured retention with an $8,000 annual aggregate limit for professional and general liability exposure Effective January 1, 2004 through December 31, 2005, a shared $8,000 excess layer over a $1,000 self-insured retention layer Claims in the $8,000 excess layer are shared 50% by a commercial insurance carrier and 50% self-insured Self insured exposure is re-insured through the Parent's wholly owned captive, UHR Effective January 1, 2003 through December 31, 2003, the System maintained excess liability coverage of $4,000 per claim and in the aggregate provided through UHR, with an additional $5,000 per claim and in the aggregate provided by a commercial insurance carrier Prior to January 1, 2003, the System maintained excess liability coverage with a commercial carrier in the amount of $25,000 over the above limits

At June 30, 2014 and 2013, the System also maintained Directors and Officers liability coverage with limits of $20,000 and Excess Workers' Compensation coverage over a self-insured retention of $750

The actuarially computed liability to all health care providers (hospitals, physicians, and others) participating in the Mcare Fund at June 30, 2014 is expected to be substantially in excess of the amount the Mcare Fund has available to pay these claims The Commonwealth of Pennsylvania has indicated that the unfunded liability will be funded exclusively through surcharge assessments in future years as claims are settled and paid No provision has been made for any future Mcare Fund assessments in the accompanying June 30, 2014 and 2013 consolidated financial statements as the System's portion of the Mcare Fund unfunded liability could not be reasonably estimated

15. Significant Concentrations of Credit Risk

The System's operations are located in Harrisburg, Pennsylvania Its primary service area includes Harrisburg, Pennsylvania and the surrounding Greater Harrisburg Metropolitan Area Financial instruments which subject the System to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable

The System typically maintains cash and cash equivalents and temporary investments in local banks As of July 21, 2010, cash and cash equivalents and temporary investments are insured by the FDIC up to a limit of $250

Notes to Consolidated Financial Statements (in thousands of dollars)

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements The mix of receivables from patients and third-party payors at June 30, 2014 and 2013 was as follows

	2014	2013
Medicare	28 00 %	27 00 %
Medicaid	16 00	18 00
Capital Blue Cross/Highmark Blue Shield	23 00	24 00
HMO	3 00	5 00
Other third-party payors	10 00	10 00
Patients	20 00	16 00
	100 00 %	100 00 %

16. Commitments and Contingencies

Operating Leases

The System has entered into various lease arrangements for equipment, office space, and storage Lease expense was $14,318 and $13,577 for the years ended June 30, 2014 and 2013, respectively As of June 30, 2014, the System's lease commitments for the years ended June 30, 2015, 2016, 2017, 2018 and 2019 are $11,279, $10,158, $9,271, $8,995 and $8,865, respectively, and $39,797 in the aggregate for the years thereafter

Loan Commitment and Debt Guarantees

As of June 30, 2014 and 2013 there was no outstanding debt guaranteed

Purchase Commitments

The System has outstanding purchase commitments related to various projects of approximately $33,500 and $103,597 at June 30, 2014 and 2013, respectively

Equity Contribution Commitments

The System is committed to provide equity contributions to PPI to fund any losses During 2014 and 2013, the System provided equity contributions of $1,750 and $2,250, respectively

Regulatory Compliance

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation The System believes that it is in compliance with all applicable laws and regulations through the years ended June 30, 2014 and 2013 Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid program

Notes to Consolidated Financial Statements (in thousands of dollars)

17. Functional Expenses

The System provides general health care services to residents within its geographical area Expenses related to providing these services for the years ended June 30, 2014 and 2013 are approximately as follows

	2014	2013
Health care services	$ 657,342	$ 616,540
General and administrative	165,135	160,911
	$ 822,477	$ 777,451

18. Subsequent Events

The System evaluated subsequent events through September 10, 2014, which is the date the financial statements are considered widely distributed Management reviews for and identifies subsequent events through participation at Board of Director meetings and subcommittee meetings

On August 7, 2014 Pinnacle Health Hospitals (PHH) signed a contribution agreement with RehabClinics, Inc and Joyner Sportsmedicine Institute, Inc , both affiliates of Select Medical Corporation, to form Pinnacle Health Select Rehabilitation, LLC On the same date, Pinnacle Health Select Rehabilitation, LLC signed a purchased services agreement and facility lease agreement with PHH

Hospitals will contribute certain assets and operations specific to The Helen M Simpson inpatient rehabilitation hospital and eight outpatient therapy clinics PinnacleHealth will have a non-controlling interest in the new entity

pwc

Report of Independent Auditors
on Accompanying Consolidating Information

To the Board of Directors of Pinnacle Health System

We have audited the consolidated financial statements of Pinnacle Health System as of June 30, 2014 and for the year then ended and our report thereon appears on pages 36 – 39 of this document That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole The consolidating information is presented for purposes of additional analysis and is not a required part of the financial statements The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated the financial statements taken as a whole

PricewaterhouseCoopers LLP

Harrisburg, Pennsylvania
September 10, 2014

Pinnacle Health System
(And controlled entities and subsidiaries)
Consolidating Statement of Financial Position
June 30, 2014

Schedule I

(in thousands of dollars)	Parent	Hospital	PHMS	Elimin-ations	Obligated Group	RRG & UHR Combined	Foundation	PHEDS	PHCVI	PHMG	PHVI	CLT	Riverhealth ACO	WSSC	Elimin-ations	Consolidated Balances
Assets																
Current																
Cash and cash equivalents	$ 15 004	$ 1 046	$ 512	$ -	$ 16 562	$ 3 497	$ 592	$ -	$ 298	$ -	$ 23	$ 330	$ 920	$ 930	$ -	$ 23 152
Accounts receivable patient	-	108 067	5 739	-	113 806	-	-	1 469	2 537	-	-	1 773	-	785	-	120 370
Accounts receivable other	170	10 263	952	-	11 385	2 569	118	-	18	-	166	63	39	-	(123)	14 235
Investments	136 902	41 586	-	-	178 488	28 153	-	-	-	-	-	45	-	-	-	206 686
Inventories	-	13 950	512	-	14 462	-	-	-	46	-	-	16	-	292	-	14 816
Prepaid expenses	3 759	8 712	1 038	-	13 509	57	26	187	456	-	168	76	29	154	-	14 662
Due from related parties	55 075	3 084	2 216	-	60 375	-	-	-	-	-	-	204	-	-	(60 579)	-
Current portion of investments designed for capital projects	-	738	-	-	738	-	-	-	-	-	-	-	-	-	-	738
Total current assets	210 910	187 446	10 969	-	409 325	34 276	736	1 656	3 355	-	357	2 507	988	2 161	(60 702)	394 659
Assets limited as to use																
Board-designated funds	-	18 630	-	-	18 630	-	46 523	-	-	-	-	-	-	-	-	65 153
Funded Depreciation	-	170 495	-	-	170 495	-	-	-	-	-	-	-	-	-	-	170 495
Funds held by trustee for debt service fund	-	14 591	-	-	14 591	-	-	-	-	-	-	-	-	-	-	14 591
Total assets limited as to use	-	203 716	-	-	203 716	-	46 523	-	-	-	-	-	-	-	-	250 239
Temporarily restricted funds	-	9 854	-	-	9 854	-	15 724	-	-	-	-	-	-	-	(9 854)	15 724
Investments permanently restricted as to use	-	21 298	-	-	21 298	-	13 413	-	-	-	-	-	-	-	(13 415)	21 296
Property plant and equipment net	2 321	491 717	11 280	-	505 318	-	-	-	2 891	-	6 456	954	163	1 224		517 006
Pledges receivable temporarily restricted as to use	-	10 651	-	-	10 651	-	10 651	-	-	-	-	-	-	-	(10 651)	10 651
Goodwill	-	315	6 156	-	6 471	-	-	-	5 605	-	30 985	25	-	-	-	43 086
Other assets	10 110	17 730	1 407	-	29 247	-	-	-	1 785	-	388	-	-	-	(10 506)	20 914
Total assets	$ 223 341	$ 942 727	$ 29 812	$ -	$ 1 195 880	$ 34 276	$ 87 047	$ 1 656	$ 13 636	$ -	$ 38 186	$ 3 486	$ 1 151	$ 3 385	$ (105 128)	$ 1 273 575

Pinnacle Health System
(And controlled entities and subsidiaries)
Consolidating Statement of Financial Position
June 30, 2014

Schedule I

(in thousands of dollars)	Parent	Hospital	PHMS	Elimin-ations	Obligated Group	RRG & UHR Combined	Foundation	PHEDS	PHCVI	PHMG	PHVI	CLT	Riverhealth ACO	WSSC	Elimin-ations	Consolidated Balances
Liabilities and Net Assets																
Current																
Current portion of long-term debt	$ -	$ 11,880	$ 262	$ -	$ 12,142	$ -	$ -	$ -	$ -	$ -	$ 90	$ 123	$ -	$ 263	$ (123)	$ 12,495
Accounts payable and accrued expenses	2,607	51,685	4,235	-	58,527	43	135	319	209	-	1,962	307	800	385	7	62,694
Accrued salaries, wages and fees	4,583	17,547	6,931	-	29,061	-	-	1,076	3,089	-	-	269	41	10	-	33,546
Accrued vacation	1,920	14,336	2,303	-	18,559	-	-	783	1,145	-	-	227	38	-	-	20,752
Accrued insurance costs	-	9,024	-	-	9,024	13,665	-	-	-	-	-	-	-	-	-	22,689
Accrued retirement costs	-	499	-	-	499	-	-	-	-	-	-	-	-	-	-	499
Due to related parties	-	-	-	-	-	-	3,515	-	50,165	-	6,627	-	272	48	(60,627)	-
Due to third-party payors	-	1,637	-	-	1,637	-	-	-	-	-	-	-	-	-	-	1,637
Advances from third-party payors	-	3,809	-	-	3,809	-	-	-	-	-	-	-	-	-	-	3,809
Total current liabilities	9,110	110,417	13,731	-	133,258	13,708	3,650	2,178	54,608	-	8,679	926	1,151	706	(60,743)	158,121
Long-term																
Accrued insurance costs, net of current portion	-	4,888	-	-	4,888	-	-	-	-	-	-	-	-	-	-	4,888
Accrued retirement costs, net of current portion	-	43,802	-	-	43,802	-	-	-	-	-	-	-	-	-	-	43,802
Interest rate swap agreement	-	5,522	-	-	5,522	-	-	-	-	-	-	-	-	-	-	5,522
Long-term debt, net of current portion	-	405,825	4,419	-	410,244	-	-	-	-	-	52	385	-	408	(385)	410,704
Total long-term liabilities	-	460,037	4,419	-	464,456	-	-	-	-	-	52	385	-	408	(385)	464,916
Net assets																
Unrestricted net assets																
Unrestricted net assets Pinnacle Health System	214,231	330,469	11,662	-	556,362	20,568	36,892	(522)	(40,972)	-	29,455	2,175	-	836	(10,079)	594,715
Noncontrolling interests in consolidated subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-	1,435	-	1,435
Total unrestricted net assets	214,231	330,469	11,662	-	556,362	20,568	36,892	(522)	(40,972)	-	29,455	2,175	-	2,271	(10,079)	596,150
Temporarily restricted net assets	-	20,506	-	-	20,506	-	33,090	-	-	-	-	-	-	-	(20,506)	33,090
Permanently restricted net assets	-	21,298	-	-	21,298	-	13,415	-	-	-	-	-	-	-	(13,415)	21,298
Total net assets	214,231	372,273	11,662	-	598,166	20,568	83,397	(522)	(40,972)	-	29,455	2,175	-	2,271	(44,000)	650,538
Total liabilities and net assets	$ 223,341	$ 942,727	$ 29,812	$ -	$ 1,195,880	$ 34,276	$ 87,047	$ 1,656	$ 13,636	$ -	$ 38,186	$ 3,486	$ 1,151	$ 3,385	$ (105,128)	$ 1,273,575

Pinnacle Health System
(And controlled entities and subsidiaries)
Consolidating Statement of Operations
Year Ended June 30, 2014

Schedule II

(in thousands of dollars)	Parent	Hospital	PHMS	Elimin-ations	Obligated Group	RRG & UHR Combined	Foundation	PHEDS	PHCVI	PHMG	PHVI	CLT	Riverhealth ACO	WSSC	Elimin-ations	Consolidated Balances
Unrestricted revenues																
Net patient service revenues	$ -	$ 762 680	$ 62 283	$ -	$ 824 963	$ -	$ -	$ 17 478	$ 22 698	$ 1 815	$ 68	$ 7 207	$ -	$ 8 200	$ -	$ 882 429
Provision for bad debts	-	(35 541)	(3 037)	-	(38 578)	-	-	(6 430)	(1 260)	(20)	-	(2 813)	-	20	-	(49 081)
Net patient service revenue less provision for bad debts	-	727 139	59 246	-	786 385	-	-	11 048	21 438	1 795	68	4 394	-	8 220	-	833 348
Other revenues	53 903	15 938	15 097	(82 903)	2 035	6 678	180	-	3 268	255	7 013	1 157	-	2	1 863	22 451
Net assets released from restrictions used for operations	308	2 230	734	-	3 272	-	173	-	1	-	-	-	-	-	-	3 446
Total unrestricted revenues	54 211	745 307	75 077	(82 903)	791 692	6 678	353	11 048	24 707	2 050	7 081	5 551	-	8 222	1 863	859 245
Expenses																
Salaries and wages	26 737	224 705	60 542	-	311 984	-	-	13 071	28 811	1 556	-	4 395	642	1 982	-	362 441
Fringe benefits	19 496	43 207	9 692	(210)	72 185	-	-	1 842	4 694	292	-	808	152	318	(128)	80 163
Management and support	-	69 109	7 905	(69 784)	7 230	-	490	991	2 156	248	-	815	-	-	(11 930)	-
Professional fees	6 495	23 366	2 004	(10 676)	21 189	259	92	85	178	27	1 008	49	3 258	51	(522)	25 674
Supplies	1 277	126 194	5 312	-	132 783	-	38	17	1 029	105	1	224	15	2 024	(196)	136 040
Purchased services and other	20 852	105 516	9 760	(2 233)	133 895	4 300	250	1 433	3 463	333	5 016	1 063	307	1 412	(5 902)	145 570
Interest	-	15 435	274	-	15 709	-	-	-	-	-	15	40	-	11	(7)	15 768
Depreciation and amortization	938	50 182	2 128	-	53 248	-	-	-	1 253	77	1 426	430	5	382	-	56 821
Total expenses	75 795	657 714	97 617	(82 903)	748 223	4 559	870	17 439	41 584	2 638	7 466	7 824	4 379	6 180	(18 685)	822 477
Income (loss) from operations before pension settlement loss	(21 584)	87 593	(22 540)	-	43 469	2 119	(517)	(6 391)	(16 877)	(588)	(385)	(2 273)	(4 379)	2 042	20 548	36 768
Pension settlement loss	-	(44 913)	-	-	(44 913)	-	-	-	-	-	-	-	-	-	-	(44 913)
(Loss) income from operations after pension settlement loss	(21 584)	42 680	(22 540)	-	(1 444)	2 119	(517)	(6 391)	(16 877)	(588)	(385)	(2 273)	(4 379)	2 042	20 548	(8 145)
Nonoperating gains (losses)																
Investment income (loss)	15 518	20 743	(138)	-	36 123	1 696	3 543	(3)	(21)	(7)	(9)	(4)	-	(1)	(3 822)	37 495
Federal taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of assets	-	336	(19)	-	317	-	-	-	-		(528)	-	-	(14)	-	(225)
Loss on goodwill impairment	-	(1 525)	-	-	(1 525)	-	-	-	-	-	-	-	-	-	-	(1 525)
Realized and unrealized losses on interest rate swaps	-	(1 235)	-	-	(1 235)	-	-	-	-	-	-	-	-	-	-	(1 235)
Nonoperating gain (loss) net	15 518	18 319	(157)	-	33 680	1 696	3 543	(3)	(21)	(7)	(537)	(4)	-	(15)	(3 822)	34 510
Revenues and gains over (under) expenses and losses	$ (6 066)	$ 60 999	$ (22 697)	$ -	$ 32 236	$ 3 815	$ 3 026	$ (6 394)	$ (16 898)	$ (595)	$ (922)	$ (2 277)	$ (4 379)	$ 2 027	$ 16 726	$ 26 365

Pinnacle Health System
(And controlled entities and subsidiaries)
Consolidating Statement of Changes in Net Assets
Year Ended June 30, 2014

Schedule III

(in thousands of dollars)	Parent	Hospital	PHMS	Elimin-ations	Obligated Group	RRG & UHR Combined	Foundation	PHEDS	PHCVI	PHMG	PHVI	CLT	Riverhealth ACO	WSSC	Elimin-ations	Consolidated Balances
Unrestricted net assets																
Revenues and gains over (under) expenses and losses	$ (6 066)	$ 60 999	$ (22 697)	$ -	32 236	$ 3 815	$ 3 026	$ (6 394)	$ (16 898)	$ (595)	$ (922)	$ (2 277)	$ (4 379)	$ 2 027	$ 16 726	$ 26 365
Change in post-retirement liability	-	43 913	-	-	43 913	-	-	-	-	-	-	-	-	-	-	43 913
Capital contributions	(8 421)	(28 442)	28 778	-	(8 085)	-	-	5 939	37	407	-	2 214	3 064	-	(3 576)	-
Net assets released from restrictions for purchases of property plant and equipment	-	13	13	-	26	-	-	(1)	1	-	-	10	-	-	-	36
Income attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	1 314	(2 183)	1 114	245
Increase (decrease) in unrestricted assets	(14 487)	76 483	6 094	-	68 090	3 815	3 026	(456)	(16 860)	(188)	(922)	(53)	(1)	(156)	14 264	70 559
Temporarily restricted net assets																
Contributions	-	9 530	-	-	9 530	-	9 167	-	-	-	-	-	-	-	(9 530)	9 167
Net realized and unrealized gains on investments	-	1 816	-	-	1 816	-	7 033	-	-	-	-	-	-	-	(1 817)	7 032
Net assets released from restrictions	-	(2 994)	-	-	(2 994)	-	(3 511)	-	-	-	-	-	-	-	2 994	(3 511)
Increase in temporarily restricted assets	-	8 352	-	-	8 352	-	12 689	-	-	-	-	-	-	-	(8 353)	12 688
Permanently restricted net assets																
Contributions	-	3	-	-	3	-	3	-	-	-	-	-	-	-	(3)	3
Income distributions	-	(554)	-	-	(554)	-	(554)	-	-	-	-	-	-	-	554	(554)
Net realized and unrealized gains on investments	-	2 225	-	-	2 225	-	2 240	-	-	-	-	-	-	-	(2 240)	2 225
Increase in permanently restricted assets	-	1 674	-	-	1 674	-	1 689	-	-	-	-	-	-	-	(1 689)	1 674
Increase (decrease) in net assets	(14 487)	86 509	6 094	-	78 116	3 815	17 404	(456)	(16 860)	(188)	(922)	(53)	(1)	(156)	4 222	84 921
Net assets																
Beginning of year	228 718	285 764	5 568	-	520 050	16 753	65 993	(66)	(24 112)	188	30 377	2 228	1	2 427	(48 222)	565 617
End of year	$ 214 231	$ 372 273	$ 11 662	$ -	$ 598 166	$ 20 568	$ 83 397	$ (522)	$ (40 972)	$ -	$ 29 455	$ 2 175	$ -	$ 2 271	$ (44 000)	$ 650 538