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Part III

Statement of Program Service Accomplishments

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

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1

Briefly describe the organization’s mission

Our mission is to heal, comfort and care for the people of our community by providing advanced and compassionate health care of superior quality and value, supported by education and research

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 exempt purpose achievements for each of the organization’s three largest program services by expenses

Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 \$ 917,632,049 including grants of \$) (Revenue \$ 994,806,245)
	LVH offers a continuum of health care promotion, prevention, diagnosis, treatment and rehabilitation to the community Extensive outpatient and educational services are provided at locations throughout the region and are a part of a healthcare network established by the Hospital to meet the medical, surgical and educational needs of the residents of the Lehigh Valley and beyond The following reflects the general classification of operating acute care beds as of June 30, 2011 Medical/Surgical-371, Obstetrics/Gynecology-37, Medical/Surgical Intensive Care Unit-32, Intensive Coronary Care Unit-12, Neonatal Intensive Care Unit-32, Pediatric Intensive Care Unit-7, Open Heart Unit-9, Burn Unit-18, Trauma/Neuro Intensive Care Unit-14, Neuro Science ICU-14, Transitional Trauma Unit-30, Pediatric Unit-28, Psychiatry (Adult)-52, Psychiatry (Adolescent)-13, Transitional Open Heart Unit-30, and Progressive Coronary Care Unit-32 Total acute care beds - 731 In addition, LVH operates 27 bassinets in its Nursery LVH serves as a referral center for approximately two million residents of surrounding counties in eastern Pennsylvania, with a special focus in the following key areas Neurosciences Services LVH provides comprehensive Neuroscience services with sub-specialists in stroke and vascular neurology, epilepsy, neuromuscular disease, movement disorders, Parkinson's disease, multiple sclerosis, headaches, pain management, neuropsychiatry, neuro-oncology, degenerative brain disease, cognitive disorders, minimally invasive surgery, cranial base surgery, complex spine surgery, neurovascular surgery, traumatic brain injury, neuro-radiology and neurointerventional radiology Orthopedic Services The Division of Orthopedic Surgery treats musculoskeletal disorders of the upper and lower extremities as well as the spine The program has been nationally recognized by US News & World Report Orthopedic surgeons, greater that 75% fellowship-trained, provide sub-specialty care in the following joint replacement, spinal disorders, sports medicine, hand and wrist surgery, foot and ankle surgery, orthopedic trauma and pediatric orthopedic care Clinical outcomes are monitored for quality assurance and educational purposes Bariatric Services Lehigh Valley Hospital's banatric surgery program, recognized by the American College of Surgeons Bariatric Surgery Center Network as a Level 1a Center of Excellence, provides comprehensive, quality-measured, medical and surgical weight management services Led by a board certified banatric medicine physician and bariatric surgeons, a multidisciplinary team including a nurse practitioner, dieticians, behavior health specialists and exercise physiologists provide pre-operative, operative and post-operative care Behavioral Health Services LVH operates the largest community-hospital based acute-care inpatient mental health program for adolescents and adults in the Lehigh Valley and surrounding regions, based upon the number of total beds and patient days, providing crisis stabilization, psychiatric, psychological, and social services LVH also provides ambulatory care including partial hospitalization programs for adolescents and adults, outpatient mental health clinics for chronically and severely mentally ill adults, short-term, outpatient treatment services for children, adolescents, adults, older adults and families, emergency services, and a mental health linkage with home care services LVH Psychiatry also provides a residential rehabilitation program, teaching independent living skills to the chronically mentally ill, consultation / liaison services, and education and research Finally, LVH Psychiatry integrates behavioral health services within a variety of our network medical and specialty practices, and has established linkages with the broader community as well, e g providing Psychiatrist and counseling services to a number of local colleges Women's ServicesLVHN offers programs and services designed to provide complete care for women in the Lehigh Valley and surrounding communities LVHN has comprehensive patient and family centered obstetric and gynecology services with a special focus on prenatal care This includes private birthing rooms for labor, delivery, and recovery with a full range of birthing options for low or high risk mothers and babies Comprehensive obstetric and gynecology, specialty and subspecialty care include maternal-fetal (high risk) medicine, midwifery, gynecological oncology, pelvic reconstructive surgery, and infertility / reproductive endocrinology A Woman Care Program offering informative education series, a variety of support groups, community events focused on women, a library and special classes on prenatal care, postpartum exercise, parenting, and breastfeeding consultation along with a special program for first time parents is a sampling of what LVHN provides Pregnancy 101, childbirth classes in English and Spanish, Maternity Tours, Sibling Tours, Car Seat safety events am inspections compliment LVHN's comprehensive women's services The development and implementation of www lvhn org/pregnancy website was completed October 2010 Infants / Children / Young AdultsLVHN offers comprehensive inpatient and outpatient pediatric care by combining a philosophy of patient and family centered care with diagnostic, medical, and surgical interventions Services are provided through the collaborative efforts of community, child life specialist and hospital based physicians and subspecialists Pediatric specialty services include adolescent medicine, allergy, anesthesiology, cardiology, child abuse, critical care medicine / intensivists, dentistry, developmental / rehabilitative pediatrics, endocrinology, gastroenterology, gynecology, pediatric hospitalist, hematology / oncology, neonatology, neurology, ophthalmology, orthopedics, plastic and reconstructive surgery, psychiatry, pulmonology, radiology, rheumatology, general surgery, urology, and trauma & burn care LVHN operates a 32 bed Level IIIB Neonatal Intensive Care Unit, 8 neonatal continuum of care beds, a 8 bed pediatric intensive care unit, a 28 bed pediatric inpatient unit, and a 13 bed adolescent psychiatric unit Ambulatory services provided by LVHN include general pediatric outpatient clinic, a pediatric subspecialty center, and a pediatric ambulatory surgery unit Magnet Status for Nursing Excellence In August 2002, the American Nurses Credentialing Center (ANCC) granted Magnet designation to LVH and LVH-Muhlenberg, the first full-service hospitals in Pennsylvania to receive the recognition Developed by the ANCC in 1994, this is the American Nurses Association's highest honor for excellence in nursing and recognizes both hospitals as national leaders in nursing education, research, patient satisfaction, quality care, job retention and the central role of nursing in the organization Magnet designation is for a period of four years, at which time an organization must reapply The reapplication process is intense, necessitating that hospitals demonstrate increasingly higher standards than previous applications In 2006 and 2011, LVHN hospitals were redesignated as Magnet hospitals,continuing to demonstrate the required evidence of a practice environment in which professional nurses and interdisciplinary colleagues deliver the highest standards of quality care Cardiology & Cardio-Thoracic Surgery Lehigh Valley Hospital (LVH) is one of the largest cardiovascular providers in the State of Pennsylvania LVH performed 1,468 heart and vascular surgeries and 11,295 catheterization and electrophysiology procedures during the fiscal year ending June 30, 2011 In addition to operating one of the most experienced cardiac programs in the country, LVH's Heart and Vascular Center has been recognized as having one of the best heart attack survival rates in the State of PA and in the Nation LVH's Heart and Vascular Center offers disease prevention, advanced diagnostic and therapeutic services including medical cardiology, diagnostic and therapeutic interventional and electrophysiology services, advanced non-invasive cardiac imaging (CT, MR, Calcium Scoring), open heart and vascular surgery We continue to offer innovative programs and centers of excellence that treat acute myocardial infarction, advanced heart failure and valvular disease, hypertrophic cardiomyopathy, heart rhythm disorders and heart disease and pregnancy The Center is actively engaged in research and education through its Cardiovascular Research Institute and its three year Cardiology Fellowship program

4b	(Code) (Expenses \$ including grants of \$) (Revenue \$)
	Continued from 4(a)Trauma & Burn Services In 1981, LVH became the first hospital in Pennsylvania to be designated as a Level I Trauma Center and is currently the largest trauma program in eastern Pennsylvania LVH is also one of four programs in the state with added qualifications in pediatric trauma The program provides comprehensive trauma care and services, including education and research, and is a major regional resource serving a ten county area and a patient base of over 2 5 million people LVH coordinates pre-hospital emergency medical services and provides 24 hour a day air ambulance service operating four helicopters in eastern Pennsylvania and western New Jersey The Lehigh Valley Hospital Trauma program provides a continuum of care for the trauma patient with providing 24/7/365 in house coverage A trauma rehabilitation team completes the continuum of trauma care LVH also serves as a regional Burn Center, verified by the American Burn Association, for both adult and pediatric burn patients A new, 18 bed burn unit, which opened in January 2008, offers state of the art burn care to patients in eastern Pennsylvania, western New Jersey and southwestern New York

4c	(Code) (Expenses \$ including grants of \$) (Revenue \$)
	Continued from 4(b)-Estimated Value of Free Care, Community Service,Charitable Contributions, and professional and Community Education - Medicare Shortfall 58,270,568, Medical Assistance Shortfall 25,327,299, Uncompensated Charity Care 12,086,969, Bad Debt 13,159,020, Clinics Subsidy 12,425,926, TRICARE (CHAMPUS) Shortfall 368,734, Blue Cross Special Care & CHIP Shortfall 379,772, Real Estate Taxes Paid on Owned and Leased Property 1,422,830, Salisbury Township School District Agreement (includes 50% add-on value for voluntary agreements) 165,599, Stipend to Salisbury Township 34,213, Financial Support to City of Allentown 145,000, Stipend to City of Allentown 45,000, Free Pap Tests, Mammograms & Ultrasounds-City of Allentown 122,292, Laboratory Tests & Consultative Services - City of Allentown 13,871, Physical Examinations - Firefighters & HazMat Personnel 82,595, Contribution to Western Salisbury Volunteer Fire Company 15,000, School Health 327,356, Communities in Schools 57,247, Value of Volunteer Assistance, 1,745,575, Neighborhood Health Centers of the Lehigh Valley 651,807, Transitional Living Centers 272,168, Community Health & Health Studies Department 1,328,244, AIDS Activities Office 333,634, Healthy You Programs 109,457, Lehigh Valley Hospital Cancer Center (includes Patient Support & Education, Community Education & Screening Programs) 373,503, George E Moerkirk Emergency Medicine Institute 447,138, Pastoral Care 836,112, Patient Representative - Press, Ganey Patient Survey 204,480, Foreign Language & Sign Language Interpreting Service 661,942, Public Affairs Activities Community Health Education Programs 435,309, Patient Education Publications 32,888, Materials to Promote Health-Related Activities 339,634, Physician Referral & Health Information Line 362,206, Community Outreach in-kind, Voluntarism in-kind, Contributions 214,070, Free Oral Trauma Surgery Care 340,171, Ambulance Transport Costs 130,271, Transportation For Discharged Patients 34,398, Pharmaceuticals For Discharged Patients 342,305, Pharmacy Financial Coordinator 43,515, Infection Control Community Service (Includes free flu vaccine) 282,965, Nurse Practitioner - Children's Advocacy Center of Lehigh Valley 42,119, Chaيمان, Department of Pediatrics Community Service in-kind, Dental Screenings & Free Procedures in-kind, Division of Education - Office of Student Affairs in-kind, Helwig Diabetes Center Education & Outreach Programs in-kind, Weight Management Center Support Groups & Outreach in-kind, Library Services to the Community in-kind, Stroke Center Community Education Programs in-kind, Heart & Vascular Center Community Education in-kind, Comprehensive Wound, Skin & Ostomy Services Community Education in-kind, Sleep Disorders Center Community Education in-kind, Patient Care Services - Community Service (includes classes, support groups, and Professional Excellence Council activities) in-kind, Trauma Division-Injury Prevention Programs in-kind, Tobacco Treatment Program in-kind, Subtotal \$134,013,202 Medical Education 8,749,443 Patient Education 309,308 Nursing Education 10,293,447 Research Activities net of Grant Funding 2,566,910 Subtotal \$21,919,108 Total \$155,932,310

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

4e	Total program service expenses➤\$ 917,632,049
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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 instruction)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
6 Did the organization maintain any donor advised funds or any similar funds or accounts where 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, 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 term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c Yes	
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, XII, and XIII 	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, XII, and XIII 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, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? 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 Yes	
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 hospitals? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance Check if Schedule O contains a response to any question in this Part V				
			Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	606	
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return.	2a	5,791	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	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	Yes	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	Yes	
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?				
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				
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b		No

Part VI

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

Section A. Governing Body and Management			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a7		
b	Enter the number of voting members included in line 1a, above, who are independent	1b4		
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	Does the organization have members or stockholders?	6		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a 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	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does 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," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		No

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 make these available. Check all that apply. ☒ Own website ☒ Another's website ☒ Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ The Organization 2100 Mack Blvd Allentown, PA 181035622 (484) 884-0130

Part VII

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

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

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

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

- List all of the organization’s **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees 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, and 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 (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Richard Fleming Honorary Trustee	1 00	X						0	0	0
(2) William F Hecht Trustee	1 00	X						0	0	0
(3) Matthew M McCambridge MD Trustee	1 00	X						80,000	0	0
(4) Stephen K Klasko MD Trustee	1 00	X						0	0	0
(5) Ronald W Swinfard MD Trustee/CEO	60 00	X		X				887,782	0	21,318
(6) Kathryn P Taylor Chair	1 00	X						0	0	0
(7) Daniel H Weiss Trustee	1 00	X						0	0	0
(8) Martin K Till Vice-Chair	1 00	X						0	0	0
(9) Terry Capuano Chief Operating Officer	60 00			X				674,712	0	21,318
(10) Keith Weinhold Vice-President	60 00					X		291,815	0	21,318
(11) James Geiger Sr Vice-President-Operations	60 00					X		282,320	0	21,318
(12) Brian Hardner Vice-President	60 00					X		239,243	0	20,968
(13) Anne Panik Vice-President	60 00					X		310,820	0	21,318
(14) Debby Patrick Vice-President Human Resources	60 00					X		239,326	0	20,973
(15) Elliot J Sussman MD Former Trustee/CEO	0 00						X	1,636,653	0	21,318
(16) Stuart S Paxton Former Trustee/COO	0 00						X	168,569	0	16,674

Part VII

2	Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization	175
---	---	-----

3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>

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

(A) Name and business address	(B) Description of services	(C) Compensation
Pulmonary Associates PC 1210 S Cedar Crest Blvd Suite 23 Allentown, PA 18103	Physician Services	3,436,120
VSAS Orthopaedics 1250 S Cedar Crest Blvd Suite 11 Allentown, PA 18103	Physician Services	2,506,215
Lehigh Area Medical Associates 1255 S Cedar Crest Blvd Suite 22 Allentown, PA 18103	Physician Services	2,005,909
Anchor Health Properties LLC 1300 N Grant Avenue-Suite 209 Wilmington, DE 19806	Construction Management	1,721,604
IMR Limited 20 Unico Drive Hazelton, PA 18202	Information Services	1,034,592

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶44

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514			
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a		18,821,114					
	b	Membership dues	1b							
	c	Fundraising events	1c							
	d	Related organizations	1d							
	e	Government grants (contributions)	1e	5,672,230						
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	13,148,884						
	g	Noncash contributions included in lines 1a-1f \$		180,429						
	h	Total. Add lines 1a-1f								
	Program Service Revenue	2a						Business Code	634,964,911	634,964,911
		Inpatient Revenue	624100							
b		Outpatient Revenue	624100	330,940,443	330,940,443					
c		Physician Fee Revenue	624100	1,473,864	1,473,864					
d										
e										
f		All other program service revenue								
g		Total. Add lines 2a-2f			967,379,218					
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)			7,537,316		7,537,316		
	4	Income from investment of tax-exempt bond proceeds . .								
	5	Royalties								
	6a	Gross Rents	(i) Real 5,879,986	(ii) Personal	881,998		881,998			
	b	Less rental expenses	4,997,988							
	c	Rental income or (loss)	881,998							
	d	Net rental income or (loss)								
	7a	Gross amount from sales of assets other than inventory	(i) Securities 589,555,019	(ii) Other 121,007	6,584,551	6,584,551				
	b	Less cost or other basis and sales expenses	582,569,625	521,850						
	c	Gain or (loss)	6,985,394	-400,843						
	d	Net gain or (loss)								
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a 1,111,672	651,819			651,819			
	b	Less direct expenses	b 459,853							
	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		21,852,482					
	11a	Health Network Labs	621500	13,857,889					12,847,883	1,010,006
	b	Research & Misc. Incom	900099	7,513,329					7,513,329	
	c	Lehigh Valley PHO	900003	481,264					481,264	
	d	All other revenue								
	e	Total. Add lines 11a-11d								
12	Total revenue. See Instructions			1,023,708,498	994,806,245	1,010,006	9,071,133			

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) but are not required to complete columns (B), (C), and (D).

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 U S See Part IV, line 21				
2	Grants and other assistance to individuals in the U S See Part IV, line 22	247,489	247,489		
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	7,036,117	7,036,117		
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	286,459,994	272,590,807	12,739,393	1,129,794
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	28,862,238	27,669,283	1,083,991	108,964
9	Other employee benefits	35,983,330	34,470,573	1,397,211	115,546
10	Payroll taxes	22,089,795	21,150,381	853,692	85,722
a	Fees for services (non-employees) Management				
b	Legal	1,984,563	1,984,563		
c	Accounting	268,365	268,365		
d	Lobbying				
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other	100,422,972	93,501,172	6,887,603	34,197
12	Advertising and promotion	4,344,112	1,289,589	3,054,523	
13	Office expenses	2,655,428	2,506,895	130,642	17,891
14	Information technology	10,818,364	10,708,154	110,210	
15	Royalties				
16	Occupancy	24,453,921	23,825,917	513,312	114,692
17	Travel	1,208,257	1,137,091	60,708	10,458
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	1,694,206	1,556,498	124,188	13,520
20	Interest	16,688,302	16,688,302		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	64,582,150	64,460,099	117,956	4,095
23	Insurance	7,825,769	7,825,769		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Medical Supplies	142,584,252	142,582,997	1,255	
b	Purchased Services	98,329,029	95,532,743	2,597,921	198,365
c	Bad Debts Expense	56,450,033	56,450,033		
d	Other Supplies	4,280,798	4,238,110	50,881	-8,193
e	Equipment Rental	2,092,379	2,003,837	77,728	10,814
f	All other expenses	27,843,012	27,907,266	-80,868	16,614
25	Total functional expenses. Add lines 1 through 24f	949,204,875	917,632,049	29,720,346	1,852,479
26	Joint costs. Check here ☒ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			10,850	1	10,853
	2	Savings and temporary cash investments			21,065,098	2	3,528,591
	3	Pledges and grants receivable, net			12,003,111	3	7,152,180
	4	Accounts receivable, net			126,458,008	4	124,382,143
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	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). Schedule L				6	
	7	Notes and loans receivable, net			894,266	7	1,123,621
	8	Inventories for sale or use			7,947,907	8	7,833,516
	9	Prepaid expenses and deferred charges			16,480,630	9	15,094,205
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	969,130,593	445,348,267	10c	438,799,210
	b	Less: accumulated depreciation	10b	530,331,383			
	11	Investments—publicly traded securities			482,181,563	11	639,808,126
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11			76,098,844	13	89,606,426
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			10,328,778	15	8,671,371
16	Total assets. Add lines 1 through 15 (must equal line 34)			1,198,817,322	16	1,336,010,242	
Liabilities	17	Accounts payable and accrued expenses			86,912,129	17	82,631,847
	18	Grants payable				18	
	19	Deferred revenue			2,181,396	19	2,394,848
	20	Tax-exempt bond liabilities			359,729,000	20	351,205,810
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	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			34,091,927	23	34,362,783
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			265,139,392	25	174,431,671
	26	Total liabilities. Add lines 17 through 25			748,053,844	26	645,026,959
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			333,542,482	27	551,790,038
	28	Temporarily restricted net assets			77,410,335	28	97,224,615
	29	Permanently restricted net assets			39,810,661	29	41,968,630
	Organizations that do not follow SFAS 117, 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			450,763,478	33	690,983,283
34	Total liabilities and net assets/fund balances			1,198,817,322	34	1,336,010,242	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	1,023,708,498
2	Total expenses (must equal Part IX, column (A), line 25)	2	949,204,875
3	Revenue less expenses Subtract line 2 from line 1	3	74,503,623
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	450,763,478
5	Other changes in net assets or fund balances (explain in Schedule O)	5	165,716,182
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	690,983,283

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
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	Yes	

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization Lehigh Valley Hospital	Employer identification number 23-1689692
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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 - Other
- e

☐

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

☐

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

☐

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

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

(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 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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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 2010 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2010. 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—2009. If the organization did not check the 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—2010. 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—2009. 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 IIISupport 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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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 section 501(c)(3) organization, check this box and stop here 						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. 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—2009. 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. Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Lehigh Valley Hospital	Employer identification number 23-1689692
--	--

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

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

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

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

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$ _____
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$ _____
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$ _____
4	Did the filing organization file Form 1120-POL for this year?	☐ Yes ☐ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?	Yes		100
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		54,768
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		33,318
	j Total lines 1c through 1i			88,186
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
Explanation of Other Lobbying Activities	Part II-B, Line 1i	Indirect State lobbying activities - Indirect communication includes communication explaining a principal's position and requesting others to contact elected officials by way of grassroots lobbying

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, 11, or 12.**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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 may 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 pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

Complete lines 2a–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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable 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 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIV, 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, 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 XIV, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116, 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 relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

Using the organization's 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 XIV

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 XIV and complete the following table

	Amount
1c	
1d	
1e	
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 XIV

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	89,400,969	78,716,975	96,684,736	
b	Contributions	1,438,232	3,372,844	362,255	
c	Investment earnings or losses	16,891,409	9,223,571	-16,234,043	
d	Grants or scholarships	246,433	285,893	650,069	
e	Other expenditures for facilities and programs	1,708,282	1,625,502	1,445,904	
f	Administrative expenses				
g	End of year balance	105,775,895	89,401,995	78,716,975	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶ 0 %

b

Permanent endowment ▶ 33 000 %

c

Term endowment ▶ 67 000 %

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

No

b

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

3b

4

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

Part VI

Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		4,466,258		4,466,258
b Buildings		612,204,302	309,299,235	302,905,067
c Leasehold improvements		13,865,198	4,593,779	9,271,419
d Equipment		233,835,030	164,318,400	69,516,630
e Other		104,759,805	52,119,969	52,639,836
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				438,799,210

Schedule D (Form 990) 2010

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements		
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1
2	Total expenses (Form 990, Part IX, column (A), line 25)	2
3	Excess or (deficit) for the year Subtract line 2 from line 1	3
4	Net unrealized gains (losses) on investments	4
5	Donated services and use of facilities	5
6	Investment expenses	6
7	Prior period adjustments	7
8	Other (Describe in Part XIV)	8
9	Total adjustments (net) Add lines 4 - 8	9
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements	1
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments	2a
b	Donated services and use of facilities	2b
c	Recoveries of prior year grants	2c
d	Other (Describe in Part XIV)	2d
e	Add lines 2a through 2d	2e
3	Subtract line 2e from line 1	3
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a
b	Other (Describe in Part XIV)	4b
c	Add lines 4a and 4b	4c
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5

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

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	The endowment funds are used for continuing education, scholarships, research, clinical equipment, and nursing awards
Description of Uncertain Tax Positions Under FIN 48	Part X	In 2008, the Organization adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 establishes that the financial statement effects of a tax position taken or expected to be taken are to be recognized in the financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon IRS examination. FIN 48 became effective for fiscal year 2008 for the Organization. The Organization has analyzed tax positions taken on federal income tax returns for all open tax years for the taxable entities and has determined that as of June 30, 2011, there are no uncertain tax positions taken or expected to be taken that would require recognition in the financial statements. The Organization has analyzed specific criteria regarding the exempt 501(c) 3 status for the tax exempt entities and has determined that as of June 30, 2011 the Organization is compliant with the qualifications for exemption from Federal income tax.

Additional Data

Software ID:

Software Version:

EIN: 23-1689692

Name: Lehigh Valley Hospital

Form 990, Schedule D, Part X, - Other Liabilities

1	(a) Description of Liability	(b) Amount
	Cost Settlement Reserves with Third Parties	2,598,417
	Deferred Compensation Plan	8,465,640
	Pension Liability	119,184,441
	Workers Compensation	2,114,200
	Professional Insurance Liability Reserves	26,374,146
	Asset Retirement Obligation	4,120,215
	Unrealized Loss on Interest Rate Swap	10,659,948
	Other	914,664

Supplemental Information Regarding Fundraising or Gaming Activities

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

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

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ Yes ☐ No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization. Form 990-EZ filers are not required to complete this table.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
Total ▶						

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

[illegible]

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		<u>Nite Lites</u> (event type)	 (event type)	 (total number)	(Add col (a) through col (c))
Revenue	1	Gross receipts	1,111,672		1,111,672
	2	Less Charitable contributions	0		
	3	Gross income (line 1 minus line 2)	1,111,672		1,111,672
Direct Expenses	4	Cash prizes	0		
	5	Non-cash prizes	0		
	6	Rent/facility costs	0		
	7	Food and beverages	0		
	8	Entertainment	0		
	9	Other direct expenses	459,853		459,853
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶			
	11	Net income summary Combine lines 3 and 10 in column (d). ▶			
					651,819

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

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

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

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

b If "No," Explain _____

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

b If "Yes," Explain _____

11

Does the organization operate gaming activities with nonmembers?

☐ Yes ☐ No

12

Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?

☐ Yes ☐ No

13

Indicate the percentage of gaming activity operated in

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

14

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

Name ▶ _____

Address ▶ _____

15a

Does the organization have a contract with a third party from whom the organization receives gaming revenue?

☐ Yes ☐ No

b

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

c

If "Yes," enter name and address

Name ▶ _____

Address ▶ _____

16 Gaming manager information

Name ▶ _____

Gaming manager compensation ▶ \$ _____

Description of services provided ▶ _____

☐ Director/officer ☐ Employee ☐ Independent contractor

17

Mandatory distributions

a

Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?

☐ Yes ☐ No

b

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

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation
------------	-----------------	-------------

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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	Yes	
1b	If "Yes," is it a written policy?	Yes	
2	If the organization has multiple hospitals, 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 hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☒ Other <u>400.000000000000 %</u> b Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☒ 400% ☐ Other _____ % c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine 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"?	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
5b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		No
5c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a	Does the organization prepare a community benefit report during the tax year?	Yes	
6b	If "Yes," did the organization make it available to the public? Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	Yes	

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 Worksheets 1 and 2)			12,086,969		12,086,969	1 350 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			108,042,506	83,142,863	24,899,643	2 790 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			120,129,475	83,142,863	36,986,612	4 140 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			6,049,382		6,049,382	0 680 %
f Health professions education (from Worksheet 5)			14,257,491	5,508,048	8,749,443	0 980 %
g Subsidized health services (from Worksheet 6)			16,180,251	2,335,776	13,844,475	1 550 %
h Research (from Worksheet 7)			5,132,311	2,565,401	2,566,910	0 290 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			214,070		214,070	0 020 %
j Total Other Benefits			41,833,505	10,409,225	31,424,280	3 520 %
k Total. Add lines 7d and 7j			161,962,980	93,552,088	68,410,892	7 660 %

Part II

Community Building Activities during the tax year, and describe in Part VI how its 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		57,247		57,247	0 010 %
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy		979,163		979,163	0 110 %
8	Workforce development					
9	Other					
10	Total		1,036,410		1,036,410	0 120 %

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 (at cost)	2	13,159,020	
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	8,536,881	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	235,854,927	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	228,332,566	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	7,522,361	
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	Does the organization have a written debt collection policy?	9a	Yes	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes	

Part IV

Management Companies and Joint Ventures

(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 LVHN Reciprocal Risk Retention Group	Malpractice Insurance	16 670 %	0 %	0 %
2 2 Health Network Laboratories LLC	Laboratory Services	85 000 %	0 %	0 %
3 3 Health Network Laboratories LP	Laboratory Services	81 670 %	0 %	0 %
4 4 Lehigh Valley Physician Hospital Organization Inc	Health Care Services	45 000 %	0 %	0 %
5				
6				
7				
8				
9				
10				
11				
12				
13				

Schedule H (Form 990) 2010

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 1

Name and address		Type of Facility (Describe)
1	Pediatric Specialty Center Schoenersville Road Bethlehem, PA 18017	Pediatric Unit
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 6a The Community Benefit Report is issued by Lehigh Valley Health Network - EIN 22-2458317, the parent company of Lehigh Valley Hospital

Identifier	ReturnReference	Explanation
		Part I, Line 7 The costing methodology is cost to charge ratio for programs with gross charges and direct costs for programs without gross charges

Identifier	ReturnReference	Explanation
		Part I, Line 7g CLINICS SUBSIDY The clinics subsidy of \$12,425,926 is the difference between clinic payments and clinic costs The clinics subsidy includes the operations of the Medical and Surgical Clinics, Outpatient Pediatrics, the Dental Clinic, the Center for Women's Medicine, the Family Health Center, Geriatrics, Maternal Fetal Medicine, and the Mental Health Clinic TRANSITIONAL LIVING CENTERSLehigh Valley Health Network administers two Residential Aftercare Programs as a contracted provider for the Lehigh County Department of Human Services These programs include the Transitional Living Center-Full Care and the Transitional Living Center-Moderate Care Although the programs receive revenue from clients and reimbursements from Lehigh County, these funds do not fully reimburse program operating expenditures In FY'11, program operating expenditures exceeded program revenues and reimbursements by \$272,168 The Transitional Living Centers serve residents of Lehigh County age 18 and over who have been treated for mental illness and would benefit from a structured residential program The Full Care site is supervised 24 hours per day and teaches the activities of daily living as designated by the Pa Department of Welfare to those residents who demonstrate the need for ongoing intensified supervision due to their mental illness The Moderate Care site is supervised 10 hours per day and is designed to teach activities of daily living to those individuals who demonstrate the need for community reentry support in a less-intensified structure AIDS ACTIVITIES OFFICEEstablished in 1989, Lehigh Valley Hospital's AIDS Activities Office (AAO) provides clinical and social services to children, adolescents and adults infected and affected by HIV/AIDS and HCV (hepatitis C) In FY'11, the AIDS Activities Office's active patients received one or more of the following services 1 HIV testing and counseling (A free service open to the public as a state-designated Department of Health lab site) 2 Prevention counseling 3 Initial and ongoing medical care (including laboratory evaluation, coordination and referral to diagnostic and specialty service, and pharmaceutical treatment regimens) provided by a physician board-certified in infectious diseases and specializing in HIV care 4 Coordination and monitoring of inpatient and outpatient clinical therapies, and education provided by registered nurses certified in AIDS care 5 Nutritional assessments and interventions 6 Adherence counseling 7 Availability of local clinical trials and referral to regional trials 8 Case management to insure coverage of basic and social service needs, including housing, employment, outpatient substance abuse treatment, mental health counseling, etc , and providing linkages to care and coordination of specialty treatments 9 HIV outreach, prevention education, and testing in community settings (was previously in-house only) 10 Hepatitis C treatment provided by a physician board-certified in internal medicine and specializing in HCV care 11 Hepatitis C education by nurses specially educated in the disease as well as prevention and adherence counseling 12 Support groups for HIV and HCV 13 Mental health counseling by a licensed clinical social worker specializing in people living with HIV and HCV 14 The AAO Food Bank, supported by private donations 15 HepA, HepB, & Hep A/B vaccines provided by the PA DOH High Risk Immunization program Funded originally by the Dorothy Rider Pool Health Care Trust and Lehigh Valley Hospital (LVH), the AIDS Activities Office is currently primarily supported by LVH, Early Intervention Funding (Title III) from the Ryan White Care Act (Human Resources and Services Administration) and AIDSNET (Ryan White Title II funding) and the PA Department of Health LVH's contribution to the operations of the AIDS Activities Office in FY'11 was \$333,634, net of payments FREE ORAL TRAUMA SURGERY CAREIn FY 11, Lehigh Valley Hospital paid \$340,171 to private oral surgery practices to provide oral trauma surgery care to hospital patients AMBULANCE TRANSPORT COSTSLehigh Valley Hospital incurred total ambulance costs of \$130,271 to transport patients to other non-LVHN facilities PHARMACEUTICALS FOR DISCHARGED PATIENTSPharmaceuticals appropriate to the course of treatment are often provided at no charge to indigent patients upon discharge The cost of these medications in FY'11 was \$342,305

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The costing methodology for bad debt expense is the Medicare cost to charge ratio The ratio of uninsured charges written off as charity was applied to total charges written off as bad debt to estimate the portion of bad debt that is attributed to patients under the hospital charity policy

Identifier	ReturnReference	Explanation
		Part II Community Building Activities are conducted on behalf of Lehigh Valley Health Network, which is the governing entity for Lehigh Valley Hospital and Lehigh Valley Hospital - Muhlenberg. Our Community Partners include Central School-Line 7. More than 800 students at Central School in the Allentown School District, Allentown, Pa., and their families benefit from care provided by our pediatric health center. A health care team provides care that includes basic health care, asthma management, immunizations, counseling and community outreach. We know poor health robs children of their ability to be good students. For 15 years, this project has worked to promote academic success at this inner city elementary school. Communities in Schools of the Lehigh Valley-Line 3. We are a longtime partner of Communities in Schools of the Lehigh Valley, a program for adolescents at risk for dropping out of school. About 200 Allentown-area high school students attend the program at Lehigh Valley Hospital-17th Street, Allentown, Pa. In addition to classroom instruction, they get mentoring, tutoring and training in job readiness and life skills, in short, a great start for a healthy and successful future. Da Vinci Science Center-Line 9. We recognize science isn't confined to test tubes. So our clinicians partner with the Da Vinci Discovery Center of Science and Technology in Allentown, Pa., to develop interactive displays that introduce young minds to health care. The center has approximately 100,000 visitors each year. The Pennsylvania Regional Community Policing Institute - Line 6. We partner with The Pennsylvania Regional Community Policing Institute to help keep our community safe. We recognize medical health is directly related to the well-being of a community, and it takes cooperation from all levels of government to improve quality of life in our community. For instance, the institute provides homeland security, crime prevention, and emergency preparedness training to community members, police officers and other emergency responders. Sixth Street Shelter-Line 7. The Sixth Street Shelter in Allentown provides free, basic care to uninsured adults. We offer physicals for employment, driver's licenses and school applications. If you need more specialized care, you will be referred to The Caring Place at 933 Hamilton St., Allentown, or to the Lehigh Valley Physician's Practice at Lehigh Valley Hospital-17th Street. The Caring Place Family Health Program at 933 Hamilton St., Allentown, Pa., offers free, basic medical care to you and your family, including immunizations and screenings for sexually transmitted diseases and HIV. Gynecological exams and cervical cancer screenings are available to women. As a patient, you'll learn how to care for your own health, and receive support through counseling and support groups. Safety Town - Line 6. This portable, interactive "town" is designed to teach children (kindergarten through second grade) how to be safe in their everyday lives. The town depicts how a child travels through a normal day, including home, school, park and neighborhood, while discussing dangers they may encounter along the way. It can be used at school, community and church events. GlitterBug - Line 9. This interactive program teaches children how to effectively wash their hands to prevent the spread of germs. Children take part in an experiment with "magic potion lotion." It's made of pretend germs, and when applied to hands, is made visible by a black light. After washing their hands, children see how many germs are removed. Miles of Smiles - Line 7. This mobile van helps deliver care to children who need dental care. There are an estimated 11,000 children in Allentown, Pa., alone who need dental care but can't afford a trip to the dentist. So Lehigh Valley Health Network, Capital Blue Cross and more than 40 donors joined forces and brought the dentist to them. Miles of Smiles-a dental office on wheels-is a mobile clinic with two treatment rooms. A dentist and dental hygienist provide teeth cleanings, fluoride treatments, X-rays, cavity treatments, simple extractions, and education on proper brushing, flossing and healthy eating. An estimated 3,000 community members-primarily children-will receive dental care with Miles of Smiles annually. The mobile clinic is currently serving children at four Allentown elementary schools, The Caring Place Youth Development Center, Casa Guadalupe and the Sixth Street Shelter. Iron Pigs Partnership - Line 7. Kids Run the Bases. At every Sunday home game, we sponsor "Kids Run the Bases." During these games, we provide health tips via public address announcements. After the game, children take the field to feel the glory of what it's like to be in the game. We give each child a gift for participating. Education Days. Nearly 6,000 students from regional schools come to Coca-Cola Park for Education Days. These game-day events are part of the IronPigs' Swine Smarts program, which helps teachers incorporate el

Identifier	ReturnReference	Explanation
		ements of baseball into a lesson (like calculating a "batting" average) We add health top ics to the curriculum (like the importance of wearing sunscreen and a helmet) We are at t he games stressing the fundamentals physical activity and proper nutrition Health Fair N ightThe interactive health activities we place throughout the concourse during Health Fair Night are a hit Booths contain information about sleep education, diabetes, proper hand washing, car seat safety and more There is information and activities for the whole famil y Via Partnership - Line 3Through an annual marathon, we partner with Via to support its services for children and adults with disabilities Each year we partner with Via of the L ehigh Valley to promote healthy living through the Lehigh Valley Health Network Marathon f or Via Via of the Lehigh Valley is a non-profit human service agency that provides servic es for children and adults with disabilities like autism, cerebral palsy and Down syndrome Many community members, including health network employees, benefit from Via's services We share Via's mission to care for its community and value our partnership of hosting even ts like the marathon Community members can run in the marathon (as individuals or on a re lay team), half-marathon, walk in a 5K (3 1 miles) or volunteer at the event each Septembe r

Identifier	ReturnReference	Explanation
		Part III, Line 4 BAD DEBTS-In instances where the Organization believes a patient has the ability to pay for services and, after appropriate collection effort, payment is not made, the amount of services not paid is written-off, at charges, as bad debts Amounts recorded as bad debts expense do not include charity The amount of bad debts expense for the years ended June 30, 2011 and 2010, at charges, was \$56,427,000 and \$61,794,000 respectively, and is reported as Bad debts expense on the Combined Statements of Operations

Identifier	ReturnReference	Explanation
		Part III, Line 8 The source of the Medicare allowable costs relating to revenue received from Medicare is the FY '11 Medicare Cost Report

Identifier	ReturnReference	Explanation
		Part III, Line 9b Financial Counseling staff will determine whether patients meet eligibility criteria for financial assistance Accounts that do not meet the eligibilty requirements will be referred to the internal collection unit and subsequently transferred to bad debt status if the accounts remain unpaid When the hospital determines that a Medicare patient is either financially or medically indigent and that he is unable to pay his patient liability, the hospital waives its standard collection procedures, deems the account to be uncollectible, and immediately transfer the unpaid balance to bad debt status

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Community Needs Assessments are conducted on behalf of the Lehigh Valley Health Network, which is the governing entity for Lehigh Valley Hospital and Lehigh Valley Hospital - Muhlenberg LVHN has developed a collaborative with the regional hospitals to plan for our community needs assessment The group has met several times and has drafted an assessment plan

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Consistent with the mission and values of Lehigh Valley Health Network, it is the policy to provide medical care to all individuals without regard to their ability to pay for services The Charity Care Policy which incorporates the LHVN Reduced Cost of Care program applies to uninsured and under-insured individuals who participate in the process to evaluate their ability to pay for LVHN services Patients are identified by LVHN registration, Benefits and Verification, Customer Service, and Financial Counselors as being in financial need The Financial Counselors help patients complete the application for Reduced Cost of Care LVHN follows the Federal Poverty Guidelines to evaluate eligibility Patients whose family income falls below 200% of the Federal Poverty guideline will have their entire balance forgiven for their qualifying services at a participating LVHN provider Patients with a family income below 400% of the Federal Poverty guidelines will have a portion of their balance forgiven for qualifying services at a participating LVHN provider Patients are evaluated for no cost or reduced premium insurance plans The LVHN Financial Counselors will offer information to patients who are interested in seeing if they qualify for these programs offered by commercial insurance companies Patients often express financial concern or need by contacting the LVHN Customer Service departments The Customer Service representatives explain the programs available, Reduced Cost of Care, Medical Assistance, and a Reduced Patient responsibility for Self Pay patients Patients will be referred to the Financial Counselors who work with patients to apply for Pennsylvania Medical Assistance The Financial Counselors are located onsite The PATHS representatives visit patients in their inpatient rooms, in the Cancer Center, and in the Emergency Department In addition, LVHN advertises Financial Assistance in the local newspaper, on our public website and on the statements sent to our patients

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Lehigh Valley Hospital, Inc (LVH) is a Pennsylvania not-for-profit membership corporation exempt from federal income taxes as a corporation described in Section 501(c)(3) of the Internal Revenue Code LVH was formed on January 1, 1988 as a result of the merger of The Allentown Hospital and Lehigh Valley Hospital Center As of June 30, 2011, LVH operates hospital facilities at three primary locations 17th and Chew Streets in Allentown, Lehigh County, Pennsylvania, Cedar Crest Boulevard and Interstate 78 in Salisbury Township, Lehigh County, Pennsylvania, LVH also operates 65 psychiatry beds on the LVH-Muhlenberg campus The primary service area of LVH consists of Lehigh, Northampton and Carbon counties Based on information available from the U S Census Bureau for the 2000 decennial census and the 2010 decennial census, the population of the primary service area was approximately 637,958 people in 2000 and was estimated to be 712,501 in 2010 During fiscal year 2011, 73% of the discharges from LVH were residents of the primary service area The secondary service area consists of Berks, Luzerne, Monroe, and Schuylkill counties as well as northern portions of Bucks and Montgomery counties The 2000 population of the secondary service area was approximately 1,374,481 During fiscal year 2011, 23% of the discharges from LVH were residents of the secondary service area Based on U S Census Bureau data, the current population of the combined primary and secondary LVH service areas is projected by ScanUS Demographics, to increase approximately 15.4% (1% / Yr) (from 2000) by the year 2016 During fiscal year 2011, 4% of the discharges from LVH were residents outside the primary and secondary service areas

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Lehigh Valley Hospital qualifies as an Institution of Purely Public Charity in Pennsylvania This regulation is referred to as Act 55 To be considered a purely public charity, nonprofits must (1) advance a charitable purpose, (2) donate or render gratuitously a substantial portion of its services, (3) benefit a substantial and indefinite class of persons who are legitimate subjects of charity, (4) relieve the government of some burden, and (5) operate entirely free from private profit motive LVH is required to reapply for this charitable status every five years and currently qualifies through October 31, 2015

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Lehigh Valley Hospital

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Employer identification number

23-1689692

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No
- 2

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

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed. ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance

2

Enter total number of section 501(c)(3) and government organizations ▶

3

Enter total number of other organizations ▶

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) Nursing Scholarships	65	246,889	0	Book	
(2) Jirolano Tuition Aide Scholarship	1	600	0	Book	

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Scholarships are awarded to Senior Nursing Students in a Bachelor of Nursing program, and 2nd year nursing students in an Associate Degree Program based on the following criteria Two letters of recommendation from Clinical Instructors, an official copy of their most current transcript demonstrating a 3 0 GPA or better, a one page essay describing why they deserve the scholarship and a completed assessment survey If above information is considered favorable, two interviews are scheduled with selection committee members If considered favorable after all interviews have been conducted, a scholarship is offered If candidate signs, their commitment back to the hospital is for 2080 hours of employment as a Registered Nurse after successfully completing an internship If candidate does not fulfill their commitment, the scholarship dollars are pro-rated and repayment is due back

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization Lehigh Valley Hospital	Employer identification number 23-1689692
--	--

Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
☐ First-class or charter travel		
☒ Travel for companions		
☐ Tax idemnification and gross-up payments		
☐ Discretionary spending account		
☐ Housing allowance or residence for personal use		
☐ Payments for business use of personal residence		
☐ Health or social club dues or initiation fees		
☐ 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 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 officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2 Yes	
3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
☒ Compensation committee		
☒ Independent compensation consultant		
☐ Form 990 of other organizations		
☒ Written employment contract		
☒ Compensation survey or study		
☒ 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 from the organization or a related organization?	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	No
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs 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) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(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 in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Ronald W Swinfard MD	(i)	515,044	140,719	232,019	0	21,318	909,100	0
	(ii)	0	0	0	0	0	0	0
(2) Terry Capuano	(i)	463,703	139,500	71,509	0	21,318	696,030	0
	(ii)	0	0	0	0	0	0	0
(3) Keith Weinhold	(i)	218,867	69,875	3,073	0	21,318	313,133	0
	(ii)	0	0	0	0	0	0	0
(4) James Geiger	(i)	220,781	54,213	7,326	0	21,318	303,638	0
	(ii)	0	0	0	0	0	0	0
(5) Brian Hardner	(i)	200,884	37,710	649	0	20,968	260,211	0
	(ii)	0	0	0	0	0	0	0
(6) Anne Panik	(i)	248,490	52,000	10,330	0	21,318	332,138	0
	(ii)	0	0	0	0	0	0	0
(7) Debby Patrick	(i)	211,369	30,240	-2,283	0	20,973	260,299	0
	(ii)	0	0	0	0	0	0	0
(8) Elliot J Sussman MD	(i)	872,544	271,845	492,264	0	21,318	1,657,971	0
	(ii)	0	0	0	0	0	0	0
(9) Stuart S Paxton	(i)	42,981	125,000	588	0	16,674	185,243	0
	(ii)	0	0	0	0	0	0	0
(10) Mary Kay Grim	(i)	278,975	62,500	18,401	0	21,318	381,194	0
	(ii)	0	0	0	0	0	0	0
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part IIISupplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
	Part I, Line 1a	Travel expenses for companion is paid by Lehigh Valley Hospital for one professional meeting per year for the President/CEO
	Part I, Line 4b	Part I, Line 4b Elliot J Sussman, MD 488,685 Ronald W Swinfard, MD 229,992 Keith Weinhold 10,278 Anne Panik 9,705 Mary Kay Grim 17,634 Terry Capuano 65,176 James Geiger 12,284 These amounts are accruals to a nonqualified supplemental executive retirement plan

Schedule K (Form 990)	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 Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.										OMB No 1545-0047	
											2010	
	Department of the Treasury Internal Revenue Service											Open to Public Inspection
Name of the organization Lehigh Valley Hospital										Employer identification number 23-1689692		

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 Lehigh County General Purpose Authority	91-1886539	5248053E6	07-07-2005	61,000,000	refund 4/1/94, 7/25/95 & 11/21/95 issues		X		X		X
B Lehigh County General Purpose Authority	91-1886539	5248053F3	09-15-2005	81,000,000	construct, renovate & equip facilities		X		X		X
C Lehigh County General Purpose Authority	91-1886539	52480GAY0	06-04-2008	53,725,184	construct, renovate & equip facilities		X		X		X
D Lehigh County General Purpose Authority	91-1886539	52480GBA1	06-05-2008	52,574,500	refund 4/2/98 issues		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	9,750,000				1,705,700		2,648,250	
2	Amount of bonds legally defeased								
3	Total proceeds of issue	61,000,000		82,955,467		53,885,593		52,574,500	
4	Gross proceeds in reserve funds	8,199,759		8,199,759					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	58,939,661						51,115,735	
7	Issuance costs from proceeds	845,094		908,575		704,637		528,264	
8	Credit enhancement from proceeds	1,215,245		2,341,645		1,323,209		930,501	
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	71,505,488		71,505,488		51,857,747			
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2005		2007		2010		2008	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X			X		X	X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		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		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part IIIPrivate 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?		X		X		X		X
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?		X	X		X			X
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?		X	X		X			X

Part IVArbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		X
2	Is the bond issue a variable rate issue?	X			X		X	X	
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X			X		X	X	
b	Name of provider	Merrill Lynch Goldman Sachs						Goldman Sachs Goldman Sachs	
c	Term of hedge	20 000000000000						20 000000000000	
d	Was the hedge superintegrated?		X						X
e	Was a hedge terminated?		X						X
4a	Were gross proceeds invested in a GIC?		X	X			X		X
b	Name of provider	MBIA		MBIA					
c	Term of GIC	3 300000000000		3 300000000000					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X					
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
6	Did the bond issue qualify for an exception to rebate?	X		X		X		X	

Part VSupplemental Information

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

Identifier	Return Reference	Explanation

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Lehigh Valley Hospital

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 Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

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Open to Public
Inspection

Employer identification number

23-1689692

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 Lehigh County General Purpose Authority	91-1886539	52480GAA2	06-06-2008	59,745,000	refund 8/14/97 & 4/21/99 issues		X		X		X
B Lehigh County General Purpose Authority	91-1886539	52480GBG8	04-01-2011	13,920,480	refund 6/12/96 & 4/21/99 issues		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	715,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	59,745,000		13,920,480					
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	59,010,280		13,800,000					
7	Issuance costs from proceeds	734,720							
8	Credit enhancement from proceeds	120,480		120,480					
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2008		2011					
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X		X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part IIIPrivate 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?		X		X				
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?		X		X				
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?		X		X				

Part IVArbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?	X		X					
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X				
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?	X		X					

Part VSupplemental Information

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

Identifier	Return Reference	Explanation

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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Lehigh Valley Hospital

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23-1689692

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2

Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ \$

0

3

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

0

Part II Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

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

Part III Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b)Relationship between interested person and the organization	(c)Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) James H Miller-Trustee	CEO of PPL Corp , Trustee of LVHN	5,711,764	PPL provides electric service to LVHN facilities at fair market value rates		No
(2) Kathryn P Taylor-Trustee	Board Member of Capital Blue Cross - Trustee of LVHN	90,733,315	Capital BlueCross is a third party insurer doing business with LVHN		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

►Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.
► Attach to Form 990.

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2010

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Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining oncash contribution amounts
1 Art—Works of art	X	5	5,541	Fair Market Value
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles .				
7 Boats and planes				
8 Intellectual property . .				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests .				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other . .				
15 Real estate—Residential .				
16 Real estate—Commercial				
17 Real estate—Other . .				
18 Collectibles				
19 Food inventory	X	4	12,663	Fair Market Value
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts . .				
23 Scientific specimens . .				
24 Archeological artifacts .				
25 Other ► (Dental Automatic Processor)	X	1	4,000	Fair Market Value
(27) Wooden Rocking				
26 Other ► (Horses)	X	1	2,025	Fair Market Value
Flat Screen				
27 Other ► (TV)	X	1	750	Fair Market Value
28 Other ► ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement

29

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?

30a

Yes

No

b If "Yes," describe the arrangement in Part II

31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?

32a

Yes

No

b If "Yes," describe in Part II

33 If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

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

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

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**Open to Public
Inspection**

Name of the organization Lehigh Valley Hospital	Employer identification number 23-1689692
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Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		The process to review the 990's includes Draft 1 of the returns is reviewed in detail with a focus on accuracy, completeness, and perspective by the LVHN Controller and the LVHN Corporate Legal Counsel Draft 2 of the returns is reviewed by the Sr Vice-President-Finance and CFO All Compensation disclosures are reviewed by the Sr Vice President - Human Resources In addition, selected information is also reviewed by LVHN external consultants Compensation information reviewed by the LVHN Compensation consultant and compensation and charitable purpose information reviewed by an additional LVHN consultant Draft 3 of the returns is reviewed together with the President & CEO, the Sr Vice-President Finance and CFO, the Sr V P Human Resources, the Controller and the Director-Tax Final Returns are reviewed with LVHN Executive Commttee of the Board of Trustees prior to their filing

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Trustees, officers, management and members of the medical staff are required to complete the Conflict of Interest and Commitment questionnaire on an annual basis. Effective August 2008, the questionnaire is completed electronically and stored in a database for ease of reporting and monitoring purposes. Reported conflicts of interests are reported to the Lehigh Valley Health Network Board on an annual basis. The information is also shared with the Pennsylvania Department of Health during their survey process. Those affected within the organization and their immediate supervisors are responsible for ongoing compliance with the Policy both annually and in the interim between declaration periods where possible new conflict situations may arise.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The Executive Compensation Committee of the Board of Trustees functions as follows -Members are independent of management -Members are appointed annually by Board of Trustees -Members to have relevant and specified qualifications -Review performance of CEO and other specified senior management and selected physicians - Review succession plans and career development of senior management -Review compensation policy and this Committee Charter -Meet quarterly The Executive Compensation Committee retains an independent compensation consulting firm, specializing in the healthcare industry, to provide comprehensive comparability analyses for all key executives, physicians, and key employees on an annual basis This consulting firm does no other work for LVHN

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 18	Another's Website - Guidestar Upon request - hard copies with senior management and marketing

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	The Organization makes its financial statements available to the public through its Annual Report to the community. The Annual Report is distributed to all attendees at the Organizations annual public meeting. In addition, it is distributed via mail to members of the community. The Organizations governing documents and conflict of interest policy are not made available to the public.

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 53,498,652 Unfunded Pension Liability Other Changes in Net Assets

Identifier	Return Reference	Explanation
Committee - oversight of audit	Form 990, Part XI, Line 2c	The Audit Committee of the Board of Trustees assumes responsibility for oversight of the audit and selection of an independent auditor

Identifier	Return Reference	Explanation
Written Policy - Joint Venture arrangements	Form 990, Part VI, Line 16b	Although the organization does not have a written policy with respect to evaluation of participation in joint venture arrangements, no joint venture is entered into without having had the transactional documents reviewed and evaluated by outside counsel and, if necessary, consultants and accountants to assure that the arrangement does not, in any manner, compromise the organization's exempt status and mission

Identifier	Return Reference	Explanation
Compensation of Officers, Directors, Trustees, Key Employees, etc	Form 990, Part VII, Line 1a	Hours worked by these individuals reflect the combined hours spent as a Board Officer and an Employee of the organization. All compensation, benefits, etc. reported are for work as a member of senior management of the organization. The remainder of the officers, trustees, listed above are volunteers and receive no compensation.

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

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Lehigh Valley Hospital

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Lehigh Valley Health Network 1200 S Cedar Crest Blvd Allentown, PA 18103 22-2458317	Parent Company	PA	501(c)(3)	509(a)(3) III-FI	N/A		No
(2) Lehigh Valley Hospital - Muhlenberg 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2367707	Health Care Organization	PA	501(c)(3)	170(b)(1) (A)(iii)	Lehigh Valley Health Network		No
(3) Lehigh Valley Physician Group 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2700908	Physician Practice Organization	PA	501(c)(3)	Line 9	Lehigh Valley Health Network		No
(4) Muhlenberg Realty Corporation 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2245513	Real Estate Rentals	PA	501(c)(3)	509(a)(3) III-FI	Lehigh Valley Health Network		No
(5) Lehigh Valley Health Network Realty Holding Co 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2586770	Real Estate Holding Co	PA	501(c)(2)	509(a)(3) III-FI	Lehigh Valley Health Network		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) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Community Ambulatory Care Center 400 North 17th St Suite 300 Allentown, PA18104 23-2530415	Surgical Center	PA	N/A									
(2) LVHN Reciprocal Risk Retention Group 151 Meeting Street Ste 301 Charleston, SC29401 20-0037118	Insurance	PA	Lehigh Valley Health Network	Related				No			No	
(3) Health Network Laboratories LLC 2024 Lehigh Street Allentown, PA18103 23-2932802	Laboratory Services	PA	Lehigh Valley Hospital	Related	163,350	828,750		No			No	
(4) Health Network Laboratories LP 2024 Lehigh Street Allentown, PA18103 23-2948774	Laboratory Services	PA	Lehigh Valley Hospital	Related	23,179,814	86,836,109		No			No	
(5) Lehigh Magnetic Imaging Center 1230 S Cedar Crest Blvd Allentown, PA18103 23-2429077	Imaging Center	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
(1) Lehigh Valley Health Services Inc 2100 Mack Blvd Allentown, PA181035622 23-2263665	Health Care Related Services	PA	N/A	C			
(2) Lehigh Valley Anesthesia Services PC 2100 Mack Blvd Allentown, PA181035622 23-3096124	Anesthesia Services	PA	N/A	C			
(3) Westgate Professional Center Inc 2100 Mack Blvd Allentown, PA181035622 23-1657333	Real Estate Rentals	PA	N/A	C			
(4) Lehigh Valley Physician Hospital Organization Inc 2100 Mack Blvd Allentown, PA181035622 23-2750430	Health Care Related Services	PA	Lehigh Valley Hospital	C			

Part V

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

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

1

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

a

Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to other organization(s)

c

Gift, grant, or capital contribution from other organization(s)

d

Loans or loan guarantees to or for other organization(s)

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

Lease of facilities, equipment, or other assets to other organization(s)

j

Lease of facilities, equipment, or other assets from other organization(s)

k

Performance of services or membership or fundraising solicitations for other organization(s)

l

Performance of services or membership or fundraising solicitations by other organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

Other transfer of cash or property to other organization(s)

r

Other transfer of cash or property from other organization(s)

Yes

No

1a

No

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

Yes

1l

Yes

1m

Yes

1n

Yes

1o

Yes

1p

Yes

1q

No

1r

No

2

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Lehigh Valley Anesthesia Services PC	L	7,575,432	cost
(2)			
(3)			
(4)			
(5)			
(6)			

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.

[illegible]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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**LEHIGH VALLEY HEALTH NETWORK
AND COMPONENT ENTITIES**

Combined Financial Statements
for the Years Ended June 30, 2011 and 2010
and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lehigh Valley Health Network
Allentown, Pennsylvania

We have audited the accompanying combined statements of financial position of Lehigh Valley Health Network and Component Entities (the "Organization") as of June 30, 2011 and 2010, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the combined financial position of Lehigh Valley Health Network and Component Entities as of June 30, 2011 and 2010, and the combined results of their operations, changes in their combined net assets, and their combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 7, 2011

Lehigh Valley Health Network and Component Entities
Combined Statements of Financial Position
June 30, 2011 and 2010
(In Thousands)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$29,795	\$31,630
Patient accounts receivable, net	183,142	178,746
Prepays, inventories and other current assets	37,371	35,118
Assets limited under bond debt service fund - current portion	17,353	17,621
Assets limited under primary professional liability arrangements - current portion	<u>3,066</u>	<u>3,075</u>
Total current assets	<u>270,727</u>	<u>266,190</u>
Noncurrent assets:		
Assets whose use is limited or restricted		
Assets limited by board of trustees for capital improvements	720,568	512,857
Assets limited by board of trustees for retained excess professional liability arrangements	16,290	15,141
Assets limited under primary professional liability arrangements	40,270	34,699
Assets limited by management	29,924	23,058
Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements - held by trustee	11,077	11,223
Assets restricted by donors	141,390	119,042
Assets limited to fund deferred compensation and other liabilities	39,873	31,233
Property and equipment, net	601,997	613,186
Partnership investments	15,283	23,015
Deferred financing costs, net and other noncurrent assets	<u>22,972</u>	<u>23,893</u>
Total noncurrent assets	<u>1,639,644</u>	<u>1,407,347</u>
Total assets	<u>\$1,910,371</u>	<u>\$1,673,537</u>
<u>Liabilities and net assets</u>		
Current liabilities:		
Accounts payable	\$42,757	\$45,857
Accrual for estimated third-party payer settlements	2,598	17,531
Accrued compensation	66,418	61,803
Other accrued expenses	35,310	27,952
Pension	2,944	2,556
Professional liability	3,066	3,075
Current portion of long-term debt	<u>11,218</u>	<u>10,891</u>
Total current liabilities	<u>164,311</u>	<u>169,665</u>
Noncurrent liabilities:		
Long-term debt, net of current portion	513,537	523,600
Deferred compensation and other liabilities funded with matching assets	39,873	31,233
Pension	155,126	229,173
Professional liability	49,598	45,327
Other liabilities	<u>27,531</u>	<u>28,308</u>
Total noncurrent liabilities	<u>785,665</u>	<u>857,641</u>
Total liabilities	<u>949,976</u>	<u>1,027,306</u>
Net assets:		
Unrestricted		
Lehigh Valley Health Network and component entities	805,276	522,548
Noncontrolling interests in subsidiaries	<u>13,729</u>	<u>4,641</u>
Total unrestricted net assets	819,005	527,189
Temporarily restricted	98,868	78,681
Permanently restricted	<u>42,522</u>	<u>40,361</u>
Total net assets	<u>960,395</u>	<u>646,231</u>
Total liabilities and net assets	<u>\$1,910,371</u>	<u>\$1,673,537</u>

See notes to combined financial statements

Lehigh Valley Health Network and Component Entities
Combined Statements of Operations
Years Ended June 30, 2011 and 2010
(In Thousands)

	<u>2011</u>	<u>2010</u>
<u>Patient services and supporting operations</u>		
Revenues		
Net patient service revenue	\$1,482,711	\$1,363,015
Other supporting operations revenue	35,949	31,718
Net assets released from restrictions used for operations	<u>5,861</u>	<u>4,608</u>
Total revenues	<u>1,524,521</u>	<u>1,399,341</u>
Expenses		
Salaries and wages	619,504	582,900
Benefits	139,748	131,052
Supplies	245,112	237,561
Purchased services	142,080	132,633
Other	96,123	69,316
Depreciation and amortization	85,095	87,292
Bad debts	93,133	94,038
Interest expense	<u>23,357</u>	<u>23,902</u>
Total expenses	<u>1,444,152</u>	<u>1,358,694</u>
Operating income	80,369	40,647
<u>Other nonoperating gains and losses</u>		
Realized investment earnings	24,355	26,721
Change in net unrealized gains (losses) on swaps	3,005	(6,100)
Loss on refinancing of debt	(605)	0
Nonoperating losses, net	<u>(952)</u>	<u>(652)</u>
Other nonoperating gains and losses, net	<u>25,803</u>	<u>19,969</u>
Revenues and gains in excess of expenses and losses before income taxes	106,172	60,616
Provision for income taxes	<u>(3,889)</u>	<u>(2,046)</u>
Revenues and gains in excess of expenses and losses attributed to		
Lehigh Valley Health Network and component entities	102,283	58,570
Net assets released from restrictions - capital acquisitions	3,277	1,195
Contribution of long lived assets	0	450
Adjustment to funded status of pension plans	93,652	(48,754)
Change in noncontrolling interests	9,088	589
Change in net unrealized gains on investments	<u>83,516</u>	<u>23,503</u>
Increase in unrestricted net assets	<u>\$291,816</u>	<u>\$35,553</u>

See notes to combined financial statements

Lehigh Valley Health Network and Component Entities
Combined Statements of Changes in Net Assets
Years Ended June 30, 2011 and 2010
(In Thousands)

	<u>2011</u>	<u>2010</u>
<u>Unrestricted net assets</u>		
Revenues and gains in excess of expenses and losses attributed to Lehigh Valley Health Network and component entities	\$102.283	\$58.570
Net assets released from restrictions - capital acquisitions	3.277	1.195
Contribution of long lived assets	0	450
Adjustment to funded status of pension plans	93.652	(48.754)
Change in noncontrolling interests	9.088	589
Change in net unrealized gains on investments	<u>83.516</u>	<u>23.503</u>
Increase in unrestricted net assets	<u>291.816</u>	<u>35.553</u>
<u>Temporarily restricted net assets</u>		
Contributions	8.409	8.164
Reclassification to permanently restricted net assets	0	(619)
Increase in assets temporarily held in trust	260	205
Realized and unrealized investment gains, net	20.656	10.851
Net assets released from restrictions	<u>(9,138)</u>	<u>(5,803)</u>
Increase in temporarily restricted net assets	<u>20,187</u>	<u>12,798</u>
<u>Permanently restricted net assets</u>		
Contributions	451	2,509
Reclassification from temporarily restricted & unrestricted net assets	0	776
Increase in beneficial interest in perpetual trusts	<u>1,710</u>	<u>376</u>
Increase in permanently restricted net assets	<u>2,161</u>	<u>3,661</u>
Increase in net assets	314.164	52.012
Net assets, beginning of year	<u>646,231</u>	<u>594,219</u>
Net assets, end of year	<u>\$960,395</u>	<u>\$646,231</u>

See notes to combined financial statements

Lehigh Valley Health Network and Component Entities
Combined Statements of Cash Flows
Years Ended June 30, 2011 and 2010
(In Thousands)

	<u>2011</u>	<u>2010</u>
<u>Cash flows from operating activities:</u>		
Increase in net assets	\$314,164	\$52,012
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	85,095	87,292
Loss on refinancing of debt	605	0
Net realized and unrealized (gains) on unrestricted investments	(94,738)	(37,351)
Restricted contributions received for capital and endowments and related investment (gains)	(20,374)	(10,958)
Adjustment to funded status of pension plans	(93,652)	48,754
Increase in capital leases obligation	271	296
Change in net unrealized loss on swaps	(3,005)	6,100
Provision for bad debts	93,133	94,038
Adjustment to noncontrolling interests due to a change in control of equity investee	(7,932)	0
Changes in assets and liabilities		
Increase in patient accounts receivable, net	(97,529)	(106,768)
(Increase) decrease in prepaids, inventories and other current assets	(1,320)	1,506
Decrease (increase) in other noncurrent assets	1,468	(496)
Decrease (increase) in interest earned but not received on assets whose use is limited or restricted	30	(290)
(Decrease) increase in accounts payable	(4,184)	5,469
Increase (decrease) increase in other accrued expenses	6,566	(1,269)
(Decrease) increase in accrual for estimated third party payer settlements	(14,933)	6,473
Increase in accrued compensation	4,615	18,035
Increase in pension liability	19,993	11,715
Increase (decrease) in professional liability	4,262	(1,292)
Increase in deferred compensation and other liabilities funded with matching assets, and other liabilities	<u>10,849</u>	<u>6,303</u>
Net cash provided by operating activities	<u>203,384</u>	<u>179,569</u>
<u>Cash flows from investing activities:</u>		
Purchases of property and equipment	(72,158)	(49,075)
Purchases of investments	(1,402,470)	(1,563,672)
Proceeds from sales of investments	<u>1,278,985</u>	<u>1,450,561</u>
Net cash used in investing activities	<u>(195,643)</u>	<u>(162,186)</u>
<u>Cash flows from financing activities:</u>		
Proceeds from issuance of long-term debt	27,720	0
Payment of financing costs	(400)	0
Repayment of debt	(37,796)	(10,225)
Proceeds from restricted contributions for capital and endowments	<u>900</u>	<u>2,796</u>
Net cash used in financing activities	<u>(9,576)</u>	<u>(7,429)</u>
Net (decrease) increase in cash and cash equivalents	(1,835)	9,954
Cash and cash equivalents, beginning of year	<u>31,630</u>	<u>21,676</u>
Cash and cash equivalents, end of year	<u>\$29,795</u>	<u>\$31,630</u>
<u>Supplemental cash flow information:</u>		
Cash paid for interest	\$21,520	\$20,538
Cash paid for income taxes	\$2,741	\$2,264
Non-cash increase in capital lease obligation	\$271	\$296
Amounts accrued for purchase of property and equipment in excess of amounts paid	\$2,440	\$2,070

See notes to combined financial statements

LEHIGH VALLEY HEALTH NETWORK AND COMPONENT ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (AMOUNTS IN THOUSANDS OF DOLLARS)

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lehigh Valley Health Network ("LVHN") is a not-for-profit 501(c)(3) corporation that controls related organizations in a health care delivery network providing a wide array of health care services and products to the Lehigh Valley and surrounding communities in Pennsylvania. The combined financial statements of Lehigh Valley Health Network and Component Entities (the "Organization") at June 30, 2011 and 2010 include the accounts of the following entities:

<u>Entity Name</u>	<u>Income Tax Status</u>
Lehigh Valley Hospital ("LVH")	Exempt-501(c)3
Lehigh Valley Hospital - Muhlenberg ("LVHM")	Exempt-501(c)3
Lehigh Valley Health Network ("LVHN")	Exempt-501(c)3
Lehigh Valley Physician Group ("LVPG")	Exempt-501(c)3
Muhlenberg Realty Corporation ("MRC")	Exempt-501(c)3
Health Network Laboratories, L.P. ("HNL") - 97% owned by LVHN	Non-exempt
Health Network Laboratories, LLC	Non-exempt
Lehigh Valley Health Services, Inc. ("LVHS")	Non-exempt
Spectrum Administrators, Inc.	Non-exempt
Spectrum Health Ventures, Inc.	Non-exempt
LVHN Reciprocal Risk Retention Group ("RRG")	Non-exempt
Lehigh Valley Health Network Realty Holding Company, Inc. ("LVHNRHC")	Exempt-501(c)2
Westgate Professional Center, Inc. ("Westgate")	Non-exempt
Lehigh Valley Anesthesia Services, PC ("LVAS")	Non-exempt
Fairgrounds Surgical Center ("FSC") - 77% owned by LVHN	Non-exempt
Lehigh Valley Physician Hospital Organization ("LVPHO") - 50% owned by LVHN	Non-exempt

All significant intercompany balances and transactions have been eliminated.

Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Organizations*, and other pronouncements applicable to not-for-profit healthcare organizations. The Organization evaluated subsequent events through September 7, 2011, the date the financial statements were issued, and determined there were no subsequent events requiring disclosure.

Use of Estimates

The preparation of combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the bad debts reserve, contractual allowances, estimated amounts due to third party payers, professional liabilities, liabilities for pension and other benefits, swaps, alternative investments, and asset retirement obligations.

Trusts

The Organization is the beneficiary in perpetuity of income earned on certain perpetual irrevocable trusts, the funds of which are maintained and administered by independent trustees, and are recognized at the Organization's share of the estimated fair value of the related trust assets and are included in Assets restricted by donors. The Organization's share of income earned on these trusts is unrestricted.

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments purchased with an initial maturity of three months or less, excluding amounts included in assets whose use is limited or restricted. At June 30, 2011 and 2010, the Organization had cash balances at financial institutions that exceeded federal depository insurance limits. Management believes that credit risk related to these deposits is minimal.

Inventories

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

Temporarily and Permanently Restricted Net Assets

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

Income Taxes

The Organization's for-profit components, which are subject to income taxes, recognize deferred tax assets and liabilities for the future tax impact of temporary differences between amounts recorded in the financial statements and their respective tax bases and the future benefit of utilizing net operating loss carry forwards.

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restriction. In the absence of donor specification that investment income on donated funds be restricted, such income is reported as realized investment earnings of unrestricted net assets.

Property and Equipment

Property and equipment is stated at cost, or in the case of donated items, at the fair market value at the date of the gift. Depreciation is recorded over the estimated useful lives of assets, as indicated in the table below, using the straight-line method.

	<u>Lives</u>
Land improvements	2 - 25 years
Buildings and building equipment	5 - 40 years
Fixed and major movable equipment	2 - 20 years

Assets under capital lease are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets. Such amortization is included in depreciation and amortization in the Combined Statements of Operations. Interest costs, net of related interest earnings, incurred on related funds acquired through the issuance of tax-exempt bonds is capitalized during the period of construction of capital assets as a component of the cost of acquiring those assets. No interest costs were capitalized for the years ended June 30, 2011 and 2010. Leasehold improvements and software licenses are amortized over the shorter of their useful lives or the term of the lease using the straight-line method. The cost of assets and the related accumulated depreciation are removed from the records upon retirement or other disposition and any gain or loss is included in the Combined Statements of Operations.

Asset Retirement Obligations

The Organization recognizes the fair value of a liability for legal obligations associated with conditional asset retirement obligations ("ARO's") in the period in which the liability is incurred. ARO's are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life. ARO's are adjusted each year for any liabilities incurred or settled during the period, accretion expense, and any revisions made to the estimated cash flows. The Organization has identified ARO's related to the legally required remediation of asbestos existing within the Organization's facilities. While all hazardous materials within the Organization's facilities are currently contained and meet existing safety standards, the capitalized asset and liability recorded relate to the eventual remediation and removal that is legally required upon the ultimate repair, renovation, or demolition of facilities containing the hazardous materials. ARO liabilities recorded at June 30, 2011 and 2010 were \$4,946 and \$4,927, respectively.

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

The Organization assesses the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability is based on the estimated fair value of the asset measured using the estimated future cash flows expected to result from the use of the assets and their eventual disposal.

Deferred Financing Costs

Deferred financing costs, principally legal fees and bond issuance costs, are amortized over the period of financing. Gross deferred financing costs at June 30, 2011 and 2010 were \$16,132 and \$17,007 respectively. Accumulated amortization of deferred financing costs was \$3,905 and \$3,921 at June 30, 2011 and 2010, respectively.

Partnership Investments

Partnership investments, primarily joint venture investments, are accounted for at the lower of cost or market for investments in which the Organization does not exercise significant influence. Partnership investments in which the Organization may exercise significant influence are accounted for under the equity method of accounting.

Pledges

Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the year made. Pledges are reported as additions to either temporarily or permanently restricted net assets at their present value.

Estimated Third-Party Payer Settlements

The Organization has agreements with third party payors that provide for payments at amounts different than our established rates. Payment arrangements include primarily prospectively determined rates per discharge, per visit, and per diem payments and to a lesser extent, reimbursed costs at discounted charges.

Noncontrolling Interests in Subsidiaries

The Combined Statements of Financial Position include noncontrolling interests that relate to the portion of subsidiaries that are not owned by the Organization. Similarly, the Combined Statements of Operations include noncontrolling interests that reflect amounts not attributable to the Organization, which are recorded as a component of Nonoperating losses, net.

On July 1, 2010, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2010-07, which established accounting and reporting standards for the noncontrolling interests in a subsidiary. The accounting and reporting standards require entities that prepare combined financial statements to (a) present noncontrolling interest as a component of net assets, separate from the parent's net assets, (b) separately present the amount of revenue and gains over expenses and losses attributed to the noncontrolling interest in the statements of operations, and (c) require an entity to provide sufficient disclosures that identify and clearly distinguish between interests of the parent and interests of noncontrolling owners.

Accordingly, this presentation has been adopted for 2011 and retrospectively applied to 2010. The Organization has reclassified its noncontrolling interests, which were formerly classified as a component of Other liabilities, as a separate component of unrestricted net assets on the Combined Statements of Financial Position and have reclassified noncontrolling interest expense, which was formerly classified as Other expenses, to be a component of Nonoperating losses, net on the Combined Statements of Operations.

In the 2010 Combined Statement of Financial Position, \$4,641 previously recorded as Other liabilities was reclassified to Noncontrolling interests in subsidiaries. In the 2010 Combined Statement of Operations, \$589 previously recorded as Other expense was reclassified to Nonoperating losses, net.

Combined Statements of Operations

For purposes of display, transactions deemed to be ongoing, major or central to the provision of health care services are reported as revenue and expenses from Patient services and supporting operations. Peripheral or incidental transactions are reported as Other Nonoperating Gains and Losses.

Patient services and supporting operations revenues and expenses are those revenues and expenses directly related to the provision of patient care and community wellness and education. Other nonoperating gains and losses includes Realized investment earnings, Change in net unrealized gains (losses) on swaps, Loss on refinancing of debt, and Nonoperating gains and losses, net.

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Performance Indicator

In the Combined Statements of Operations, the primary indicator of the Organization's results is "Revenues and gains in excess of expenses and losses." Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include Net assets released from restrictions – capital acquisitions, Contribution of long lived assets, Adjustment to funded status of pension plans, Change in noncontrolling interests, and Change in net unrealized gains on investments (except for declines in fair value that are determined by management to be other-than-temporary, which are reported as realized investment losses)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered or when known by the Organization and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in prior year estimates increased net patient service revenue by \$14,424 and \$2,990 in the fiscal years ended June 30, 2011 and 2010, respectively.

Other Supporting Operations Revenue

Other supporting operations revenue includes primarily revenue from grant contracts, property rental, partnership revenue and unrestricted contributions.

Patient Accounts Receivable

Patient Accounts receivable for which the Organization receives payment under cost reimbursement, prospective payment formulas or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payers, which are generally less than the established billing rates of the Organization. Patient accounts receivable is reported at its net realizable value and includes reserves for bad debts of \$112,924 and \$106,928 at June 30, 2011 and 2010, respectively. Bad debts reserves are estimated based on the Organization's belief that a patient has the ability to pay for services but payment is not expected to be received. The reserve for bad debts is based on management's assessment of historical and expected collections, business economic conditions, trends in health care coverage, and other collection indicators. Accounts receivable are written off against the reserve for bad debts when management determines that recovery is unlikely and the Organization ceases collection efforts.

Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers was as follows at June 30

	<u>2011</u>	<u>2010</u>
Medicare	20%	26%
Blue Cross/Blue Shield	18%	14%
Independence Blue Cross & Valley Preferred	17%	17%
Commercial, Auto & Workers Compensation	12%	14%
Medicare & Medicaid Managed Care	13%	13%
Medicaid	11%	7%
Self Pay	<u>9%</u>	<u>9%</u>
Total	<u>100%</u>	<u>100%</u>

Estimated Medical Malpractice Costs

The Organization uses a combination of commercial insurance and self-insurance arrangements to provide for medical malpractice costs. The self-insured arrangements include actuarially determined estimates of the ultimate costs for both reported claims and claims incurred but not reported (IBNR) and include the primary layer provided through the RRG, and the self-insured excess layer. The Medical Care Availability and Reduction of Error (MCARE) layer provides coverage between the self-insured primary layer and the self-insured excess layer and is provided by the Pennsylvania Insurance Department funded through direct assessments. Commercial insurance is used to provide additional excess coverage beyond the self-insured excess layer.

The June 30, 2011 and 2010 financial statements include actuarially determined self-insured medical malpractice expenses of \$9,503 and \$3,731, respectively, and are reported as Other expense in the Combined Statements of Operations. Corresponding reserves are reported as current and non-current Professional liability in the Combined Statements of Financial Position. Commercial excess insurance expense and MCARE assessments were \$5,431 and \$6,162 as of June 30, 2011 and 2010, respectively, and were recorded in Other expense in the Combined Statements of Operations.

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Whose Use is Limited

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the Combined Statements of Financial Position. The Organization also invests in a diversified program of alternative investment funds. These investments utilize a "fund of funds" approach resulting in diversified multi-strategy, multimanager investments. Certain investments include liquidation restrictions of 30 to 70 days notice prior to withdrawal. The Organization reports these investments at fair value.

Investment income or loss (including realized gains and losses on investments, interest and dividends) is reported as Realized investment earnings unless the income or loss is restricted by donor or law, in which case investment income or loss is recorded as a component of Temporarily restricted net assets. Unrealized gains and losses on investments are excluded from Revenues and gains in excess of expenses and losses but are reported as increases or decreases in Unrestricted net assets unless the income or loss is restricted by donor or law, in which case investment income or loss is recorded as a component of Temporarily restricted net assets.

Investments, in general, are exposed to various risks such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

Assets whose use is limited includes (1) assets set aside by the Board of Trustees (the "Board") for future purposes over which the Board retains control and may at its discretion subsequently use for other purposes, (2) assets limited by the Board for retained excess professional liability arrangements, (3) assets limited under primary professional liability arrangements, (4) assets internally designated by management for various purposes and (5) assets limited to fund deferred compensation and other liabilities.

In addition, Assets whose use is limited also includes Assets limited under bond indenture, bond construction, debt service funds, and debt service reserve funds, related to the Organization's outstanding tax exempt bonds (see note 3). Bond construction funds are held by a trustee and are established to hold bond proceeds until the Organization has incurred capital expenditures in accordance with the allowable uses of issued bonds. The Organization is required to fund to a trustee its scheduled monthly and semi-annual (January 1 and July 1) debt service payments 1-15 days in advance of the payment dates. This funding is reflected in the Combined Statements of Financial Position in the Current assets section reported as Assets limited under bond debt service fund. For certain outstanding bond issues, the Organization is required to maintain debt service reserve funds with a trustee. These funds are available to pay debt service in the event the Organization fails to make such payments. The following schedule summarizes the Assets limited under bond debt service fund – current portion and Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements – held by trustee at June 30:

	<u>2011</u>	<u>2010</u>
Assets limited under bond service fund - current portion	\$17.353	\$17.621
Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements - held by trustee		
Debt service reserve funds	\$11.077	\$11.223

2 ASSETS WHOSE USE IS LIMITED OR RESTRICTED AND PARTNERSHIP INVESTMENTS

Investments carried primarily at fair value and other assets carried at cost at June 30, 2011 and 2010 are summarized as follows

	Short-term <u>investments</u>	U S government agencies and <u>authorities</u>	Corporate <u>bonds</u>	Mark etable equity <u>securities (C)</u>	Equity investments in <u>partnerships</u>	Pledges receivable perpetual trust & other <u>investments (A)</u>	Accrued <u>interest</u>	<u>Total</u>
<u>2011</u>								
Assets limited under bond debt service fund-current portion	\$17,353	\$0	\$0	\$0	\$0	\$0	\$0	\$17,353
Assets limited under primary professional liability arrangements - current portion	238	1,253	727	837	0	0	11	3,066
Assets limited by board of trustees for capital improvements	64,714	154,210	101,050	399,224	0	0	1,370	720,568
Assets limited by board of trustees for retained excess professional liability arrangements	1,489	3,288	2,345	9,136	0	0	32	16,290
Assets limited under primary professional liability arrangements	3,292	13,994	8,437	14,424	0	0	123	40,270
Assets limited by management (B)	1,722	3,092	1,843	14,763	0	8,477	27	29,924
Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements - held by trustee	11,077	0	0	0	0	0	0	11,077
Assets restricted by donors	11,676	22,982	14,457	77,911	0	14,167	197	141,390
Partnership investments	0	0	0	0	15,283	0	0	15,283
Assets limited to fund deferred compensation and other liabilities	<u>3,048</u>	<u>5,143</u>	<u>4,597</u>	<u>24,839</u>	<u>0</u>	<u>2,192</u>	<u>54</u>	<u>39,873</u>
Total Investments	<u>\$114,609</u>	<u>\$203,962</u>	<u>\$133,456</u>	<u>\$541,134</u>	<u>\$15,283</u>	<u>\$24,836</u>	<u>\$1,814</u>	<u>\$1,035,094</u>
<u>2010</u>								
Assets limited under bond debt service fund-current portion	\$17,621	\$0	\$0	\$0	\$0	\$0	\$0	\$17,621
Assets limited under primary professional liability arrangements - current portion	229	1,470	660	702	0	0	14	3,075
Assets limited by board of trustees for capital improvements	46,898	128,732	76,513	259,360	0	0	1,354	512,857
Assets limited by board of trustees for retained excess professional liability arrangements	1,387	3,804	2,267	7,643	0	0	40	15,141
Assets limited under primary professional liability arrangements	2,780	14,037	6,721	11,025	0	0	136	34,699
Assets limited by management (B)	2,227	2,247	1,038	9,048	0	8,477	21	23,058
Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements - held by trustee	11,223	0	0	0	0	0	0	11,223
Assets restricted by donors	8,420	23,192	11,402	59,078	0	16,734	216	119,042
Partnership investments	0	0	0	0	23,015	0	0	23,015
Assets limited to fund deferred compensation and other liabilities	<u>2,816</u>	<u>5,495</u>	<u>4,716</u>	<u>16,294</u>	<u>0</u>	<u>1,849</u>	<u>63</u>	<u>31,233</u>
Total Investments	<u>\$93,601</u>	<u>\$178,977</u>	<u>\$103,317</u>	<u>\$363,150</u>	<u>\$23,015</u>	<u>\$27,060</u>	<u>\$1,844</u>	<u>\$790,964</u>

(A) Includes \$7,114 and \$5,404 representing the Organization's interest in certain perpetual trusts stated at net present value at June 30, 2011 and 2010, respectively (see Note 1) Includes \$4,588 and \$4,052 of pledges receivable at June 30, 2011 and 2010, respectively (see Note 14) Includes other investments, primarily cash surrender value of life insurance, of \$3,834 and \$3,339 at June 30, 2011 and 2010, respectively. Includes an unrestricted gift of land valued at \$8,250 at June 30, 2011 and 2010 Includes \$1,050 and \$6,015 representing LVH's remaining interest in the Elsa K. Farr Trust at June 30, 2011 and 2010, respectively

(B) Assets limited by management are primarily unspent unrestricted gift proceeds invested until used, and the unrestricted gift of land described in note (A) above

(C) Includes \$90,497 and \$61,832 in alternative investments at June 30, 2011 and 2010, respectively. Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market existed, and such differences could be material (see Note 13)

2 ASSETS WHOSE USE IS LIMITED OR RESTRICTED AND PARTNERSHIP AND OTHER INVESTMENTS (Continued)

The following schedule summarizes the investment earnings and its classification in the Combined Statements of Operations and Combined Statements of Changes in Net Assets for the years ended June 30

	<u>2011</u>	<u>2010</u>
Income		
Interest and dividend income	\$15,122	\$15,165
Net realized gains on investments	14,537	16,540
Net unrealized gains on investments	<u>98,868</u>	<u>29,370</u>
Total	<u>\$128,527</u>	<u>\$61,075</u>
Reported as follows		
Combined Statements of Operations		
Other nonoperating gains and losses - Realized investment earnings	\$24,355	\$26,721
Change in net unrealized gains on investments	83,516	23,503
Combined Statements of Changes in Net Assets		
Temporarily restricted net assets - Realized and unrealized investment gains, net	<u>20,656</u>	<u>10,851</u>
Total	<u>\$128,527</u>	<u>\$61,075</u>

Other Than Temporary Impairment

The Organization recognizes other than temporary impairment on equity securities when (1) in management's judgment, a decline in value is not temporary or (2) when the Organization, through its investment managers, has made a decision to sell the equity security at an amount below its carrying value, or (3) when the Organization determines it does not have the ability and intent to hold an investment for a sufficient period of time for a recovery of fair value

The Organization evaluates other than temporary impairment on debt securities by determining (1) if the Organization has the intent to sell the debt security or (2) if it is more likely than not that the Organization will be required to sell the debt security before its anticipated recovery, and (3) assessing whether a credit loss exists, that is, where the Organization believes that the present value of the cash flows expected to be collected from the security are less than the amortized cost basis of the security

When an other than temporary impairment is recognized, the security is written down to fair value as the new cost basis, and the amount of the write-down is recorded as a realized loss

During fiscal years 2011 and 2010, assessments of other than temporary impairment were performed on each security held by the Organization. Factors considered in determining whether an other than temporary impairment existed included the financial condition, business prospects and creditworthiness of the issuer, and the length of time and extent to which fair value had been less than cost for equity securities or amortized cost for fixed income securities

The other-than-temporary impairment losses recorded as of June 30, 2011 and 2010 were \$3,143 and \$3,284, respectively. These losses are reported on the line "Realized investment earnings" within the Combined Statements of Operations

In addition to the above, certain other investments had fair values below cost at June 30, 2011 and 2010 but were determined to not be other-than-temporarily impaired due to the Organization's ability and intent to hold the securities until recovery of fair value. The following table presents the unrealized losses and fair value of these investments, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position

	<u>Less than 12 months</u>		<u>Greater than 12 months</u>		<u>Total</u>	
	Fair Value	Unrealized loss	Fair Value	Unrealized loss	Fair Value	Unrealized loss
<u>2011</u>						
Marketable equity securities	\$25,001	(\$254)	\$96,540	(\$981)	\$121,541	(\$1,235)
<u>2010</u>						
Marketable equity securities	\$28,049	(\$6,317)	\$106,669	(\$23,191)	\$134,718	(\$29,508)

2 ASSETS WHOSE USE IS LIMITED OR RESTRICTED AND PARTNERSHIP AND OTHER INVESTMENTS (continued)

Other Than Temporary Impairment (continued)

The unrealized losses on investments in marketable equity securities were caused by a combination of economic, industry, and company factors. The Organization's marketable equity securities portfolios are diversified. The nature of a diversified portfolio is that at any point in time some holdings are reasonably expected to reflect market losses. Since the declines in market value of equity securities are not considered severe in nature on a security by security basis, the financial condition and near term prospects of the issuer are not in question, and the Organization has the ability and intent to hold to recovery, the Organization does not consider those investments to be other than temporarily impaired at June 30, 2011 and 2010.

3 LONG-TERM DEBT

Long-term debt consists of the following at	<u>2011</u>	<u>2010</u>
Hospital Revenue Bonds, Series of 1994 (net of unamortized bond discount of \$5 and \$6 at June 30, 2011 and 2010, respectively) at a fixed rate of 7.000% due in various amounts through July 1, 2016	\$7,214	\$8,159
Hospital Revenue Bonds, Series of 1996 (net of unamortized bond discount of \$0 and \$38 at June 30, 2011 and 2010, respectively) at a fixed rate of 5.625% due in various amounts through July 1, 2015. These bonds were refinanced with the issuance of the Hospital Revenue Bonds, Series A of 2011 (see below)	0	10,774
Hospital Revenue Bonds, Series A of 1999 (net of unamortized bond discount of \$0 and \$10 at June 30, 2011 and 2010, respectively) at fixed rates ranging from 4.750% to 5.250% due in various amounts through July 1, 2029. These bonds were refinanced with the issuance of the Hospital Revenue Bonds, Series A of 2011 (see below)	0	18,515
Hospital Revenue Bonds, Series A of 2001 (net of unamortized bond discount of \$23 and \$28 at June 30, 2011 and 2010, respectively) at fixed rates ranging from 4.700% to 5.000% due in various amounts through July 1, 2015	8,842	10,372
Hospital Revenue Bonds, Series B of 2001 (net of unamortized bond discount of \$161 and \$168 at June 30, 2011 and 2010, respectively) at fixed rates ranging from 4.125% to 5.375% due in various amounts through July 1, 2031	28,029	28,786
Hospital Revenue Bonds, Series A of 2003 (net of unamortized bond discount of \$466 and \$487 at June 30, 2011 and 2010, respectively) at fixed rates ranging from 5.000% to 5.250% due in various amounts through July 1, 2033	60,359	60,338
Hospital Revenue Bonds, Series A of 2005 At variable rates of interest (0.134% at June 30, 2011) due in various amounts through July 1, 2025. These bonds are privately held and the interest rate is indexed and resets on a monthly basis. See Page 14 "Swap Agreements"	51,250	52,600
Hospital Revenue Bonds, Series B of 2005 At a fixed rate of 5.000% due in various amounts through July 1, 2035	81,000	81,000
Hospital Revenue Bonds, Series A of 2008 (net of unamortized bond premium of \$315 and \$327 at June 30, 2011 and 2010, respectively) at fixed rates ranging from 4.000% to 5.000% due in various amounts through July 1, 2038	70,261	71,447
Hospital Revenue Bonds, Series B of 2008 At variable rates of interest (0.134% at June 30, 2011) due in various amounts through July 1, 2028. These bonds are privately held and the interest rate is indexed and resets on a monthly basis. See Page 14 "Swap Agreements"	90,775	93,225
Hospital Revenue Bonds, Series C of 2008 At variable rates of interest (0.069% at June 30, 2011) due in various amounts through July 1, 2029. These bonds reprice daily	59,030	59,265

3 LONG-TERM DEBT (continued)

	<u>2011</u>	<u>2010</u>
Hospital Revenue Bonds, Series A of 2011		
At variable rates of interest (0.134% at June 30, 2011) due in various amounts through July 1, 2029. These bonds reprice daily.	\$27,720	\$0
Capital Lease Liability on parking deck and The Center for Advanced Health Care MOB located on LVH campus at Cedar Crest & I78. Payable in monthly installments through February 2027 with subsequent renewal options.	34,363	34,092
Mortgage liability to Firsttrust Bank on property located at 2649 Schoenersville Rd. Bethlehem, PA containing a medical office building on the LVHM campus. At a fixed rate of 5.5% with monthly payments of \$37 through March 2016.	5,337	5,478
Other Long Term Debt	<u>575</u>	<u>440</u>
Subtotal (net of unamortized bond discount of \$340 and \$410 at June 30, 2011 and 2010, respectively)	524,755	534,491
Less current maturities	<u>(11,218)</u>	<u>(10,891)</u>
Total long-term debt	<u>\$513,537</u>	<u>\$523,600</u>

Maturities of Long-Term Debt

Scheduled principal maturities on long-term debt (excluding capital lease obligations) for the next five fiscal years and thereafter are as follows:

	Long-Term Debt
2012	\$11,218
2013	11,568
2014	12,001
2015	12,562
2016	17,663
Thereafter	<u>425,720</u>
Total principal for long-term debt	<u>\$490,732</u>

Long-Term Debt – Authority Bond Issues

LVHN, LVH, and LVHM (the “Obligated Group”) have borrowed funds through revenue bonds issued by the Lehigh County General Purpose Authority (the “Authority”). The proceeds were used in part to finance certain facilities of the Obligated Group. The bonds are secured by a pledge of revenue of the Obligated Group. For accounting purposes, the revenue bonds are treated as though they are the debt of the entity which received the proceeds.

Swap Agreements

The Organization has hedged its long term exposure to rising interest rates on portions of its variable rate debt through the participation in interest rate swaps. As of June 30, 2011, interest rate swap agreements with external counter parties were in place on the Series A of 2005 Bonds (the “2005 Swap”) and the Series B of 2008 Bonds (the “2006 Swaps”) bonds. These interest rate swaps effectively convert these variable rate bonds to a fixed rate. The swaps carry a fair value based on long term interest rates and are further described in the table below.

Derivatives not designated as hedging instruments	Liability Derivatives Combined Statements of Financial Position - location	Fair Value	
		<u>2011</u>	<u>2010</u>
Interest rate contracts - 2005 Swap	Other liabilities	\$5,103	\$6,159
Interest rate contracts - 2006 Swaps	Other liabilities	<u>10,076</u>	<u>12,025</u>
Total derivatives		<u>\$15,179</u>	<u>\$18,184</u>

For the years ended June 30, 2011 and 2010, the 2005 and 2006 Swaps were determined to be ineffective hedges for accounting purposes and as a result did not qualify for hedge accounting treatment. Consequently, changes in the swaps' fair values are reported as a component of Other nonoperating gains and losses, whereas under hedge accounting all changes in the swaps' fair values would be reported below Revenues and gains in excess of expenses and losses.

3 LONG-TERM DEBT (continued)

Swap Agreements (continued)

The below table presents the gains and losses on the 2005 and 2006 swap derivatives within the Combined Statements of Operations as of June 30, 2011 and 2010, respectively

Derivatives not designated as hedging instruments	Location of losses on ineffective portion	Amount of gains (losses) recognized in	
		2011	2010
Interest rate contracts - 2005 Swap	Change in net unrealized gains (losses) on swaps	1.056	(\$2.249)
Interest rate contracts - 2006 Swaps	Change in net unrealized gains (losses) on swaps	<u>1.949</u>	<u>(3.851)</u>
Total derivative gains (losses)		<u>\$3.005</u>	<u>(\$6.100)</u>

In addition to the above, the 2005 and 2006 interest rate swaps also impose collateralization requirements on both parties if certain conditions occur. Collateralization for the 2005 or 2006 swaps was not required as of June 30, 2011 and 2010.

For the 2005 and 2006 swaps where Merrill Lynch is the counter party, no collateralization is required as long as LVHN maintains its current credit rating of A1 (Moody's) and A+ (S & P) or above, regardless of the market value of the swaps. If LVHN's credit rating drops below A1/A+, collateralization may be required based on the market value of the swaps. For example, if LVHN's credit rating drops one notch to A2/A, a negative swap market value of \$20 million or more would require LVHN to provide collateral of \$5 million. Further declines in LVHN's credit rating or lower negative swap market values will further increase collateral requirements.

For the 2006 swap where Goldman Sachs is the counter party, collateral of \$2.5 million would be required at LVHN's current credit rating of A1/A+ if the swap market value reaches negative \$12.5 million. A swap market value of negative \$15 million would require \$5.0 million collateral at the current credit rating. A swap market value of negative \$20 million would require \$10.0 million collateral. In addition, a decline in LVHN's credit rating below A1/A+ would increase collateral requirements beyond those at the current rating.

As of June 30, 2011, the 2005 and 2006 swaps where Merrill Lynch is the counter party had negative market values of \$5.1 million and \$5.1 million respectively, and the 2006 swap where Goldman Sachs is the counter party had a market value of negative \$5.0 million. Accordingly, collateralization for the 2005 or 2006 swaps was not required as of June 30, 2011.

Issuance of Tax exempt Bonds – Series A of 2011

In April 2011, the Obligated Group issued \$27.720 in variable rate Hospital Revenue Bonds, Series A of 2011 to refinance \$9.240 in fixed rate Hospital Revenue Bonds Series A of 1996, and \$18.240 in fixed rate Hospital Revenue Bonds Series A of 1999, and to pay costs of issuance of \$240. In accordance with accounting standards for modification or extinguishment of debt, the refinancing was determined to represent an extinguishment of the 1996 and 1999 Series A Bonds. A loss on refinancing of \$605 was recorded and is reported as "Loss on refinancing of debt" within Other nonoperating gains and losses in 2011.

Restructure of Tax-Exempt Bonds – Series A of 2005

In April 2011, the Obligated Group restructured \$51.250 in variable rate Hospital Revenue Bonds, Series A of 2005 by converting the interest mode from variable rate demand bonds to variable index rate bonds. In accordance with accounting standards for modification or extinguishment of debt, the refinancing was determined to represent a modification of the debt instrument and therefore no loss on refinancing was recorded.

Restructure of Tax-Exempt Bonds – Series B of 2008

In April 2011, the Obligated Group restructured \$90.775 in variable rate Hospital Revenue Bonds, Series B of 2008 by converting the interest mode from variable rate demand bonds to variable index rate bonds. In accordance with accounting standards for modification or extinguishment of debt, the refinancing was determined to represent a modification of the debt instrument and therefore no loss on refinancing was recorded.

Capital Lease

In August 2005, LVH entered into a lease arrangement with a third party to finance the construction of a 133,000 square foot medical office building to house The Center for Advanced Health Care and an adjacent 892 space parking deck (the "project"). The lease has an initial term of 20 years with an optional renewal for 9 years and an additional optional renewal for another 11 years with a bargain purchase price option at the end of the second renewal.

3 LONG-TERM DEBT (continued)

Capital Lease (continued)

Lease payments are approximately \$2,223 to \$2,420 annually over the next five years and are subject to annual adjustments. Interest expense related to this financing is recorded throughout the life of the financing.

Scheduled principal maturities on capital lease obligation for the next five fiscal years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Scheduled Payments</u>
2012	\$0	\$2,223	\$2,223
2013	0	2,271	2,271
2014	0	2,319	2,319
2015	0	2,369	2,369
2016	0	2,420	2,420
Thereafter	<u>34,363</u>	<u>55,647</u>	<u>90,010</u>
Totals for capital lease	<u>\$34,363</u>	<u>\$67,249</u>	<u>\$101,612</u>

Lines of Credit

LVHN and LVH have a combined line of credit, expiring December 31, 2011, available which provided for borrowings and letters of credit up to an aggregate of \$19,000 at June 30, 2011. Although no borrowings were outstanding against this line of credit at June 30, 2011, a total of \$5,714 in the form of letters of credit was committed and is described further in the table below. The remaining amount available under the line of credit at June 30, 2011 was \$13,286. At June 30, 2010, LVHN and LVH had a combined line of credit available which provided for borrowings and letters of credit up to an aggregate of \$19,000. Although no borrowings were outstanding against this line of credit at June 30, 2010, a total of \$5,663 in the form of letters of credit was committed. The remaining amount available under the line of credit at June 30, 2010 was \$13,337.

The following schedule summarizes the letters of credit commitments outstanding at June 30:

<u>Beneficiary</u>	<u>Purpose</u>	<u>2011</u>	<u>2010</u>
South Carolina Dept Of Insurance	RRG capitalization collateral	\$4,980	\$4,980
Commonwealth of PA	LVH Cedar Crest highway expansion collateral	648	648
City of Bethlehem, PA	LVHM North Campus expansion collateral	35	35
Township of Salisbury	LVH Cedar Crest Family Lodging Center collateral	<u>51</u>	<u>0</u>
Total letters of credit commitments outstanding		<u>\$5,714</u>	<u>\$5,663</u>

Restrictive Covenants

The indentures for the Obligated Group's bonds incorporate certain restrictive covenants as provided in the 1987 Master Trust Bond Indenture regarding issuance of additional indebtedness on behalf of the Obligated Group. Additional long-term indebtedness, including, among other things, long-term indebtedness which may be secured on a parity with the 1987 bonds, may be incurred if either (i) the revenues available for debt service of the Obligated Group for the fiscal year immediately preceding the incurrence of the proposed long-term indebtedness were at least equal to 125% of the sum of (a) the debt service requirements on all long-term indebtedness of the Obligated Group outstanding immediately preceding the incurrence of the proposed long-term indebtedness, and (b) the maximum annual debt service requirements on the long-term indebtedness to be incurred, or (ii) immediately after the incurrence of the proposed long-term indebtedness, the total outstanding long-term indebtedness of the Obligated Group will not exceed 66 2/3% of principal amount of all long-term indebtedness plus the unrestricted net assets of the Obligated Group.

The 2001 Series A and 2001 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25 and (b) maintain Days Cash on Hand of at least 60 days. If the preceding covenants are not met, the engagement of a consultant is required. Also, failure to maintain a Debt Service Coverage ratio of at least 1.75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account for the 2001 Series A and Series B bonds in the amount of \$2.0 million and \$2.2 million, respectively.

3 LONG-TERM DEBT (continued)

Restrictive Covenants (continued)

The 2003 Series A bonds include requirements to maintain a Debt Service Coverage Ratio of 1.25. If this ratio is not met the engagement of a consultant is required. In addition, failure to maintain a Debt Service Coverage ratio of at least 1.00 is an event of default. Also, the 2003 bonds include a requirement to maintain Days Cash on Hand of at least 50 days. If this covenant is not met the engagement of a consultant is required. Upon issuance the 2003 Series A bonds required the establishment of a Debt Service Reserve account in the amount of \$6.1 million which remained in place at June 30, 2011 and 2010. This debt service account is reported under Noncurrent assets "Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements – held by trustee".

The 2005 Series A and 2005 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an Indebtedness Ratio not to exceed 0.67 to 1. If any of the preceding covenants are not met, the engagement of a consultant is required. Also, failure to maintain a Debt Service Coverage ratio of at least 1.75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account for the 2005 Series A and Series B bonds in the amount of \$5.8 million and \$8.1 million, respectively. Upon issuance the 2005 Series B bonds required the establishment of a Debt Service Reserve account in the amount of \$5.0 million which remained in place at June 30, 2011 and 2010. If additional funding of the Series B Debt Service Reserve is required as described above, the amount of funding required will be reduced by the current \$5.0 million Series 2005 B Debt Service Reserve, resulting in an additional funding requirement of \$3.1 million. This debt service account is reported under Noncurrent assets "Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements – held by trustee".

The 2008 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an Indebtedness Ratio not to exceed 0.67 to 1. If any of the preceding covenants are not met the engagement of a consultant is required. Also, failure to maintain a Debt Service Coverage ratio of at least 1.75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account for the 2008 Series A bonds in the amount of \$4.7 million.

The 2008 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 65 days and (c) maintain an Indebtedness Ratio not to exceed 0.67 to 1. If any of the preceding covenants are not met the engagement of a consultant is required. Also, failure to maintain a Debt Service Coverage ratio of at least 1.75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account for the 2008 Series B bonds in the amount of \$8.7 million.

The 2008 Series C bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.20, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an Indebtedness Ratio not to exceed 0.67 to 1. If any of the preceding covenants are not met, the engagement of a consultant is required.

The 2011 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an indebtedness ratio not to exceed 66.2/3%. Failure to maintain any of these covenants is an event of default. If a default occurs, the Bank, at its option, may declare the entire unpaid balance of principal and interest immediately due and payable and all outstanding sums shall bear interest at the default rate. In addition, any obligation of the Bank to make loans or extend credit will terminate.

For the years ended June 30, 2011 and 2010, the financial covenants noted above were met and the Obligated Group was not aware of any instances of non-compliance with its other covenants.

4 PROPERTY AND EQUIPMENT, NET

Property and equipment and accumulated depreciation consist of the following at June 30

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$65,282	\$64,871
Buildings and building equipment	783,464	762,942
Fixed and major movable equipment	372,705	360,296
Assets under capital lease	32,188	32,188
Construction in progress	<u>23,984</u>	<u>13,303</u>
Total original cost	1,277,623	1,233,600
Accumulated depreciation	<u>(675,626)</u>	<u>(620,414)</u>
Property and equipment, net	<u>\$601,997</u>	<u>\$613,186</u>

4 PROPERTY AND EQUIPMENT, NET (continued)

Depreciation expense for the years ended June 30, 2011 and 2010 was \$83,271 and \$85,360, respectively. Depreciation of assets under capital lease included in depreciation expense was \$1,413 at June 30, 2011 and 2010, respectively. Accumulated depreciation relating to the assets under capital lease was \$6,354 and \$4,941 at June 30, 2011 and 2010, respectively and is included in accumulated depreciation.

5 FUNCTIONAL EXPENSES

The Organization provides a wide array of health care services to patients and members of the community within its service area. Expenses related to providing these services, including provision for income taxes, were as follows for the years ended June 30:

	<u>2011</u>	<u>%</u>	<u>2010</u>	<u>%</u>
Health care services	\$1,373,673	95%	\$1,291,744	95%
General and administrative	<u>74,368</u>	<u>5%</u>	<u>68,996</u>	<u>5%</u>
Total	<u>\$1,448,041</u>	<u>100%</u>	<u>\$1,360,740</u>	<u>100%</u>

General and administrative expenses include expenses for organizational administrative activities, primarily human resources, management, legal, and financial services. The categorization of expenses as health care services versus general and administrative follows the guidance provided for similar expense reporting in the annual IRS 990 tax return.

6 FUNDS HELD BY FIDUCIARY

LVH is the primary beneficiary of the Dorothy Rider Pool Health Care Trust (the "Pool Trust") which was established through the estate of a former director of LVH. The fair value of the Pool Trust at June 30, 2011 and 2010 was \$72,991 and \$68,736, respectively. The assets of the Pool Trust are not included in the accompanying combined financial statements. Under the general provisions of the Trust, distributions from the Pool Trust are to be made to or for the benefit of LVH to supplement, not replace, LVH's ordinary operating expenses, so that LVH can be operated and managed in a manner that will improve its medical standards, knowledge and procedures, and sustain at the highest level of quality the health maintenance and hospital care it provides to members of the community it serves. Under certain circumstances, distributions from the Pool Trust may be made to other designated health care related organizations. Distributions to LVH from the Pool Trust were \$4,127 and \$3,521 during the years ended June 30, 2011 and 2010, respectively, and are reported as a component of Other supporting operations revenue.

7 CHARITY CARE

As a community organization, all revenues and gains in excess of expenses and losses of the Organization are, or will be, used for the repayment of debt, acquisition of equipment and facilities, and to provide for the present and future health care needs of the patients and communities it serves. The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates regardless of their ability to pay. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenues. The amount of charity care to patients for the years ended June 30, 2011 and 2010, at charges, was \$70,621 and \$57,498 respectively.

8 BAD DEBTS

In instances where the Organization believes a patient has the ability to pay for services and, after appropriate collection effort, payment is not made, the amount of services not paid is written-off, at charges, as bad debts. Amounts recorded as bad debts expense do not include charity care. The amount of bad debts expense for the years ended June 30, 2011 and 2010, at charges, was \$93,133 and \$94,038, respectively, and is reported as Bad debts expense on the Combined Statements of Operations.

9 RETIREMENT PLAN

The Organization provides employees with a variety of retirement plan options through a combination of defined benefit and defined contribution benefits based on an employee's hire date. Prior to July 1, 2006, the Organization's retirement plan ("the Plan") was a noncontributory defined benefit plan that covered all full-time and certain part-time employees. In order to provide increased flexibility to employees, effective July 1, 2006, additional retirement plan options were implemented. Employees hired prior to April 1, 2006, had the choice of selecting between 1) a noncontributory defined benefit option (the previous plan), 2) a combination of noncontributory defined benefit option with reduced benefits plus a contributory matched savings plan benefit in accordance with the Plan, or 3) a noncontributory defined contribution benefit with a matched savings plan benefit in accordance with the Plan. Employees hired on April 1, 2006 or later have the choice of selecting between options 2 and 3 above; the previous noncontributory defined benefit option (option 1 above) is not available to employees hired after April 1, 2006. During 2011 the Organization further modified pension plan options available to employees in the future. Employees hired on or after October 1, 2011 can participate only in option 3 above. In addition, future benefit accruals for active participants in the defined benefit plan are phased to frozen status in the future with all active employees transitioning to the defined contribution plan as of January 1, 2017. The effect of these changes adopted in 2011 was the recognition of a curtailment gain of \$21,201 in 2011.

The following applies to the defined benefit component of the retirement plan:

Information for the noncontributory defined benefit option regarding funded status, net periodic pension cost, benefit obligation, assumptions, etc., as of June 30, 2011 and 2010, is presented below and on the following pages and includes the impact of employee selection of pension benefit options. The Plan's assets described below and on the following pages are not included in the combined financial statements of the Organization.

Description of Investment Policies

The primary investment objective for the Plan's assets is to achieve long term growth subject to prudent risk constraints.

Plan Assets

Asset allocation targets, which are permitted to be +/- 5%, approved by the Finance Committee of the LVHN Board of Trustees, and the Plan's actual asset allocation, by investment category, at June 30 were:

<u>Investment category</u>	<u>2011</u>		<u>2010</u>	
	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>
Domestic equity	40.5%	35.0%	34.4%	35.0%
International equity	17.4%	15.0%	13.7%	15.0%
Private equity	3.0%	5.0%	2.9%	5.0%
Hedge funds	5.0%	5.0%	4.5%	5.0%
Real estate securities	2.9%	5.0%	5.4%	5.0%
Commodities contracts	5.4%	5.0%	4.8%	5.0%
Fixed income	<u>25.8%</u>	<u>30.0%</u>	<u>34.3%</u>	<u>30.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Determination of Expected Return on Plan Assets

To develop the expected return on Plan assets assumption reported below, the Organization considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each class. The expected return for each asset class was weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 7.0% return on plan assets assumptions for 2011 and 2010.

9 RETIREMENT PLAN (continued)

The following tables present the categorization of the Plan's assets according to the levels of valuation risk described in footnote 13 at June 30

<u>2011</u>				
<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$0	\$5.678	\$0	\$5.678
Equity securities				
Domestic equity	171.284	0	0	171.284
International equity	73.447	0	0	73.447
Real estate equity	12.077	0	0	12.077
Fixed income				
U S Treasury securities and obligations of				
U S Government agencies	62.014	11.261	0	73.275
Corporate bonds	0	29.898	0	29.898
Asset-backed securities	0	3	0	3
Collateralized mortgage obligations	0	585	0	585
Hedge funds (multi-strategy)	0	0	20.971	20.971
Commodities contracts	0	22.794	0	22.794
Private equity	0	0	13.058	13.058
Total assets at fair value	<u>\$318.822</u>	<u>\$70.219</u>	<u>\$34.029</u>	<u>\$423.070</u>

<u>2010</u>				
<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$0	\$1.778	\$0	\$1.778
Equity securities				
Domestic equity	119.029	0	0	119.029
International equity	47.531	0	0	47.531
Real estate equity	18.496	0	0	18.496
Fixed income				
U S Treasury securities and obligations of				
U S Government agencies	64.315	17.825	0	82.140
Corporate bonds	125	33.549	0	33.674
Asset-backed securities	0	4	0	4
Collateralized mortgage obligations	0	1.446	0	1.446
Hedge funds (multi-strategy)	0	0	15.518	15.518
Commodities contracts	0	16.555	0	16.555
Private equity	0	0	10.227	10.227
Total assets at fair value	<u>\$249.496</u>	<u>\$71.157</u>	<u>\$25.745</u>	<u>\$346.398</u>

The Plan's use of Level 3 unobservable inputs as of June 30, 2011 and 2010 accounted for 8.0% and 7.4%, respectively, of the total fair value of investments. The following table summarizes changes in Level 3 assets measured at fair value at June 30

<u>2011</u>	<u>Private equity</u>	<u>Hedge funds</u>	<u>Total</u>
Beginning balance at July 1, 2010	\$10.227	\$15.518	\$25.745
Net appreciation in market value of investments	2.958	1.395	4.353
Purchases	824	4.058	4.882
Sales	(951)	0	(951)
Ending balance at June 30, 2011	<u>\$13.058</u>	<u>\$20.971</u>	<u>\$34.029</u>

9 RETIREMENT PLAN (continued)

<u>2010</u>	Private equity	Hedge funds	Total
Beginning balance at July 1, 2009	\$9,058	\$13,651	\$22,709
Net appreciation in market value of investments	403	1,367	1,770
Purchases	<u>766</u>	<u>500</u>	<u>1,266</u>
Ending balance at June 30, 2010	<u>\$10,227</u>	<u>\$15,518</u>	<u>\$25,745</u>

Additional Pension Information

The Organization uses a June 30 measurement date for the plan. The following tables set forth the Plan's funded status at June 30, benefits paid, and employer contributions made during the fiscal years ended June 30, 2011 and 2010 and certain other information and amounts recognized in the financial statements at June 30.

	<u>2011</u>	<u>2010</u>
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$575,571	\$459,437
Service cost	22,892	19,926
Interest cost	33,884	31,430
Curtailment gain	(21,201)	0
Actuarial (gain) loss	(22,924)	73,293
Benefits paid	<u>(10,026)</u>	<u>(8,515)</u>
Projected benefit obligation at end of year	<u>\$578,196</u>	<u>\$575,571</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$346,398	\$290,252
Actual return on plan assets	66,804	39,838
Employer contributions	19,894	24,823
Benefits paid	<u>(10,026)</u>	<u>(8,515)</u>
Fair value of plan assets at end of year	<u>\$423,070</u>	<u>\$346,398</u>
Funded status at end of year	<u>(\$155,126)</u>	<u>(\$229,173)</u>
Amounts recognized in the statements of financial position consists of		
Accrued pension liability - current portion	\$0	\$0
Accrued pension liability - noncurrent portion	<u>(155,126)</u>	<u>(229,173)</u>
Net amount recognized	<u>(\$155,126)</u>	<u>(\$229,173)</u>
Amounts recognized in unrestricted net assets but not yet recognized in net periodic benefit cost		
Prior service costs	\$23	\$90
Net loss	<u>57,177</u>	<u>150,760</u>
Total amount recognized in unrestricted net assets	<u>\$57,200</u>	<u>\$150,850</u>
Components of net periodic benefit cost (NPBC)		
Service cost	\$22,892	\$19,926
Interest cost	33,884	31,430
Expected return on plan assets	(24,546)	(20,562)
Amortization of prior service cost	25	292
Recognized actuarial loss	7,200	5,107
Curtailment loss recognized	<u>43</u>	<u>0</u>
Net periodic benefit cost (pension expense)	<u>\$39,498</u>	<u>\$36,193</u>
Other changes in plan assets and benefit obligation recognized in unrestricted net assets		
Net actuarial (gain) loss	(\$86,383)	\$54,017
Amortization of loss	(7,200)	(5,107)
Amortization of prior service cost	(25)	(292)
Curtailment loss recognized	<u>(43)</u>	<u>0</u>
Total (gain) loss recognized in unrestricted net assets	<u>(\$93,651)</u>	<u>\$48,618</u>

9 RETIREMENT PLAN (continued)

Additional Pension Information (continued)

	<u>2011</u>	<u>2010</u>
Reconciliation of accrued pension cost		
Balance at beginning of year	(\$229.173)	(\$169.185)
Annual pension expense	(39.498)	(36.193)
Adjustments to funded status of pension plan	93.651	(48.618)
Annual contributions	<u>19.894</u>	<u>24.823</u>
Balance at end of year	<u>(\$155.126)</u>	<u>(\$229.173)</u>
Accumulated benefit obligation at year end	\$511.470	\$472.582
Weighted - average assumptions used to determine projected benefit obligation		
Discount rate	6.08%	6.01%
Rate of compensation increase	4.00% *	4.00%
* (used 4% for 2 years, 3.5% thereafter)		
Weighted - average assumptions used for NPBC development		
Discount rate	6.01%	6.77%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	4.00%	4.00%

The actuarial 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 \$0 and \$9, respectively.

Estimated Future Benefit Payments

Future payments on an undiscounted basis to participants in the Plan are expected to occur as follows:

Estimated benefit payments	
Fiscal 2012	\$13.746
Fiscal 2013	15.921
Fiscal 2014	18.259
Fiscal 2015	21.132
Fiscal 2016	24.224
Fiscal 2017-2021	<u>177.936</u>
Total	<u>\$271.218</u>

The following applies to the defined contribution and matched savings components of the retirement plan:

Fiscal Year 2011 Activity

During the years ended June 30, 2011 and 2010, the Organization made contributions of \$8.6 million and \$7.5 million, respectively, to the defined contribution component of the Plan and recorded \$9.0 million and \$7.8 million, respectively, in related pension expense. The liability recognized under the Current portion "Pension" in the Combined Statements of Financial Position at June 30, 2011 and 2010 for the defined contribution component of the Plan was \$2.6 million and \$2.2 million, respectively. Total expected contributions to the defined contribution component of the Plan in fiscal year 2012 are \$10.5 million.

During the years ended June 30, 2011 and 2010, the Organization made contributions of \$5.1 million and \$4.6 million, respectively, to the matched savings benefit component of the Plan and recorded \$5.1 million and \$4.8 million, respectively, in related pension expense. The liability recognized under the Current portion "Pension" in the Combined Statements of Financial Position at June 30, 2011 and 2010 for the matched savings benefit component of the Plan was \$0.4 million and \$0.4 million, respectively. Total expected contributions to the matched savings component of the Plan in fiscal year 2012 are \$6.0 million.

10 COMMITMENTS AND CONTINGENCIES

Operating Leases

Rental expense reported on the Other expense line of the Combined Statements of Operations for the years ended June 30, 2011 and 2010 was \$21,347 and \$19,928, respectively.

Minimum future rentals under non-cancelable operating leases with terms in excess of one year as of June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
2012	\$11,625	\$372	\$194	\$12,191
2013	10,764	202	158	11,124
2014	8,980	79	95	9,154
2015	7,601	14	56	7,671
2016	6,885	0	1	6,886
Thereafter	47,168	0	0	47,168

Litigation

The Organization is involved in litigation and regulatory investigations arising in the course of business. Based on the opinion of in-house legal counsel and risk management, who routinely consult and work with external legal counsel, management estimates that these matters will be resolved without material adverse effect on the Organization's future financial position or results from operations.

11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2011</u>	<u>2010</u>
Purchase of capital assets	\$266	\$278
Specific health care services and education	<u>98,602</u>	<u>78,403</u>
Total temporarily restricted net assets	<u>\$98,868</u>	<u>\$78,681</u>

Permanently restricted net assets, which total \$42,522 and \$40,361 at June 30, 2011 and 2010, respectively, are required to be held in perpetuity with the expendable income earned thereon to be used to support health care services and education.

During the year ended June 30, 2010, the Organization received a temporarily restricted donation in the amount of \$5,000 from the Lehigh Valley Physician Hospital Organization ("PHO") to fund capital expenditures for expansion of Electronic Health Records used by physicians. As of June 30, 2010, the Organization held a 50% ownership interest in the PHO.

12 ENDOWMENT FUNDS

Endowment funds are defined as funds established by donors or the Board of Trustees to provide the Organization with either a permanent source of income or a source of income for a specified period of time. The Organization's endowment funds consist of 103 and 104 individual donor-restricted funds at June 30, 2011 and 2010, respectively, established for a variety of purposes hereinafter referred to as the "LVHN Endowment Fund". The Organization does not have Board Designated endowment funds or unrestricted endowment funds.

Interpretation of Relevant Law

The Organization has interpreted Pennsylvania law as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds when explicit donor stipulations requiring permanent maintenance of the historical fair value are present. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present, (b) the original value of the subsequent gifts to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present, and (c) accumulations of investment earnings to the permanent endowment in cases where the donor explicitly instructed a portion of investment earnings be added to the permanent fund. The remaining portion of the donor-restricted endowment fund comprised of accumulated investment earnings not required to be maintained in perpetuity is classified

12 ENDOWMENT FUNDS (continued)

as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with donors' stipulations. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, purposes of the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

The net asset composition of the LVHN Endowment Fund at June 30, 2011 and 2010 was as follows:

	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Total</u>
<u>2011</u>			
Donor restricted endowment funds	\$71,088	\$35,408	\$106,496
<u>2010</u>			
Donor restricted endowment funds	\$55,104	\$34,956	\$90,060

Changes in the LVHN Endowment Fund Net Assets at June 30, 2011 and 2010 were as follows:

	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Total</u>
<u>2011</u>			
Endowment net assets, beginning of year	\$55,104	\$34,956	\$90,060
Investment Return			
Investment income	1,986	0	1,986
Net appreciation (realized and unrealized)	<u>14,970</u>	<u>0</u>	<u>14,970</u>
Total investment return	16,956	0	16,956
Contributions	990	452	1,442
Appropriation of endowment assets for expenditures (expense)	<u>(1,962)</u>	<u>0</u>	<u>(1,962)</u>
Endowment net assets, end of year	<u>\$71,088</u>	<u>\$35,408</u>	<u>\$106,496</u>
<u>2010</u>			
Endowment net assets, beginning of year	\$47,666	\$31,671	\$79,337
Investment Return			
Investment income	2,076	0	2,076
Net depreciation (realized and unrealized)	<u>7,193</u>	<u>0</u>	<u>7,193</u>
Total investment return	9,269	0	9,269
Contributions	89	2,509	2,598
Reclassification from permanently restricted to temporarily restricted and unrestricted net assets - other supporting operations revenue	(1)	776	775
Appropriation of endowment assets for expenditures (expense)	<u>(1,919)</u>	<u>0</u>	<u>(1,919)</u>
Endowment net assets, end of year	<u>\$55,104</u>	<u>\$34,956</u>	<u>\$90,060</u>

Investment Return Objectives

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity and assets with donor specified annual spending limitations and in some cases purpose restrictions applicable

12 ENDOWMENT FUNDS (continued)

Investment Return Objectives (continued)

for a specified period of time after which any remaining assets become unrestricted. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a diversified manner that is intended to produce results that over the long term will average 3 to 4 percentage points above the consumer price index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The actual and target investment allocations were as follows for the LVHN Endowment Fund Assets as of June 30, 2011:

LVHN Endowment assets	<u>Actual %</u>	<u>Target %</u>
Domestic equity	37%	34%
International equity	16%	15%
Real estate	4%	6%
Fixed income	31%	33%
Hedge funds	6%	6%
Commodities	<u>6%</u>	<u>6%</u>
Total	<u>100%</u>	<u>100%</u>

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year between 4 and 5 percent of the LVHN Endowment Fund's total fair value, including accumulated total investment returns. In establishing this policy, the Organization considered the long-term expected return on its endowments which is expected to exceed the allowable spending, and therefore over the long term, the Organization expects its endowment funds to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash and cash equivalents, patient accounts receivables, prepaid expenses, accounts payable, estimated third party settlements, and all other current liabilities are reported at carrying values which approximate fair value because of the short term nature of these accounts.

Assets whose use is limited or restricted is comprised of short-term investments, marketable equity securities, corporate and U.S. Government obligations, real estate securities, and commodities contracts which are reported at amounts which approximate fair value based on quoted market prices and other relevant information. Alternative investments, which include hedge funds, are carried at the estimated market value provided by the management of the alternative investment partnerships or funds.

Assets and liabilities recorded at fair value in the Combined Statements of Financial Position are categorized in the footnotes based upon the level of judgment associated with the inputs used to measure their fair value. In situations where more than one level of input is used to determine the fair value of an asset or liability, the asset or liability's categorization within the fair value hierarchy is based on the lowest (that requiring the most judgment) level of significant input to its valuation. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are described below:

The availability of observable inputs for valuation of investments varies and is affected by a wide variety of factors. When the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. The degree of judgment exercised by management in determining fair value is greatest for investments categorized as Level 3. For investments in this category, the Organization considers prices and inputs that are current as of the measurement date. In periods of market dislocation the observability of prices and inputs may be reduced.

Level 1 – Valuations based on quoted prices in active markets for *identical* assets or liabilities that the organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

market, valuation of these products do not entail a significant degree of judgment. Level 1 primarily includes those investments traded on active exchanges or markets.

Level 2 – Valuations based on quoted prices in active markets for *similar* assets or liabilities, quoted in markets that are not active or for which an identical asset or liability was not traded on the financial statement date or where all significant inputs are not observable, directly or indirectly. Level 2 primarily includes investments in U.S. Treasury securities and obligations of U.S. government agencies, together with municipal bonds, corporate debt securities, commercial mortgage and asset-backed securities, certain residential mortgage-backed securities that are generally investment grade, certain equity securities, and commodities.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally organization or individual investment manager generated inputs and are not observable market based inputs. Material assumptions and factors considered in the valuation may include, but are not limited to, operational activity of private equity holdings, reliance on third party estimates, share valuations, and appraisals. Level 3 investments include investments in hedge funds. The Organization based the fair value of Hedge funds, a fund of funds investment of \$90,497 and \$61,832 at June 30, 2011 and 2010, respectively, on the fair value of the underlying reported net asset values of each fund held.

The following tables present the categorization of the Organization's investments according to the valuation levels described above at June 30.

<u>2011</u>				
<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$226	\$60,500	\$0	\$60,726
Equity securities				
Domestic equity	299,017	0	0	299,017
International equity	123,492	0	0	123,492
Real estate equity	32,603	0	0	32,603
Fixed income				
U.S. Treasury securities and obligations of				
U.S. Government agencies	76,045	60,686	0	136,731
Corporate bonds	15,803	94,064	0	109,867
Asset-backed securities	0	64,690	0	64,690
Collateralized mortgage obligations	0	32,719	0	32,719
Hedge funds (multi-strategy)	0	0	90,497	90,497
Commodities contracts	0	51,757	0	51,757
Other	<u>54</u>	<u>3,608</u>	<u>0</u>	<u>3,662</u>
Total assets at fair value	<u>\$547,240</u>	<u>\$368,024</u>	<u>\$90,497</u>	<u>\$1,005,761</u>
Liabilities at Fair Value				
Deferred compensation and other liabilities				
funded with matching assets	\$27,006	\$12,867	\$0	\$39,873
Other Liabilities - swap liabilities	<u>0</u>	<u>15,179</u>	<u>0</u>	<u>15,179</u>
Total liabilities at fair value	<u>\$27,006</u>	<u>\$28,046</u>	<u>\$0</u>	<u>\$55,052</u>

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

<u>2010</u>				
<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$4,477	\$51,390	\$0	\$55,867
Equity securities				
Domestic equity	190,455	0	0	190,455
International equity	73,258	0	0	73,258
Real estate equity	41,099	0	0	41,099
Fixed income				
U S Treasury securities and obligations of				
U S Government agencies	98,065	30,250	0	128,315
Corporate bonds	4,217	84,335	0	88,552
Asset-backed securities	0	47,074	0	47,074
Collateralized mortgage obligations	0	30,815	0	30,815
Hedge funds (multi-strategy)	0	0	61,832	61,832
Commodities contracts	170	36,786	0	36,956
Other	0	1,263	0	1,263
Total assets at fair value	<u>\$411,741</u>	<u>\$281,913</u>	<u>\$61,832</u>	<u>\$755,486</u>
Liabilities at Fair Value				
Deferred compensation and other liabilities				
funded with matching assets	\$21,970	\$9,263	\$0	\$31,233
Other Liabilities - swap liabilities	0	18,184	0	18,184
Total liabilities at fair value	<u>\$21,970</u>	<u>\$27,447</u>	<u>\$0</u>	<u>\$49,417</u>

The fair value of the Organizations interest rate swaps was determined based on the comparison of the present value of the fixed rate payments the Organization is committed to make to the present value of the variable rate payments the Organization is expected to receive from the swap counterparties. The variable payments were based on estimated future interest rates using current LIBOR based interest rate models.

The Organization's use of Level 3 unobservable inputs at June 30, 2011 and 2010 accounted for 9.0% and 8.2%, respectively, of the total fair value of investments. The following tables summarize changes in Level 3 assets measured at fair value at June 30, 2011 and 2010.

<u>2011</u>	<u>Hedge Funds</u>
Balance at July 1, 2010	\$61,832
Included in Change in net unrealized gains on investments	5,813
Purchases	22,852
Balance at June 30, 2011	<u>\$90,497</u>
<u>2010</u>	<u>Hedge Funds</u>
Balance at July 1, 2009	\$44,833
Included in Change in net unrealized gains on investments	4,158
Purchases	12,841
Balance at June 30, 2010	<u>\$61,832</u>

The fair value of long-term debt, which was estimated at \$523,657 and \$536,036 at June 30, 2011 and 2010 respectively, was determined using the Organization's current borrowing rates for similar types of borrowing arrangements. The recorded value of long-term debt reported in the combined Statements of Financial Position at June 30, 2011 and 2010 was \$524,755 and \$534,491, respectively. The excess of recorded value over fair value for long-term debt at June 30, 2011 indicates market interest rates for debt of similar term and quality at June 30, 2011 were higher than the weighted average interest rates of the Organization's outstanding debt. The excess of fair value over recorded value for long-term debt at June 30, 2010 indicates market interest rates for debt of similar term and quality were lower than the weighted average interest rates of the Organization's outstanding debt.

14 PLEDGES RECEIVABLE

Included in assets restricted by donors in the Combined Statements of Financial Position are the following pledges receivable at June 30

	<u>2011</u>	<u>2010</u>
Pledges receivable within next fiscal year	\$2,942	\$2,311
Pledges receivable in future periods beyond next fiscal year	<u>2,262</u>	<u>2,418</u>
Total pledges receivable before unamortized discount and allowance for uncollectible pledges	5,204	4,729
Less unamortized discount	(411)	(484)
Less allowance for uncollectible pledges	<u>(205)</u>	<u>(193)</u>
Net pledges receivable	<u>\$4,588</u>	<u>\$4,052</u>
Amounts due in		
Less than one year	\$2,942	\$2,311
One to five years	2,262	2,418
More than five years	<u>0</u>	<u>0</u>
Total	<u>\$5,204</u>	<u>\$4,729</u>

Cash payments received applicable to prior pledges were \$2,723 and \$2,436 for the years ended June 30, 2011 and 2010, respectively. Pledges written off as uncollectible were \$239 and \$10 for the years ended June 30, 2011 and 2010, respectively. The Organization's policy regarding the recording of pledges receivable in the financial statements requires pledges to be in writing, signed by the donor, and to indicate the specific amount of the pledge and expected timing the pledge payment will be received. LVHN does not record pledges based on bequests or life insurance. The Organization's historical write off of pledges receivable has been in the 1-5% range. The allowance for uncollectible pledges as of June 30, 2011 and 2010 was \$205 (4%) and \$193 (4%), respectively.

15 RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46R" ("SFAS No. 167"), which was effective for fiscal years beginning after November 15, 2009. SFAS No. 167 retains the scope of Interpretation 46R "Consolidation of Variable Interest Entities" with the addition of entities previously considered qualifying special-purpose entities. On July 1, 2010, the Organization adopted this guidance, which resulted in the combination of the LVPHO into its combined financial statements. The effect of this change resulted in a \$7,932 increase in noncontrolling interests due to a change in control of this equity investee.

In January 2010, the FASB issued ASU 2010-07, "Not-for-Profit Entities: Mergers and Acquisitions (Originally issued as Statement 164, Not-for-Profit Entities: Mergers and Acquisitions — including an amendment of FASB Statement No. 142)." This ASU amends the Accounting Standards Codification for the issuance of FASB Statement No. 164, Not-for-Profit Entities: Mergers and Acquisitions. The amendments provide guidance on accounting for combinations of not-for-profit entities. Those transactions or other events include mergers of two or more not-for-profit entities and acquisitions by a not-for-profit entity that result in its initially recognizing another not-for-profit entity, a business, or a nonprofit activity in its financial statements. This ASU also amends previously issued guidance related to goodwill, intangible assets, and noncontrolling interests in consolidated financial statements to make their provisions applicable to not-for-profit entities. This ASU was effective prospectively for mergers that occur at or after the beginning of an initial reporting period that begins on or after December 15, 2009, and acquisitions that occur at or after the beginning of the first annual reporting period that begins on or after December 15, 2009. The adopting ASU 2010-07 did not have a material impact on the Organization's combined financial statements as it relates to mergers and acquisitions or accounting for goodwill and intangible assets. The impact of adopting this ASU regarding the presentation of noncontrolling interests is disclosed in Note 1.

In January 2010, the Financial Accounting Standards Board ("FASB") issued ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements." This ASU amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. The ASU also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, the ASU amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. The new disclosures and clarifications to existing disclosures were effective for annual reporting periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value

15 RECENT ACCOUNTING PRONOUNCEMENTS (continued)

measurements. Those disclosures are effective for annual reporting periods beginning after December 15, 2010. The Organization has adopted this ASU and has included the enhanced disclosures in Notes 9 and 13.

In August 2010, the FASB issued ASU 2010-23, "Health Care Entities (Topic 954) Measure Charity Care for Disclosure." This ASU requires a Healthcare Organization ("HCO") to disclose its policy for providing charity care and the amount of charity care provided. In addition, the ASU requires that the amount of charity care be based on the direct and indirect costs of providing charity care, eliminating the other measurement attributes available under ASC 954-605-50-3, and also requires disclosure of cost reimbursements associated with providing charity care. This guidance is effective for annual reporting periods beginning after December 15, 2010, and must be applied retrospectively. The Organization is currently assessing the impact of adopting this guidance on its combined financial statements.

In August 2010, the FASB issued ASU 2010-24, "Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries." This ASU requires a HCO to present a liability related to medical malpractice claims (and other contingent claims) gross, such a liability would not be offset against related insurance recoveries unless the criteria in ASC 210-20 for offsetting were met. Also, the industry specific guidance for the accrual of legal fees associated with resolving contingent claims would be eliminated and HCO's should follow the guidance for such fees in ASC 450-20-S99-2. This guidance is effective for annual reporting periods beginning after December 15, 2010. The Organization is currently assessing the impact of adopting this guidance on its combined financial statements.

In July 2011, the FASB issued ASU 2011-07, "Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities." This ASU requires a HCO to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, a HCO is required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. This guidance is effective for annual reporting periods ending after December 15, 2011. The Organization is currently assessing the impact of adopting this guidance on its combined financial statements.