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Form 990
Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No 1545-0047

2010

Open to Public Inspection

The organization may have to use a copy of this return to satisfy state reporting requirements

Part I Summary

Form fields for Part I: A For the 2010 calendar year, B Check if applicable, C Name of organization, D Employer identification number, E Telephone number, F Name and address of principal officer, G Gross receipts, H(a) Is this a group return, H(b) Are all affiliates included, H(c) Group exemption number, I Tax-exempt status, J Website, K Form of organization, L Year of formation, M State of legal domicile.

Part II Signature Block

Table with 3 main sections: 1. Activities & Governance (lines 1-7), 2. Revenue (lines 8-12), 3. Expenses (lines 13-19). Includes columns for Prior Year and Current Year.

Part III Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature fields for officer (Thomas P Lichtenwalner) and preparer (Scott Marani), including dates and firm information.

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO PROVIDE COMPASSIONATE, EXCELLENT QUALITY AND COST EFFECTIVE HEALTHCARE TO THE RESIDENTS OF THE COMMUNITIES WE SERVE REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT

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 \$ 4,779,642 including grants of \$ 0) (Revenue \$ 5,204,767)

Inpatient general medicine many of the hospital's most common inpatient general medicine diagnoses reflect the region's long history as a robust coal mining region These diagnoses include pulmonary/respiratory infections, edema, chronic obstructive pulmonary disease, pneumonia and pleurisy Additional common diagnoses include gastrointestinal disorders, GI hemorrhage, inflammatory bowel disease, GI obstruction, diabetes, renal failure, kidney and urinary tract infections As a member of St Luke's Hospital & Health Network, the hospital provides its patients with access to some of the most advanced technology and medical expertise available Diabetes is a major health concern in the region and patients can access the network's highly trained endocrinologists through a sophisticated telemedicine service PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT

4b (Code) (Expenses \$ 3,264,516 including grants of \$ 0) (Revenue \$ 946,016)

Inpatient skilled nursing St Luke's Miners Memorial Geriatric Center, a fully accredited, 48-bed hospital-based skilled nursing facility, is located on the fifth floor of the hospital The Center provides patients with individualized, short-term rehabilitation and long-term care services A wide variety of goal-directed therapeutic activities are provided for the development and maintenance of fine and gross motor skills of the hand and arm muscles and to reinforce motor skills and challenge creativity PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT

4c (Code) (Expenses \$ 2,232,101 including grants of \$ 0) (Revenue \$ 2,182,762)

Inpatient orthopedics as a member of St Luke's Hospital & Health Network, the hospital is able to provide a wide range of leading-edge, complicated orthopedic surgical procedures rarely available in a small, rural hospital and which draw patients from an extensive geographic area The most frequent diagnosis/treatments include major joint replacement (knees and hips), fractures and medical back problems, tendonitis and bursitis PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT

4d Other program services (Describe in Schedule O)
(Expenses \$ 26,741,530 including grants of \$ 0) (Revenue \$ 34,598,405)

4e Total program service expenses \$ 37,017,789

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i>	Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>	Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>		
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? <i>If "Yes," complete Schedule D, Part I.</i>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i>		No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i>		No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i>	Yes	
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i>		No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i>		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i>		No
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i>	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If "Yes," complete Schedule F, Parts I and IV.</i>		No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Parts II and IV.</i>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Parts III and IV.</i>		No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>		No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i>	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).	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		No
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		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
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		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
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		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, 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		No
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> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
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	0		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1b	0		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.		
2a	436		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		
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)?		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?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
 Check if Schedule O contains a response 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		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Does the organization have members or stockholders?	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	Yes	
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	a The governing body?	Yes	
8b	b Each committee with authority to act on behalf of the governing body?	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		No

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

		Yes	No
10a	Does the organization have local chapters, branches, or affiliates?		No
10b	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?		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	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	Yes	
12b	b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	Yes	
13	Does the organization have a written whistleblower policy?	Yes	
14	Does the organization have a written document retention and destruction policy?	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	a The organization's CEO, Executive Director, or top management official	Yes	
15b	b Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)	Yes	
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		No
16b	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?		

Section C. Disclosure

- 17** List the States with which a copy of this Form 990 is required to be filed _____
- 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
 THOMAS P LICHTENWALNER
 801 OSTRUM STREET
 BETHLEHEM, PA 180151000
 (484) 526-4000

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) CRAIG ZURN CHAIRMAN - DIRECTOR	1 0	X		X			0	0	0	
(2) JOHN TRACY VICE CHAIRMAN - DIRECTOR	1 0	X		X			0	0	0	
(3) NANCY LESISKO SECRETARY - DIRECTOR	1 0	X		X			0	0	0	
(4) ROBERT AMES TREASURER - DIRECTOR	1 0	X		X			0	0	0	
(5) JAMES D BOHRI MD DIRECTOR	1 0	X					0	0	0	
(6) MICHAEL W FEGLEY DIRECTOR	1 0	X					0	0	0	
(7) KALMEN FEINBERG MD DIRECTOR	1 0	X					0	0	0	
(8) JOHN HART DIRECTOR	1 0	X					0	0	0	
(9) SMITA MODY MD DIRECTOR	1 0	X					0	0	0	
(10) JOSEPH D PERILLI ESQ DIRECTOR	1 0	X					0	0	0	
(11) JOHN KOVATCH III DIRECTOR (7/1/10 - 8/30/10)	1 0	X					0	0	0	
(12) WILLIAM E MOYER PRESIDENT (EFF 10/3/10)	55 0			X			0	178,055	41,727	
(13) THOMAS P LICHTENWALNER SVP FINANCE/CFO	1 0			X			0	417,701	163,998	
(14) RALPH D RICHARDS DIR OF REHAB (TERM 8/27/10)	55 0				X		190,565	0	32,820	
(15) KAREN J SMITH VP PATIENT SVCS(TERM 8/27/10)	55 0				X		103,035	0	88,304	
(16) THOMAS D GRETT PHARMACIST	55 0					X	118,945	0	8,586	

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

(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			
(17) MELISSA A HARTMAN PHARMACY MANAGER	55 0					X		113,896	0	24,644
(18) LYNN S MONGI PHARMACIST	55 0					X		107,785	0	3,661
(19) WILLIAM J CROSSIN FORMER OFFICER	0 0						X	0	218,197	56,132
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								634,226	813,953	419,872

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 **5**

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation

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 **0**

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					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations 1d					
	e Government grants (contributions) 1e	629,155				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	681,345				
	g Noncash contributions included in lines 1a-1f \$					
	h Total. Add lines 1a-1f	1,310,500				
	Program Service Revenue	2a NET PATIENT SERVICE REVENUE	541900	42,526,646	42,526,646	
b OTHER HEALTHCARE RELATED REVENUE		541900	405,304	405,304		
c						
d						
e						
f All other program service revenue						
g Total. Add lines 2a-2f			42,931,950			
Other Revenue		3 Investment income (including dividends, interest and other similar amounts)		3,355		3,355
	4 Income from investment of tax-exempt bond proceeds		0			
	5 Royalties		0			
	6a Gross Rents	(i) Real	8,529			
		(ii) Personal				
		b Less rental expenses				
		c Rental income or (loss)	8,529			
	d Net rental income or (loss)		8,529		8,529	
	7a Gross amount from sales of assets other than inventory	(i) Securities				
		(ii) Other				
		b Less cost or other basis and sales expenses				
		c Gain or (loss)				
d Net gain or (loss)		0				
8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 a						
	b Less direct expenses b					
	c Net income or (loss) from fundraising events		0			
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		0			
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		0			
Miscellaneous Revenue	11a VENDING REVENUE	722210	7,209		7,209	
	b					
	c					
	d All other revenue					
	e Total. Add lines 11a-11d		7,209			
12 Total revenue. See Instructions		44,261,543	42,931,950	0	19,093	

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	0			
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	414,725	373,253	41,472	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	16,652,129	14,986,917	1,665,212	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	480,886	432,797	48,089	
9	Other employee benefits	3,112,462	2,801,215	311,247	
10	Payroll taxes	1,173,303	1,055,973	117,330	
a	Fees for services (non-employees)				
	Management	0			
b	Legal	48,127	43,314	4,813	
c	Accounting	15,272	13,745	1,527	
d	Lobbying	0			
e	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	120,488	108,439	12,049	
12	Advertising and promotion	162,956	146,660	16,296	
13	Office expenses	7,161,435	6,445,292	716,143	
14	Information technology	0			
15	Royalties	0			
16	Occupancy	148,528	133,675	14,853	
17	Travel	109,942	98,948	10,994	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	0			
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	2,764,542	2,488,088	276,454	
23	Insurance	361,734	325,561	36,173	
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	PURCHASED SERVICES	1,936,730	1,743,057	193,673	0
b	PROVISION FOR BAD DEBT	1,812,904	1,631,614	181,290	0
c	UTILITIES	1,046,431	941,788	104,643	0
d	CONTRACT SERVICES	638,151	574,336	63,815	0
e	OTHER SERVICES/SUPPORT	350,605	315,545	35,060	0
f	All other expenses	2,619,521	2,357,572	261,949	0
25	Total functional expenses. Add lines 1 through 24f	41,130,871	37,017,789	4,113,082	0
26	Joint costs. Check here <input type="checkbox"/> 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)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	1,690	1	1,690
	2 Savings and temporary cash investments	227,929	2	2,124,459
	3 Pledges and grants receivable, net	312,716	3	437,279
	4 Accounts receivable, net	4,541,445	4	4,380,932
	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		7	
	8 Inventories for sale or use	863,886	8	770,358
	9 Prepaid expenses and deferred charges	438,858	9	364,017
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	41,509,819		
	b Less accumulated depreciation	24,673,886	17,394,898	10c 16,835,933
	11 Investments—publicly traded securities		11	
	12 Investments—other securities See Part IV, line 11		12	
	13 Investments—program-related See Part IV, line 11	87,528	13	693,743
	14 Intangible assets		14	
	15 Other assets See Part IV, line 11	128,998	15	81,468
16 Total assets. Add lines 1 through 15 (must equal line 34)	23,997,948	16	25,689,879	
Liabilities	17 Accounts payable and accrued expenses	2,596,833	17	2,020,837
	18 Grants payable		18	
	19 Deferred revenue	28,756	19	0
	20 Tax-exempt bond liabilities		20	
	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	32,972	23	28,466
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities Complete Part X of Schedule D	12,478,264	25	11,140,479
	26 Total liabilities. Add lines 17 through 25	15,136,825	26	13,189,782
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	8,470,955	27	11,378,595
	28 Temporarily restricted net assets	388,738	28	1,111,597
	29 Permanently restricted net assets	1,430	29	9,905
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	8,861,123	33	12,500,097	
34 Total liabilities and net assets/fund balances	23,997,948	34	25,689,879	

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	44,261,543
2	Total expenses (must equal Part IX, column (A), line 25)	2	41,130,871
3	Revenue less expenses Subtract line 2 from line 1	3	3,130,672
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	8,861,123
5	Other changes in net assets or fund balances (explain in Schedule O)	5	508,302
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	12,500,097

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> 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)

Public Charity Status and Public Support

OMB No 1545-0047

2010

Open to Public Inspection

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

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

Department of the Treasury
Internal Revenue Service

Name of the organization
CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number
25-1550350

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)

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of 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 III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) 	(a) 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)

Political Campaign and Lobbying Activities

OMB No 1545-0047

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

2010

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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

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

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

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

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

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

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

Name of the organization CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number

25-1550350

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

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

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

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

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

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

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received. The table is currently empty.

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 border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 50%; text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:													
Not over \$500,000	20% of the amount on line 1e													
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000													
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000													
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000													
Over \$17,000,000	\$1,000,000													
g Grassroots nontaxable amount (enter 25% of line 1f)														
h Subtract line 1g from line 1a If zero or less, enter -0-														
i Subtract line 1f from line 1c If zero or less, enter -0-														
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 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?			
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c Media advertisements?			
d Mailings to members, legislators, or the public?			
e Publications, or published or broadcast statements?			
f Grants to other organizations for lobbying purposes?			
g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		0
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	Yes		0
i Other activities? If "Yes," describe in Part IV			
j Total lines 1c through 1i			0
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
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 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, QUESTION 1	THE ORGANIZATION IS AN AFFILIATE IN THE ST LUKE'S HOSPITAL & HEALTH NETWORK ("NETWORK"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY NETWORK. ST LUKE'S HOSPITAL OF BETHLEHEM, PENNSYLVANIA PAYS ALL LOBBYING EXPENDITURES ON BEHALF OF ALL AFFILIATES WITHIN THE NETWORK AND ALLOCATES A PERCENTAGE OF THESE EXPENDITURES TO VARIOUS AFFILIATES. THESE LOBBYING EXPENDITURES INCLUDE (1) PAYMENT TO AN OUTSIDE INDEPENDENT FIRM, (2) AN ALLOCATED PORTION OF THE DUES PAID TO THE HOSPITAL AND HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA AND (3) A PERCENTAGE OF TOTAL COMPENSATION OF TWO ST LUKE'S HOSPITAL & HEALTH NETWORK SENIOR MANAGEMENT PERSONNEL THE AMOUNT ALLOCATED TO THIS ORGANIZATION ATTRIBUTABLE TO LOBBYING ACTIVITY FOR THE YEAR ENDED JUNE 30, 2011 IS \$11,939.

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2010

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number 25-1550350

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

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), 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?
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?

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, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

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

- 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

Table with 2 columns: Held at the End of the Year. Rows 2a, 2b, 2c, 2d.

- 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?
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)?
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

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

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

b If "Yes," explain the arrangement in Part 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	390,169	1,442,620	726,485		
b Contributions	777,946	30,305	798,612		
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs	46,613	1,082,756	82,477		
f Administrative expenses					
g End of year balance	1,121,502	390,169	1,442,620		

2 Provide the estimated percentage of the year end balance held as

- a** Board designated or quasi-endowment ▶ 99 170 %
- b** Permanent endowment ▶ 0 830 %
- c** Term endowment ▶

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

	Yes	No
(i) unrelated organizations	3a(i)	No
(ii) related organizations	3a(ii)	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		298,580		298,580
b Buildings		19,265,701	7,346,621	11,919,080
c Leasehold improvements		730,559	359,299	371,260
d Equipment		21,121,131	16,925,426	4,195,705
e Other		93,848	42,540	51,308
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				16,835,933

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

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

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

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

Part IX Other Assets. See Form 990, Part X, line 15.

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

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
EST THIRD-PARTY PAYOR SETTLEMENTS	1,449,628
ASSET RETIREMENT OBLIGATION	246,074
ADVANCE FROM THIRD-PARTY PAYORS	260,201
DUE TO AFFILIATES	7,882,129
OTHER LIABILITIES	1,302,447
Total. (Column (b) should equal Form 990, Part X, col (B) line 25)	11,140,479

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740)

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
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SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number

25-1550350

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a. 1b If "Yes," is it a written policy? 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. 3a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing free care to low income individuals? 3b Does the organization use FPG to determine eligibility for providing discounted care to low income individuals? 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? 5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? 5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? 5c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? 6a Does the organization prepare a community benefit report during the tax year? 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

7 Financial Assistance and Certain Other Community Benefits at Cost

Table with 6 columns: (a) Number of activities or programs (optional), (b) Persons served (optional), (c) Total community benefit expense, (d) Direct offsetting revenue, (e) Net community benefit expense, (f) Percent of total expense. Rows include Financial Assistance at cost, Unreimbursed Medicaid, Unreimbursed costs—other means-tested government programs, Total Financial Assistance and Means-Tested Government Programs, Other Benefits (Community health improvement services, Health professions education, Subsidized health services, Research, Cash and in-kind contributions to community groups), Total Other Benefits, and Total (Add lines 7d and 7j).

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						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes	
2 Enter the amount of the organization's bad debt expense (at cost)	2 410,497		
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 41,050		
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 12,336,761
6 Enter Medicare allowable costs of care relating to payments on line 5	6 12,306,310
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7 30,451
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other	

Section C. Collection Practices

9a 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				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

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

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

Name and address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	ST LUKE'S MINERS MEMORIAL HOSPITAL 360 WEST RUDDLE STREET COALDALE, PA 18218	X	X					X		

Part V Facility Information *(continued)*

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? **12**

Name and address

Type of Facility (Describe)

1

See Additional Data Table

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, 6l, 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
COMMUNITY BENEFIT REPORT	SCHEDULE H, PART I, LINE 6A	Not applicable

Identifier	ReturnReference	Explanation
FINANCIAL ASSISTANCE AND CERTAIN OTHER COMMUNITY BENEFITS AT COST	SCHEDULE H, PART I, LINE 7	<p>The bad debt expense included on form 990, Part IX, Line 25, Column (a), but subtracted for purposes of calculating the percentage in this column is \$1,812,904. The McKesson, Horizon Performance Management Costing application was the tool utilized to determine the cost of Financial Assistance, Unreimbursed Medicaid, Medicaid HMO, and Subsidized Health Services. The entire activity was costed through the McKesson HPM application, to include inpatient, outpatient, emergency room, and all payers. Costing consisted of allocating cost from the departmental level down to the service item level. Once costs were determined at the service item level, we then aggregated encounters into the defined targeted groups. For determination of the unreimbursed costs for Medicaid, Medicaid HMO, and Subsidized Services reported on Part I, Line 7, we excluded charity care, bad debt, and all overlapping cases reported elsewhere. We utilized the Ratio of Patient Care cost to charges to determine the charity care and bad debt costs. The development of the ratio conforms to the Form 990 Instructions. The Medicare shortfall/surplus was determined using the Medicare Complex Cost Reporting Form utilizing allowable Medicare Costs. No costs relating to subsidized healthcare services are attributable to any physician clinics.</p>

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	SCHEDULE H, PART II	CARBON-SCHUYKILL COMMUNITY HOSPITAL, INC has direct involvement in numerous community building activities that promote and improve the health status and general betterment of the communities served by the hospital This is accomplished through service on state and regional advocacy committees and boards, volunteerism with local community-based non-profit advocacy groups, and participation in conferences and other educational activities to promote understanding of the root causes of health concerns This organization provides educational materials, conducts community health fairs and holds health education seminars and outreach sessions for its patients and for community providers Presentations are provided by physicians, nurses and other healthcare professionals

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, LINE 4	<p>Bad debt expense was calculated using the organization's bad debt expense from its audited financial statements, net of accounts written off at charges and multiplied by its cost to charge ratio. The organization and its affiliates prepare and issue audited consolidated financial statements. The system's allowance for doubtful accounts (bad debt expense) methodology and charity care policies are consistently applied across all hospital affiliates. The attached text was obtained from the footnotes to the audited financial statements of the organization Patient accounts receivable. The Network's patient accounts receivable consist of unsecured amounts due for patient services billed to patients and other third-party payors such as Medicare, Medical Assistance, Blue Cross and various commercial insurance companies and managed care companies. The primary service area of the Network is located in Lehigh, Northampton, Carbon, Schuylkill and Bucks Counties, Pennsylvania. The ability of these patients to pay is subject to charges in general economic conditions of the Network's service area. The Network performs ongoing credit evaluations and maintains reserves for potential credit losses. Charity care. The Network provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charges for services to patients who meet the Network's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The charges associated with these services for charity care provided by the Network approximate \$100,586,000 and \$79,000,000 in 2011 and 2010, respectively. The costs incurred to provide such care was approximately \$20,231,000 and \$16,340,000 for 2011 and 2010, respectively.</p>

Identifier	ReturnReference	Explanation
MEDICARE	SCHEDULE H, PART III, LINE 8	<p>Medicare costs were derived from the Medicare Cost Report filed by the organization. bad debt IS community benefit and associated costs are includable on the Form 990, Schedule H, Part I. The organization feels that bad debt IS community benefit and associated costs are includable on the Form 990, Schedule H, Part I. As outlined more fully below the organization believes that these services and related costs promote the health of the community as a whole and are rendered in conjunction with the organization's charitable tax-exempt purposes and mission in providing medically necessary healthcare services to all individual's in a non-discriminatory manner without regard to race, color, creed, sex, national origin, religion or ability to pay and consistent with the community benefit standard promulgated by the IRS. The community benefit standard is the current standard for a hospital for recognition as a tax-exempt and charitable organization under Internal Revenue Code ("IRC") 501(c)(3). The organization is recognized as a tax-exempt entity and charitable organization under 501(c)(3) of the IRC. Although there is no definition in the tax code for the term "charitable", a regulation promulgated by the Department of the Treasury provides some guidance and states that "[t]he term charitable is used in 501(c)(3) in its generally accepted legal sense," and provides examples of charitable purposes, including the relief of the poor or unprivileged, the promotion of social welfare, and the advancement of education, religion, and science. Note it does not explicitly address the activities of hospitals. In the absence of explicit statutory or regulatory requirements applying the term "charitable" to hospitals, it has been left to the IRS to determine the criteria hospitals must meet to qualify as IRC 501(c)(3) charitable organizations. The original standard was known as the charity care standard. This standard was replaced by the IRS with the community benefit standard which is the current standard. Charity care standard In 1956, the IRS issued Revenue Ruling 56-185, which addressed the requirements hospitals needed to meet in order to qualify for IRC 501(c)(3) status. One of these requirements is known as the "charity care standard." Under the standard, a hospital had to provide, to the extent of its financial ability, free or reduced-cost care to patients unable to pay for it. A hospital that expected full payment did not, according to the ruling, provide charity care based on the fact that some patients ultimately failed to pay. The ruling emphasized that a low level of charity care did not necessarily mean that a hospital had failed to meet the requirements since that level could reflect its financial ability to provide such care. The ruling also noted that publicly supported community hospitals would normally qualify as charitable organizations because they serve the entire community, and a low level of charity care would not affect a hospital's exempt status if it was due to the surrounding community's lack of charitable demands. Community benefit standard In 1969, the IRS issued Revenue Ruling 69-545, which "remove[d]" from Revenue Ruling 56-185 "the requirements relating to caring for patients without charge or at rates below cost." Under the standard developed in Revenue Ruling 69-545, which is known as the "community benefit standard," hospitals are judged on whether they promote the health of a broad class of individuals in the community. The ruling involved a hospital that only admitted individuals who could pay for the services (by themselves, private insurance, or public programs such as Medicare), but operated a full-time emergency room that was open to everyone. The IRS ruled that the hospital qualified as a charitable organization because it promoted the health of people in its community. The IRS reasoned that because the promotion of health was a charitable purpose according to the general law of charity, it fell within the "generally accepted legal sense" of the term "charitable," as required by Treas. Reg. 1.501(c)(3)-1(d)(2). The IRS ruling stated that the promotion of health, like the relief of poverty and the advancement of education and religion, is one of the purposes in the general law of charity that is deemed beneficial to the community as a whole even though the class of beneficiaries eligible to receive a direct benefit from its activities does not include all members of the community, such as indigent members of the community, provided that the class is not so small that its relief is not of benefit to the community. The IRS concluded that the hospital was "promoting the health of a class of persons that is broad enough to benefit the community" because its emergency room was open to all and it provided care to everyone who could pay, whether directly or through third-party reimbursement. Other characteristics of the hospital that the IRS highlighted included the following: its surplus fu</p>

Identifier	ReturnReference	Explanation
MEDICARE	SCHEDULE H, PART III, LINE 8	<p>unds were used to improve patient care, expand hospital facilities, and advance medical training, education, and research, it was controlled by a board of trustees that consisted of independent civic leaders, and hospital medical staff privileges were available to all qualified physicians. Bad debt IS community benefit and associated costs are includable on the Form 990, Schedule H, Part I. The American Hospital Association ("AHA") feels that bad debt IS community benefit and thus includable on the Form 990, Schedule H, Part I. This organization agrees with the AHA position. As outlined in the AHA letter to the IRS dated August 21, 2007 with respect to the first published draft of the new Form 990 and Schedule H, the AHA felt that the IRS should incorporate the full value of the community benefit that hospitals provide by counting BAD DEBT as quantifiable community benefit. Both the AHA and this organization also feel that patient bad debt is a community benefit and thus includable on the Form 990, Schedule H, Part I. There are compelling reasons that patient bad debt should be counted as quantifiable community benefit as follows - a significant majority of bad debt is attributable to low-income patients, who, for many reasons, decline to complete the forms required to establish eligibility for hospitals' charity care or financial assistance programs. A 2006 Congressional Budget Office ("CBO") report, nonprofit hospitals and the provision of community benefits, cited two studies indicating that "the great majority of bad debt was attributable to patients with incomes below 200% of the federal poverty line" - the report also noted that a substantial portion of bad debt is pending charity care. Unlike bad debt in other industries, hospital bad debt is complicated by the fact that hospitals follow their mission to the community and treat every patient that comes through their emergency department, regardless of ability to pay. Patients who have outstanding bills are not turned away, unlike other industries. Bad debt is further complicated by the auditing industry's standards on reporting charity care. Many patients cannot or do not provide the necessary, extensive documentation required to be deemed charity care by auditors. As a result, roughly 10% of bad debt is pending charity care - the CBO concluded that its findings "support the validity of the use of uncompensated care [bad debt and charity care] as a measure of community benefits" assuming the findings are generalizable nationwide, the experience of hospitals around the nation reinforces that they are generalizable. As outlined by the AHA, despite the hospital's best efforts and due diligence, patient bad debt is a part of the hospital's mission and charitable purposes. Bad debt represents part of the burden hospitals shoulder in serving all patients regardless of race, color, creed, sex, national origin, religion or ability to pay. In addition, the hospital invests significant resources in systems and staff training to assist patients that are in need of financial assistance.</p>

Identifier	ReturnReference	Explanation
DEBT COLLECTION POLICY	SCHEDULE H, PART III, LINE 9B	<p>Accounts considered to be charity care are not included in the bad debt expense, but rather, are accounted for as an allowance against the organization's patient service revenue. St Luke's Financial Assistance Program St Luke's is a non-profit organization dedicated to the care and treatment of the sick and the prevention of illness. The first consideration in the admission and placement or treatment of a patient is the medical needs of the patient. Patients shall be provided and encouraged to obtain medically necessary care regardless of ability to pay or eligibility for financial assistance. However, all patients will be required to pay for the care in which they receive if they are financially able to do so. Advance payment will not be required for any medically necessary service. Some individuals fail to obtain necessary care due to financial concerns. In order to encourage such patients to obtain appropriate care, St Luke's shall operate a Financial Assistance program. All patients presenting for medically necessary services with no insurance will have the opportunity to qualify for St Luke's Financial Assistance Program. Services excluded from the program include but are not limited to cosmetic, bariatric, IVF, IUDs, tubal ligations and sleep study. St Luke's reserves the right to exclude services if, upon review, it is determined that they are not medically necessary. In addition, patients scheduled for elective procedures will be assessed for medical need for procedure along with ability to pay a portion of the procedure. Eligibility for the Pa Fair Care program will be reviewed and an application is required if eligible. A Medical Assistance application may be required and completed prior to service for elective cases. Patients receiving inpatient or high dollar outpatient services will be evaluated for Medical Assistance eligibility in order to qualify for the St Luke's Hospital Financial Assistance Program. Individuals will not be eligible for financial assistance if Medical Assistance coverage is denied due to lack of cooperation (i.e., timeliness or failure to produce required documentation). Financial Assistance Individuals with family income at or below 300% of the current federal poverty guidelines may be eligible for a 100% financial assistance allowance on the cost of their medically necessary services. Those with incomes 301%-500% of federal poverty guidelines may be eligible for financial assistance allowances as follows - 301%-400% of federal poverty guidelines - 80% financial assistance allowance - 401%-500% of federal poverty guidelines - 70% financial assistance allowance - Patients with income over 500% of federal poverty guidelines and not qualifying for medical indigence will receive a 60% discount (not considered financial assistance) off medically necessary charges. No proof of income is required for this discount. Patients with routine co-pays and deductibles from managed care and commercial insurances are not eligible for financial assistance or a discount unless a financial hardship can be proven. Patients having limited benefit coverage through insurance and who demonstrate a financial hardship may be eligible for the Financial Assistance program. Clinic patients who qualify for financial assistance will be issued an initial eligibility card. Ongoing eligibility will be determined by automatic review via the software Search America. Patients with an active St Luke's Financial Assistance card will be reassessed for Medical Assistance upon receiving inpatient services and any high dollar outpatient service which includes but is not limited to chemotherapy, radiation therapy, outpatient surgery, interventional radiology or interventional cardiology services. Patients who have received financial assistance in the past but who are having services that are elective or high dollar procedures will be required to comply with the process of medical assistance eligibility or eligibility for programs such as Pa Fair Care. Case by case decisions will be made regarding financial liability in each instance. Determining Eligibility for Financial Assistance Designated business service department employees will utilize independent third party income estimation software information as the determinant of eligibility. The income estimation software application utilized by St Luke's is based upon a statistically validated methodology to provide income and family size determination. This information is then automatically cross-walked to St Luke's financial assistance eligibility matrix ranging from 0% to 500% of the current federal poverty guidelines to determine the level of financial assistance to be applied. When insufficient information is returned via the software application, the manual process below will be utilized to determine eligibility. In determining family income and family size, a family unit will be defined as immediate family members/significant other/domestic partner.</p>

Identifier	ReturnReference	Explanation
DEBT COLLECTION POLICY	SCHEDULE H, PART III, LINE 9B	<p>ing in the household All income of occupants will be considered in determining total household income In determining income the following will be considered - Wages - Pension - Annuities - Social Security - Interest, Dividend, and other Investment Income such as Capital Gains - Unemployment Compensation - Workers Comp - Disability Benefits - Child Support - Alimony - Public Assistance - Net Rental Income (Income Less Expenses) as calculated for Federal Tax purposes Assets may be considered in determining eligibility and the level of discount approved for financial assistance Designated business service department employees may also discuss financial assistance with patients who, upon receiving a billing statement, express an inability to pay for services rendered Financial assistance applications may be supplied to these patients along with the information regarding required documentation or the income estimation software may be used to determine eligibility status Medical Indigence Assessment Patients may be eligible for additional assistance when the level of qualifying discount falls below 100% according to the sliding scale Once the discount is applied, if the remaining balance on bills in question exceeds 30% of the annual gross income, an additional 30% discount for medical indigence may be applied If the patient does not qualify for any of the financial assistance categories identified above, but the medical expenses exceed an ability to pay, the patient will be encouraged to write a hardship letter to be submitted to the Associate Vice President of Finance for consideration of a hardship write-off of all or part of the outstanding medical liability In the case of foreign visitors, the hospital will attempt to identify the person who sponsored the visitor's entry into the United States If the sponsor is legally responsible for the visitor's medical bills, the hospital will apply its normal collection efforts in attempting to collect from the sponsor Application for financial assistance will be based on the sponsor's income St Luke's Hospital reserves the right to deny an application for financial assistance based upon lack of reasonably required documentation or the submission of fraudulent documentation If information is not provided within 30 days of a request, an application may be denied unless the information was not provided for reasons beyond the applicant's control In these cases the patient will not be eligible for the financial assistance Program Notification to Patient All patients receiving inpatient or high dollar OP services or who apply via the clinic will receive a notice of determination from the business office with the amount of financial assistance granted and any remaining financial liability Patients may provide documentation if they feel the automatic estimation of income and assets is incorrect or incomplete The business office will assess and revise the determination as appropriate for future encounters based on the software information provided St Luke's Credit and Collection Policy The Credit and Collection policy is established and is to be administered in accordance with the mission and values of the hospital as well as federal and state law The policy is designed to promote appropriate access to medical care for all patients regardless of their ability to pay while maintaining the Network's fiscal responsibility to maximize reimbursement and minimize bad debt All hospital services are provided without consideration of ability to pay and are not delayed pending application and/or approval of Medical Assistance or St Luke's Charity Care Advance payment is not required for any medical service This Credit and Collection policy is intended to take into account each individual's ability to contribute to the cost of his or her care Patients will be assisted in obtaining health insurance coverage from privately and publicly funded sources whenever possible All patient acc</p>

Identifier	ReturnReference	Explanation
FACILITY POLICIES AND PRACTICES	SCHEDULE H, PART V, SECTION B	Not applicable

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, QUESTION 2	<p>Carbon-Schuylkill Community Hospital, Inc is a member of St Luke's Hospital & Health Network, a regional integrated network of non-profit hospitals, physicians, outpatient facilities and other related healthcare services providing care at 150+ locations primarily in Lehigh, Northampton, Carbon, Schuylkill, Bucks, Montgomery, Berks and Monroe Counties in Pennsylvania and Warren County in New Jersey The network invests in projects, technology, medical expertise and programs that contribute to the enhancement of the region's healthcare status Individual hospitals within the network develop, implement and fund programs specific to the needs of the community The Board of Directors of St Luke's Hospital & Health Network supports and has oversight for a dynamic Community Health Policy The Board views improving the health of the community as fundamental to the mission and values of St Luke's Hospital & Health Network It is the policy and practice of the Network and all its entities, including Carbon-Schuylkill Community Hospital, Inc , to incorporate and engage in initiatives that will create a healthier community The network and hospital Boards demonstrate their commitment to improving the health of the community by dedicating network and hospital resources to achieve the following (1) To work with other members of the community to develop an environment which provides opportunities for healthy choices and provides norms and support for healthy actions and behaviors Multidimensional initiatives, which include and impact on various community characteristics such as safety, education, transportation, social supports and economic opportunities, are considered and developed (2) To include specific actions and commitments in the Network's and Carbon-Schuylkill Community Hospital, Inc 's operations and business plans related to community health efforts (3) To develop and sustain partnerships with other members of the community to share the responsibility, work and successes of creating a healthier community (4) To provide leadership and commitment in developing sustainable infrastructures for a healthier community by providing technical assistance, expertise, information and support where they are relevant to the community's efforts</p>

Identifier	ReturnReference	Explanation
<p>PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE</p>	<p>SCHEDULE H, PART VI, QUESTION 3</p>	<p>As a not for-profit entity, CARBON-SCHUYKILL COMMUNITY HOSPITAL, INC 's first consideration in the admission and placement or treatment of any patient is the patient's medical needs Some patients hesitate to obtain necessary care because of their financial concerns In order to encourage such patients to obtain appropriate care, in December 2008, the Network's Board of Directors redesigned the Network's Charity Care Program for patient system access to discounted hospital services This policy is updated annually The Network also established a community benefit tracking system to comply with new IRS Form 990 guidelines (effective 2009) to report community benefit activities/expenditures The Charity Care Program is widely communicated in both English and Spanish A bilingual notice of the Program is posted in all outpatient and inpatient registration areas All patient statements include a number for patients to call if they are having difficulty paying their bills St Luke's website has extensive information regarding the Financial Assistance Program, including eligibility guidelines and contact information Additionally, St Luke's financial counselors assess each patient for eligibility for coverage through Medical Assistance, CHIP, Adult Basic and other programs Bilingual counselors are available</p>

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, QUESTION 4	Carbon-Schuylkill Community Hospital, Inc 's primary service area consists of a suburban population in Schuylkill County in Southeastern Pennsylvania with a total population of 148,289 The average household income is \$41,200 and 11.9 percent of the population has income below the poverty level. Four hospitals serve the primary service area and 10 percent of hospital discharges are Medicaid patients and 3 percent are uninsured. The median age of the population is 41 years and 94.4 percent are Caucasian.

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, QUESTION 5	The organization and the entire St Luke's Hospital & Health Network promote the health of the community on a daily basis throughout the year. The network coordinates and offers numerous community benefit programs, activities and support groups to the community. Please refer to schedule O for a detailed community benefit statement.

Identifier	ReturnReference	Explanation
AFFILIATED HEALTHCARE SYSTEM	Schedule H, Part VI, Question 6	<p>Outlined below is a summary of the entities which comprise the St Luke's Hospital & Health Network. Not-for-profit St Luke's Hospital & Health Network entities: St Luke's Health Network, Inc. St Luke's Health Network, Inc. is the tax-exempt parent of the St Luke's Hospital & Health Network ("St Luke's"). This integrated healthcare delivery system consists of a group of affiliated healthcare organizations. This organization is the sole member or stockholder of each affiliated entity. St Luke's is an integrated network of healthcare providers throughout the state of Pennsylvania. St Luke's Health Network, Inc. is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 509(a)(3). As the parent organization, St Luke's Health Network, Inc. strives to continually develop and operate a multi-hospital healthcare network which provides substantial community benefit through the provision of a comprehensive spectrum of healthcare services to the residents of Pennsylvania and surrounding communities. St Luke's Health Network, Inc. ensures that its network provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay. No individuals are denied necessary medical care, treatment or services. St Luke's active hospitals include St Luke's Hospital of Bethlehem, P A, St Luke's Quakertown Hospital and Carbon-Schuylkill Community Hospital, Inc. Each of these hospitals operates consistently with the following criteria outlined in IRS Revenue Ruling 69-545: 1. Each provides medically necessary healthcare services to all individuals regardless of ability to pay, including charity care, self-pay, Medicare and Medicaid patients; 2. Each operates an active emergency room for all persons, which is open 24 hours a day, 7 days a week, 365 days per year; 3. Each maintains an open medical staff, with privileges available to all qualified physicians; 4. Control of each rests with its board of directors and the board of directors of St Luke's Health Network, Inc. Both boards are comprised of a majority of independent civic leaders and other prominent members of the community; and 5. Surplus funds are used to improve the quality of patient care, expand and renovate facilities and advance medical care, programs and activities. St Luke's Hospital of Bethlehem, Pennsylvania. St Luke's Hospital of Bethlehem, Pennsylvania is comprised of two non-profit hospital campuses: a 480-bed campus in Bethlehem, Pennsylvania and a 158 bed campus in Allentown, Pennsylvania. A third 72-bed campus, St Luke's Anderson Campus, is set to open in Easton, Pennsylvania in November, 2011. St Luke's Hospital of Bethlehem, Pennsylvania is recognized by the Internal Revenue Service as an Internal Revenue Code 501(c)(3) tax-exempt organization. Pursuant to its charitable purposes, the organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay. Moreover, St Luke's Hospital of Bethlehem, Pennsylvania operates consistently with the criteria outlined in IRS Revenue Ruling 69-545. St Luke's Quakertown Hospital. St Luke's Quakertown Hospital is a 62-bed non-profit hospital located in Quakertown, Pennsylvania. St Luke's Quakertown Hospital is recognized by the Internal Revenue Service as an Internal Revenue Code 501(c)(3) tax-exempt organization. Pursuant to its charitable purposes, the organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay. Moreover, St Luke's Quakertown Hospital operates consistently with the criteria outlined in IRS Revenue Ruling 69-545. St Luke's Physician Group, Inc. St Luke's Physician Group, Inc. is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 509(a)(3). The organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay. St Luke's Emergency & Transport Services, Inc. St Luke's Emergency & Transport Services, Inc. is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 170(B)(1)(A)(ii). The organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay. Quakertown Rehabilitation Center. Quakertown Rehabilitation Center is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTHCARE SYSTEM	Schedule H, Part VI, Question 6	<p>non-private foundation pursuant to Internal Revenue Code 170 (b)(1)(A)(iii) The organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay Visiting Nurse Association of St Luke's - Home Health/Hospice, Inc Visiting Nurse Association of St Luke's - Home Health/Hospice, Inc is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 509(a)(1) The organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay Homestar Medical Equipment and Infusion Services, Inc Homestar Medical Equipment and Infusion Services, Inc is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 509(a)(2) The organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay St Luke's Hospital and Health Network Auxiliary, Inc St Luke's Hospital and Health Network Auxiliary, Inc is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 170(b)(1)(A)(iii) The organization is designed to support the charitable purposes, programs and services of St Luke's Hospital & Health Network Cancer Immunotherapies, L L C , St Luke's Airmed, L L C , St Luke's Homestar Services, L L C and St Luke's Windgap Property, L L C are single member limited liability companies of St Luke's Hospital of Bethlehem, Pennsylvania For-Profit St Luke's Hospital & Health Network Entities Eighth & Eaton Professional Building, L P A limited partnership whose majority partner is St Luke's Hospital of Bethlehem, Pennsylvania This entity owns a professional medical arts building New Valley Rehab, L L C A limited liability company taxed as a partnership 50% owned by Quakertown Rehabilitation Center This entity provides outpatient rehabilitation services in the Lehigh Valley and Quakertown, Pennsylvania Wind Gap Professional Center Partners A partnership whose majority partner is St Luke's Hospital of Bethlehem, Pennsylvania This entity serves as the joint venture vehicle for a medical office building jointly owned with others St Luke's Eighth & Eaton Holdings, Inc An entity whose sole shareholder is St Luke's Hospital of Bethlehem, Pennsylvania The entity was incorporated to serve as the general partner and to own 1% interest in the Eighth & Eaton Professional Building, LLP St Luke's Health Network Insurance Company An entity whose 88% majority shareholder is St Luke's Hospital of Bethlehem, Pennsylvania This entity provides risk retention insurance services St Luke's Hospital of Bethlehem, Pennsylvania Ambulatory Surgical Center An entity with certain shares owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity provides ambulatory and surgical services to the community St Luke's shares have been sold St Luke's North Dialysis Center, LP AN ENTITY THAT St Luke's Hospital OF BETHLEHEM, PENNSYLVANIA holds a 49.50% interest This entity provides dialysis treatment services in the Lehigh Valley Dialysis Limited, LLC An entity that St Luke's Hospital OF BETHLEHEM, PENNSYLVANIA holds a 50% interest The entity was incorporated to serve as the general partner and to own 1% interest in St Luke's North Dialysis Center, L P Center for Oral and Maxillofacial Surgery and Implantology at St Luke's, LLC AN ENTITY THAT St Luke's HOSPITAL OF BETHLEHEM, PENNSYLVANIA holds a 50% interest The entity provides oral surgery services to the Lehigh Valley St Luke's Physic</p>

Identifier	ReturnReference	Explanation
State Filing of Community Benefit Report	Schedule H, Part VI, Question 7	Not applicable The entity and related provider organizations are located in Pennsylvania No community benefit report is filed with the state of Pennsylvania

Schedule H (Form 990) 2010

Additional Data**Software ID:****Software Version:****EIN:** 25-1550350**Name:** CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC**Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility****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? 12

Name and address

Type of Facility
(Describe)ST LUKE'S MINER MEMORIAL HOME CARE
801 E BROAD STREET
TAMAQUA, PA 18252

HOME CARE

ST LUKE'S SPORTS & REHABILITATION
693 STATE ROUTE 903
JIM THORPE, PA 18229

OUTPATIENT PHYSICAL THERAPY

ST LUKE'S SPORTS & REHABILITATION
BLAKESLEE PROF MED COMPLEXPO B
BLAKESLEE, PA 18610

OUTPATIENT PHYSICAL THERAPY

ST LUKE'S SPORTS & REHABILITATION
7 VILLAGE CENTER MALL
ANDREAS, PA 18211

OUTPATIENT PHYSICAL THERAPY

ST LUKE'S SPORTS & REHABILITATION
212 WEST CENTRE STREET
MAHANAY CITY, PA 17948

OUTPATIENT PHYSICAL THERAPY

ST LUKE'S MINERS HLTH CTR-NESQUEHONING
108 WEST CATAWISSA STREET
NESQUEHONING, PA 18240

RURAL HEALTH CLINIC

ST LUKE'S MINERS HEALTH CENTER-HOMETOWN
253 CLAREMONT AVENUE
TAMAQUA, PA 18252

RURAL HEALTH CLINIC

ST LUKE'S SPORTS & REHABILITATION
31 WILBUR STREET
WEATHERLY, PA 18255

OUTPATIENT PHYSICAL THERAPY

ST LUKE'S SPORTS & REHABILITATION
397 HEMLOCK DRIVE
LEHIGHTON, PA 18235

OUTPATIENT PHYSICAL THERAPY

ST LUKE'S SPORTS & REHABILITATION
44 WEST CATAWISSA STREET
NESQUEHONING, PA 18240

OUTPATIENT PHYSICAL THERAPY

ST LUKE'S MINERS HEALTH CENTER - MCADOO
14 N KENNEDY DRIVE
MCADOO, PA 18237

RURAL HEALTH CLINIC

ST LUKE'S SPORTS & REHABILITATION
14 N KENNEDY DRIVE
MCADOO, PA 18237

OUTPATIENT PHYSICAL THERAPY

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.

Department of the Treasury
Internal Revenue Service

Name of the organization

CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number

25-1550350

Part I Questions Regarding Compensation

	Yes	No
1a		
1b		
2		
3		
4a	Yes	
4b	Yes	
4c		No
5a		No
5b		No
6a		No
6b	Yes	
7	Yes	
8		No
9		

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e g , maid, chauffeur, chef) |

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

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

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply

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

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

a Receive a severance payment or change-of-control payment from the organization or a related organization?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

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

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

a The organization?

b Any related organization?

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

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

a The organization?

b Any related organization?

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

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

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?

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) WILLIAM E MOYER	(i)	0	0	0	0	0	0	0
	(ii)	174,855	0	3,200	32,790	8,937	219,782	0
(2) THOMAS P LICHTENWALNER	(i)	0	0	0	0	0	0	0
	(ii)	325,322	68,042	24,337	152,645	11,353	581,699	0
(3) RALPH D RICHARDS	(i)	122,455	0	68,110	12,163	20,657	223,385	0
	(ii)	0	0	0	0	0	0	0
(4) KAREN J SMITH	(i)	98,815	0	4,220	72,985	15,319	191,339	0
	(ii)	0	0	0	0	0	0	0
(5) WILLIAM J CROSSIN	(i)	0	0	0	0	0	0	0
	(ii)	191,538	24,679	1,980	41,667	14,465	274,329	0
(6)								
(7)								
(8)								
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental 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
COMPENSATION INFORMATION	PART VII AND SCHEDULE J	TAXABLE COMPENSATION REPORTED HEREIN IS DERIVED FROM 2010 FORMS W-2
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 3	<p>Compensation Review Executive compensation for the health network consists of fixed salary, at-risk compensation and other deferred compensation arrangements. Total compensation for network executives is approved annually by the network's Board of directors. The recommended compensation is established through a multi-faceted approach including use of an independent consultant engaged on an ongoing basis by the Board of DIRECTORS and who works directly with the Executive Compensation Committee of the board. Also included is the review of forms 990 and compensation surveys of other comparable healthcare organizations. Bonus/Incentive The at-risk compensation is approved by the Executive Compensation Committee of the board and is based on several qualitative and quantitative components, including Joint Commission, Pennsylvania Department of Health and Pennsylvania Trauma Systems Foundation accreditations, evidence-based hospital process of care measures, outcome measures, such as patient satisfaction, mortality rate, and length of stay, efficiency measures as demonstrated by cost-per-adjusted discharge and net income. Other Reportable Compensation Other benefits include deferred compensation benefits that had accumulated over years of service and was reported and distributed in accordance with vesting requirements and Internal Revenue Service rules and regulations. Deferred Compensation Deferred compensation represents retirement benefits earned during the reporting period, yet not recognized as compensation on the employee's 2010 form W-2. Nontaxable Benefits Health and welfare benefits. Compensation Reported on prior 990 Total compensation reported on prior formS 990 represented recognition of deferred compensation benefits that had accumulated over years of service and was reported and distributed in accordance with vesting requirements and Internal Revenue Service rules and regulations. The amount was reported in Schedule J, column b(III)-other compensation.</p>
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 4A	THE FOLLOWING INDIVIDUAL RECEIVED A SEVERANCE PAYMENT IN 2010. THE AMOUNT OUTLINED HEREIN WAS INCLUDED IN THE INDIVIDUAL'S 2010 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. RALPH D RICHARDS, \$57,678
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 4B	THE DEFERRED COMPENSATION AMOUNT IN COLUMN C FOR THE FOLLOWING INDIVIDUAL INCLUDES UNVESTED BENEFITS IN AN INTERNAL REVENUE CODE SECTION 457(F) PLAN (NON-QUALIFIED DEFERRED COMPENSATION PLAN) WHICH ARE SUBJECT TO A SUBSTANTIAL RISK OF COMPLETE FORFEITURE. ACCORDINGLY, THE INDIVIDUAL MAY NEVER ACTUALLY RECEIVE THIS UNVESTED BENEFIT AMOUNT. THE AMOUNT OUTLINED HEREIN WAS NOT INCLUDED IN THE INDIVIDUAL'S 2010 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. THOMAS P LICHTENWALNER, \$54,913
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 6B	The executive compensation package for the health network consists of both a fixed salary and additional at-risk compensation that is based on several qualitative and quantitative components. The components of the at-risk compensation plan includes JCAHO, Department of Health and Trauma Center accreditations, evidence based hospital process of care measures, outcome measures such as patient satisfaction, mortality rate, and length of stay, efficiency measures as demonstrated by cost per adjusted discharge and finally net income.
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 7	THE FOLLOWING INDIVIDUALS RECEIVED AT-RISK COMPENSATION DURING CALENDAR YEAR 2010 WHICH AMOUNTS WERE INCLUDED IN COLUMN B(II) HEREIN AND IN EACH INDIVIDUAL'S 2010 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. THOMAS P LICHTENWALNER, \$68,042 AND WILLIAM J CROSSIN, \$24,679. CERTAIN INDIVIDUALS INCLUDED IN THIS FORM 990 RECEIVED A VACATION SELL BACK AND/OR TERM PAY OUT DURING THE CALENDAR YEAR 2010. THIS AMOUNT WAS INCLUDED IN THEIR RESPECTIVE 2010 FORM W-2 AND INCLUDED IN SCHEDULE J, PART II, COLUMN B(III), WHERE APPLICABLE.

SCHEDULE O
(Form 990 or 990-EZ)

Supplemental Information to Form 990 or 990-EZ

2010

**Open to Public
Inspection**

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

Department of the Treasury
Internal Revenue Service

Name of the organization

CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number

25-1550350

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>CARBON-SCHUYLKILL COMMUNITY HOSPITAL, INC ("ST LUKE'S MINERS MEMORIAL HOSPITAL") IS A FULLY ACCREDITED, NOT-FOR-PROFIT, 45-BED ACUTE CARE HOSPITAL LOCATED IN COALDALE, PENNSYLVANIA IN SCHUYLKILL COUNTY NEAR THE CARBON COUNTY BORDER AND PROVIDING CARE PRIMARILY TO RESIDENTS OF SCHUYLKILL, CARBON AND LOWER LUZERNE COUNTIES IN SOUTHEASTERN PENNSYLVANIA THE HOSPITAL ANNUALLY PROVIDES CARE FOR NEARLY 2,000 INPATIENTS AND NEARLY 75,000 OUTPATIENTS AND IS RECOGNIZED BY THE IRS AS AN INTERNAL REVENUE CODE SECTION 501(C)(3) TAX-EXEMPT ORGANIZATION PURSUANT TO ITS CHARITABLE PURPOSES, ST LUKE'S MINERS MEMORIAL HOSPITAL PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY MOREOVER, ST LUKE'S MINERS MEMORIAL HOSPITAL OPERATES CONSISTENTLY WITH THE FOLLOWING CRITERIA OUTLINED IN IRS REVENUE RULING 69-545 1 ST LUKE'S MINERS MEMORIAL HOSPITAL PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF ABILITY TO PAY, INCLUDING CHARITY CARE, SELF-PAY, MEDICARE AND MEDICAID PATIENTS, 2 ST LUKE'S MINERS MEMORIAL HOSPITAL OPERATES AN ACTIVE EMERGENCY ROOM FOR ALL PERSONS, WHICH IS OPEN 24 HOURS A DAY, 7 DAYS A WEEK, 365 DAYS PER YEAR, 3 ST LUKE'S MINERS MEMORIAL HOSPITAL MAINTAINS AN OPEN MEDICAL STAFF, WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS, 4 CONTROL OF ST LUKE'S MINERS MEMORIAL HOSPITAL RESTS WITH ITS BOARD OF DIRECTORS AND THE BOARD OF DIRECTORS OF ST LUKE'S HEALTH NETWORK, INC BOTH BOARDS ARE COMPRISED OF A MAJORITY OF INDEPENDENT CIVIC LEADERS AND OTHER PROMINENT MEMBERS OF THE COMMUNITY, AND 5 SURPLUS FUNDS ARE USED TO IMPROVE THE QUALITY OF PATIENT CARE, EXPAND AND RENOVATE FACILITIES AND ADVANCE MEDICAL CARE, PROGRAMS AND ACTIVITIES THE OPERATIONS OF ST LUKE'S MINERS MEMORIAL HOSPITAL, AS SHOWN THROUGH THE FACTORS OUTLINED ABOVE AND OTHER INFORMATION CONTAINED HEREIN, CLEARLY DEMONSTRATE THAT THE USE AND CONTROL OF ST LUKE'S MINERS MEMORIAL HOSPITAL IS FOR THE BENEFIT OF THE PUBLIC AND THAT NO PART OF THE INCOME OR NET EARNINGS OF THE ORGANIZATION INURES TO THE BENEFIT OF ANY PRIVATE INDIVIDUAL NOR IS ANY PRIVATE INTEREST BEING SERVED OTHER THAN INCIDENTALLY</p> <p>FOUNDED IN 1910, THE HOSPITAL CELEBRATED ITS 100TH YEAR OF COMMUNITY SERVICE IN OCTOBER 2010 THE HOSPITAL BECAME A MEMBER OF THE NATIONALLY RECOGNIZED ST LUKE'S HOSPITAL & HEALTH NETWORK IN 2000 SERVICES ALSO INCLUDE A HOME HEALTH AGENCY AND 4 8-BED SKILLED NURSING FACILITY ACCREDITED BY THE JOINT COMMISSION OF ACCREDITATION OF HEALTHCARE ORGANIZATIONS, ST LUKE'S MINERS MEMORIAL HOSPITAL PROVIDES PATIENTS WITH ACCESS TO MORE THAN 95 PHYSICIANS ACROSS 24 MEDICAL SPECIALTIES THESE SPECIALTY SERVICES INCLUDE - ORTHOPEDICS, JOINT AND MUSCLE DISORDERS - ONCOLOGY - CARDIOLOGY - ENDOCRINOLOGY - EMERGENCY SERVICES - GENERAL AND LAPAROSCOPIC SURGERY - VASCULAR (ARTERIES AND VEINS) SERVICES - WOMEN'S HEALTH - WOUND MANAGEMENT - SLEEP DISORDERS - SPORTS MEDICINE, PHYSICAL THERAPY AND REHABILITATION - ADVANCED RADIOLOGY ST LUKE'S MINERS MEMORIAL HOSPITAL IS DEDICATED TO PROVIDING PATIENTS AND VISITORS WITH QUALITY HEALTHCARE DELIVERED WITH OUTSTANDING CUSTOMER SERVICE THE HOSPITAL RECEIVED THE EXCELLENCE FROM QUALITY INSIGHTS OF PENNSYLVANIA AWARD, RECOGNIZING SUCCESSFUL IMPLEMENTATION OF BEST PRACTICES RELATED TO SURGICAL CARE AND HEALTH FAILURE IMPROVEMENT PROJECTS THE HOSPITAL OFFERS A CHEST PAIN CENTER, ACCREDITED BY THE SOCIETY OF CHEST PAIN CENTERS THE HOSPITAL OPENED A NEWLY RENOVATED \$16 MILLION SIX-BED ICU IN SEPTEMBER 2010 SINCE JOINING ST LUKE'S, THE HOSPITAL HAS UNDERGONE APPROXIMATELY \$22 MILLION IN TECHNICAL AND FACILITY IMPROVEMENTS A NEW, STATE-OF-THE-ART EMERGENCY DEPARTMENT WAS ADDED IN 2002 THIS ADDITION WAS FOLLOWED BY A NEW MRI, A NEW SLEEP DISORDER CENTER, A CARDIOVASCULAR CONDITIONING CENTER AND A NEW ACCESS ROAD FROM RT 209 DIRECTLY TO THE HOSPITAL THE HOSPITAL OPENED THE AREA'S FIRST URGENT CARE CENTER IN 2004 AND EXPANDED ITS HOME CARE SERVICES, OPENING A NEW OFFICE IN TAMAQUA ST LUKE'S MINERS MEMORIAL GERIATRIC CENTER IS A FULLY ACCREDITED, 48-BED, HOSPITAL-BASED, SKILLED NURSING FACILITY LOCATED ON THE FIFTH FLOOR OF THE HOSPITAL INDIVIDUALIZED SHORT-TERM REHABILITATION AND LONG-TERM CARE SERVICES ARE PROVIDED MISSION ===== THE MISSION OF ST LUKE'S MINERS MEMORIAL HOSPITAL IS TO PROVIDE COMPASSIONATE, EXCELLENT QUALITY AND COST-EFFECTIVE HEALTHCARE TO RESIDENTS OF THE COMMUNITIES SERVED REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY MEMBER OF ST LUKE'S HOSPITAL AND HEALTH NETWORK =====</p> <p>ST LUKE'S MINERS MEMORIAL HOSPITAL'S SOLE CORPORATE MEMBER IS ST LUKE'S HEALTH NETWORK, INC ST LUKE'S HEALTH NETWORK, INC IS THE TAX-EXEMPT PARENT OF ST LUKE'S HOSPITAL & HEALTH NETWORK ("ST LUKE'S") THIS TAX-EXEMPT INTEGRATED HEALTHCARE NETWORK CONSISTS OF A GROUP OF AFF</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>ILIATED HEALTHCARE ORGANIZATIONS THE SOLE MEMBER OR STOCKHOLDER OF EACH ENTITY IS ST LUK ES ST LUKE'S IS AN INTEGRATED NETWORK OF HEALTHCARE PROVIDERS THROUGHOUT THE STATE OF PENNSYLVANIA THAT PROVIDES SUBSTANTIAL COMMUNITY BENEFIT ST LUKE'S IS A REGIONAL NETWORK OF HOSPITALS, PHYSICIANS AND OTHER RELATED ORGANIZATIONS PROVIDING CARE PRIMARILY IN LEHIGH, NORTHAMPTON, MONROE, CARBON, SCHUYLKILL, BUCKS, MONTGOMERY AND BERKS COUNTIES IN PENNSYLVANIA AND WARREN COUNTY IN NEW JERSEY ST LUKE'S HEALTH NETWORK, INC IS THE SOLE CORPORATE MEMBER OF VARIOUS HEALTHCARE-RELATED ORGANIZATIONS, THE MAJORITY OF WHICH ARE TAX-EXEMPT ENTITIES THE INTERNAL REVENUE SERVICE HAS RECOGNIZED ST LUKE'S HEALTH NETWORK, INC AS BEING A TAX-EXEMPT ORGANIZATION UNDER IRS SECTION 501(C)(3) AS THE PARENT ORGANIZATION, ST LUKE'S HEALTH NETWORK, INC STRIVES TO CONTINUALLY DEVELOP AND OPERATE A MULTI-HOSPITAL HEALTHCARE NETWORK WHICH PROVIDES SUBSTANTIAL COMMUNITY BENEFIT THROUGH A COMPREHENSIVE SPECTRUM OF HEALTHCARE SERVICES TO THE RESIDENTS OF PENNSYLVANIA AND NEW JERSEY ST LUKE'S HEALTH NETWORK, INC ENSURES THAT ITS NETWORK PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY NO INDIVIDUALS ARE DENIED NECESSARY MEDICAL CARE, TREATMENT OR SERVICE MOREOVER, ST LUKE'S PROVIDES HEALTHCARE SERVICES TO PATIENTS WHO MEET CERTAIN CRITERIA UNDER ITS CHARITY CARE POLICY WITHOUT CHARGE OR AT AMOUNTS LESS THAN ESTABLISHED RATES COMMUNITY SUPPORT ----- IN KEEPING WITH ITS COMMITMENT TO THE COMMUNITIES IT SERVES, ST LUKE'S MINERS MEMORIAL HOSPITAL OFFERS A VARIETY OF FREE SERVICES/SCREENINGS FOR COMMUNITY-RUN EVENTS THROUGHOUT THE YEAR INCLUDING - UTILIZING NUMEROUS MEDIA OUTLETS TO EDUCATE THE COMMUNITY ABOUT HEALTH ISSUES THAT MAY IMPACT THEM, - ACTIVELY PARTICIPATING IN SCHUYLKILL ALLIANCE FOR HEALTHCARE ACCESS PROGRAMS INCLUDING DIABETES TASK FORCE, INTER FAITH HEALTH NETWORK, MENTAL HEALTH COMMITTEE, HEALTH ALLIANCE AND COMMUNITY HEALTH DAY, - YOUTH MENTORING PROGRAMS, AND - COMMUNITY OUTREACH PROGRAMS FOCUSING ON CHRONIC DISEASE MANAGEMENT, WELLNESS AND CHRONIC DISEASE PREVENTION, OBESITY PREVENTION, SUBSTANCE ABUSE (TOBACCO, ILLEGAL DRUGS AND ALCOHOL) AND STRONG HEALTH EDUCATION PROGRAMS TO DISSEMINATE POVERTY AND UNEMPLOYMENT</p>

Identifier	Return Reference	Explanation
OTHER PROGRAM SERVICES	CORE FORM, PART III, QUESTION 4D	EXPENSES INCURRED IN PROVIDING VARIOUS OTHER MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY PLEASE REFER TO THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT INCLUDED IN SCHEDULE O

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION A, QUESTIONS 6 & 7	ST LUKE'S HEALTH NETWORK, INC IS THE SOLE MEMBER OF THIS ORGANIZATION ST LUKE'S HEALTH NETWORK, INC HAS THE RIGHT TO ELECT THE MEMBERS OF THIS ORGANIZATION'S BOARD OF TRUSTEES AND HAS CERTAIN RESERVED POWERS AS DEFINED IN THIS ORGANIZATION'S BYLAWS

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION B, QUESTION 11b	<p>THE ORGANIZATION IS AN AFFILIATE IN THE ST LUKE'S HOSPITAL & HEALTH NETWORK ("NETWORK"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY NETWORK. ST LUKE'S HEALTH NETWORK, INC IS THE PARENT ENTITY OF THE NETWORK. THE ORGANIZATION'S FEDERAL FORM 990 WAS MADE AVAILABLE TO EACH VOTING MEMBER OF THE ORGANIZATION'S GOVERNING BODY (ITS BOARD OF DIRECTORS) PRIOR TO THE FILING WITH THE IRS. IN ADDITION THE ST LUKE'S HOSPITAL & HEALTH NETWORK FINANCE COMMITTEE ALSO PERFORMED A DETAILED REVIEW OF THE FEDERAL FORM 990 PRIOR TO MAKING IT AVAILABLE TO EACH VOTING MEMBER OF ITS BOARD OF DIRECTORS. ST LUKE'S HEALTH NETWORK, INC BOARD OF DIRECTORS HAS DELEGATED TO THE FINANCE COMMITTEE THE RESPONSIBILITY TO OVERSEE AND COORDINATE THE FEDERAL FORM 990 PREPARATION AND FILING PROCESS FOR THE TAX-EXEMPT AFFILIATES OF THE NETWORK. AS PART OF THE ORGANIZATION'S FEDERAL FORM 990 TAX RETURN PREPARATION PROCESS THE ORGANIZATION HIRED A PROFESSIONAL CPA FIRM WITH EXPERIENCE AND EXPERTISE IN BOTH HEALTHCARE AND NOT-FOR-PROFIT TAX RETURN PREPARATION TO PREPARE THE FEDERAL FORM 990. THE CPA FIRM'S TAX PROFESSIONALS WORKED CLOSELY WITH THE ORGANIZATION'S VICE PRESIDENT FINANCE AND SENIOR VICE PRESIDENT FINANCE AND VARIOUS OTHER INDIVIDUALS OF THE NETWORK TO OBTAIN THE INFORMATION NEEDED IN ORDER TO PREPARE A COMPLETE AND ACCURATE TAX RETURN. THE CPA FIRM PREPARED A DRAFT FEDERAL FORM 990 AND FURNISHED IT TO THE ORGANIZATION'S INTERNAL WORKING GROUP, INCLUDING, BUT NOT LIMITED TO, THOSE INDIVIDUALS OUTLINED ABOVE, FOR THEIR REVIEW. THE ORGANIZATION'S INTERNAL WORKING GROUP AND OTHER INDIVIDUALS REVIEWED THE DRAFT FEDERAL FORM 990 AND DISCUSSED QUESTIONS AND COMMENTS WITH THE CPA FIRM. REVISIONS WERE MADE TO THE DRAFT FEDERAL FORM 990 WHERE NECESSARY AND A FINAL DRAFT WAS FURNISHED BY THE CPA FIRM TO THE ORGANIZATION'S INTERNAL WORKING GROUP AND VARIOUS OTHER INDIVIDUALS FOR FINAL REVIEW AND APPROVAL PRIOR TO PRESENTATION OF THE FEDERAL FORM 990 TO THE MEMBERS OF THE ST LUKE'S HEALTH NETWORK, INC FINANCE COMMITTEE. FOLLOWING THE FINANCE COMMITTEE'S REVIEW THE FINAL FEDERAL FORM 990 WAS MADE AVAILABLE TO EACH VOTING MEMBER OF THE ORGANIZATION'S GOVERNING BODY PRIOR TO THE FILING WITH THE IRS.</p>

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION B, QUESTION 12	THE ORGANIZATION HAS A WRITTEN CONFLICT OF INTEREST POLICY AND REGULARLY MONITORS AND ENFORCES COMPLIANCE WITH THAT POLICY. THE POLICY REQUIRES THAT A CONFLICT OF INTEREST DISCLOSURE FORM CONSISTENT WITH BEST GOVERNANCE PRACTICES AND INTERNAL REVENUE SERVICE GUIDELINES BE CIRCULATED TO OFFICERS, DIRECTORS, AND KEY EMPLOYEES ANNUALLY. THE NETWORK'S CORPORATE COMPLIANCE OFFICER AND SENIOR VICE PRESIDENT/GENERAL COUNSEL ASSUME RESPONSIBILITY FOR THE COMPLETION OF THE CONFLICT OF INTEREST QUESTIONNAIRES AND ENFORCEMENT WITH THE POLICY. IF A DIRECTOR DISCLOSES AN INTEREST THAT COULD GIVE RISE TO A CONFLICT, THE DIRECTOR'S POTENTIAL CONFLICT MAY BE DISCLOSED TO THE BOARD OF DIRECTORS, WHICH EVALUATES THE CONFLICT AND ITS POTENTIAL IMPACT ON THE DIRECTOR'S PARTICIPATION ON THE BOARD. AFTER CONSULTATION AND DISCUSSION, THE BOARD OF DIRECTORS MAY TAKE ACTION, IF APPROPRIATE AND NECESSARY, TO ADDRESS ANY SUCH CONFLICT IN A MANNER CONSISTENT WITH THE ORGANIZATION'S CONFLICT OF INTEREST POLICY.

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION B, QUESTION 15	<p>Compensation Review Executive compensation for the health network consists of fixed salary, at-risk compensation and other deferred compensation arrangements Total compensation for network executives is approved annually by the network's Board of directors The recommended compensation is established through a multi-faceted approach including use of an independent consultant engaged on an ongoing basis by the Board of DIRECTORS and who works directly with the Executive Compensation Committee of the board Also included is the review of forms 990 and compensation surveys of other comparable healthcare organizations Please refer to the schedule J, part III response to Schedule J, Part I, Question 3 for a more detailed description</p>

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION C, QUESTION 19	THE ORGANIZATION'S FILED CERTIFICATE OF INCORPORATION AND ANY AMENDMENTS CAN BE OBTAINED AND REVIEWED THROUGH THE COMMONWEALTH OF PENNSYLVANIA SECRETARY OF STATE

Identifier	Return Reference	Explanation
COMPENSATION INFORMATION DISCLOSURE	CORE FORM, PART VII AND SCHEDULE J	PART VII AND SCHEDULE J REFLECT CERTAIN BOARD MEMBERS AND OFFICERS RECEIVING COMPENSATION AND BENEFITS FROM A RELATED ORGANIZATION PLEASE NOTE THIS REMUNERATION WAS FOR SERVICES RENDERED AS FULL-TIME EMPLOYEES OF THIS ORGANIZATION AND RELATED ORGANIZATIONS AND NOT FOR SERVICES RENDERED AS A VOTING MEMBER OR OFFICER OF THIS ORGANIZATION'S BOARD OF DIRECTORS

Identifier	Return Reference	Explanation
INDEPENDENT CONTRACTORS INFORMATION DISCLOSURE	CORE FORM, PART VII, SECTION B	<p>This organization is an affiliate within the St. Luke's Hospital & Health Network, a tax-exempt integrated healthcare delivery NETWORK. This organization's Form 990 reflects no top five independent contractors for services and that no Forms 1099 were filed with the Internal Revenue Service. A tax-exempt affiliate within the St. Luke's Hospital & Health Network, St. Luke's Hospital of Bethlehem, Pennsylvania, pays all outstanding accounts payable invoices on behalf of this organization. In conjunction with this service, St. Luke's Hospital of Bethlehem, Pennsylvania also prepares and issues Forms 1099 to these vendors receiving payments where applicable and also files these Forms 1099 with the Internal Revenue Service. St. Luke's Hospital of Bethlehem, Pennsylvania allocates these payments to this organization via an intercompany account.</p>

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	CORE FORM, PART XI, QUESTION 5	OTHER CHANGES IN NET ASSETS OR FUND BALANCES INCLUDE - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASES OF PROPERTY AND EQUIPMENT, NET OF SCHEDULE B AMOUNT, \$44,048, - CHANGE IN ADDITIONAL PENSION LIABILITY, \$386,304, - PLEDGES RECEIVED - TEMPORARILY RESTRICTED, (\$632,163), - NEW PLEDGES - TEMPORARILY RESTRICTED, \$780,781, - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASES OF PROPERTY AND EQUIPMENT - TEMPORARILY RESTRICTED, (\$44,048), - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR OPERATIONS - TEMPORARILY RESTRICTED, (\$2,565), - ALLOWANCE FOR PLEDGES WRITTEN OFF AND ACTUAL WRITE-OFFS - TEMPORARILY RESTRICTED, (\$24,055), - INCOME TRANSFER FROM ENDOWMENT - TEMPORARILY RESTRICTED, \$192 AND - INCOME TRANSFER TO TEMPORARILY RESTRICTED - PERMANENTLY RESTRICTED, (\$192)

Identifier	Return Reference	Explanation
AUDITED FINANCIAL STATEMENTS	CORE FORM, PART XII, QUESTION 2	THE ORGANIZATION IS AN AFFILIATE WITHIN THE ST LUKE'S HOSPITAL & HEALTH NETWORK ("NETWORK"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY NETWORK. THE NETWORK'S PARENT ENTITY IS ST LUKE'S HEALTH NETWORK, INC. AN INDEPENDENT CPA FIRM AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TAXPAYER AND ALL AFFILIATES FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010, RESPECTIVELY AND ISSUED A CONSOLIDATED FINANCIAL STATEMENT WITH CONSOLIDATING SCHEDULES BY ENTITY. AN UNQUALIFIED OPINION WAS ISSUED EACH YEAR BY THE INDEPENDENT CPA FIRM. THE NETWORK'S FINANCE COMMITTEE ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT OF THE NETWORK'S CONSOLIDATED FINANCIAL STATEMENTS AND THE SELECTION OF AN INDEPENDENT AUDITOR.

Identifier	Return Reference	Explanation
FINANCIAL STATEMENTS AND REPORTING	CORE FORM, PART XII, QUESTION 3	THIS ORGANIZATION IS AN AFFILIATE IN THE ST LUKE'S HOSPITAL & HEALTH NETWORK ("NETWORK") THE NETWORK'S FINANCE COMMITTEE ENGAGED AN INDEPENDENT ACCOUNTING FIRM TO PREPARE AND ISSUE A NETWORK WIDE CONSOLIDATED A-133 AUDIT THIS ORGANIZATION WAS INCLUDED IN THE NETWORK WIDE A-133 AUDIT

Identifier

Return Reference

Explanation

HOURS DEVOTED FOR RELATED ORGANIZATION

FORM 990 PART VII

NAME.CRAIG ZURN TITLE CHAIRMAN - DIRECTOR HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JOHN TRACY TITLE VICE CHAIRMAN - DIRECTOR HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME NANCY LESISKO TITLE SECRETARY - DIRECTOR HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ROBERT AMES TITLE TREASURER - DIRECTOR HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JAMES D BOHRI MD TITLE DIRECTOR HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME MICHAEL W FEGLEY TITLE DIRECTOR HOURS

Identifier

Return Reference

Explanation

HOURS DEVOTED FOR RELATED ORGANIZATION

FORM 990 PART VII

NAME KALMEN FEINBERG MD TITLE DIRECTOR HOURS

Identifier

Return Reference

Explanation

HOURS DEVOTED FOR RELATED ORGANIZATION

FORM 990 PART VII

NAME JOHN HART TITLE DIRECTOR HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.SMITA MODY MD TITLE.DIRECTOR HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JOSEPH D PERILLI ESQ TITLE DIRECTOR HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JOHN KOVATCH III TITLE DIRECTOR (7/1/10 - 8/30/10) HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.WILLIAM E MOYER TITLE.PRESIDENT (EFF 10/3/10) HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME THOMAS P LICHTENWALNER TITLE SVP FINANCE/CFO HOURS 54

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME RALPH D RICHARDS TITLE DIR OF REHAB (TERM 8/27/10) HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME KAREN J SMITH TITLE VP PATIENT SVCS(TERM 8/27/10) HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME THOMAS D GRETT TITLE PHARMACIST HOURS

Identifier

Return Reference

Explanation

HOURS DEVOTED FOR RELATED ORGANIZATION

FORM 990 PART VII

NAME MELISSA A HARTMAN TITLE PHARMACY MANAGER HOURS

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME LYNN S MONGI TITLE PHARMACIST HOURS

Identifier

Return Reference

Explanation

HOURS DEVOTED FOR RELATED ORGANIZATION

FORM 990 PART VII

NAME WILLIAM J CROSSIN TITLE FORMER OFFICER HOURS

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2010

Open to Public Inspection

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

Department of the Treasury
Internal Revenue Service

Name of the organization
CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number

25-1550350

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
See Additional Data Table							

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) EIGHTH & EATON 801 OSTRUM STREET BETHLEHEM, PA180151000 26-3017143	FINANCIAL VEHICLE	PA	BETHLEHEM					No			No	
(2) NEW VALLEY REHAB 2301 CHERRY LANE BETHLEHEM, PA18015 13-4257049	HEALTHCARE SVCS	PA	QUAKERTWN REHAB					No			No	
(3) WIND GAP PROF 3435 WINCHESTER ROAD SUITE 300 ALLENTOWN, PA181042284 23-2641715	HEALTHCARE SVCS	PA	BETHLEHEM					No			No	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) ST LUKE'S EIGHTH & EATON HOLDINGS INC 801 OSTRUM STREET BETHLEHEM, PA180151000 23-7192801	HEALTHCARE SVCS	PA	N/A	C CORP			
(2) ST LUKE'S HEALTH NETWORK INSURANCE COMP 801 OSTRUM STREET BETHLEHEM, PA180151000 75-2993150	FINANCIAL VEHICLE	VT	N/A	C CORP			
(3) ST LUKE'S HOSP OF BETH PA AMBUL SURGERY 801 OSTRUM STREET BETHLEHEM, PA180151000 23-3018850	HEALTHCARE SVCS	PA	N/A	C CORP			
(4) ST LUKE'S PHYSICIAN HOSPITAL ORG 801 OSTRUM STREET BETHLEHEM, PA180151000 23-2786818	HEALTHCARE SVCS	PA	N/A	C CORP			

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		No
1k		No
1l		No
1m		No
1n		No
1o		No
1p		No
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)			
(2)			
(3)			
(4)			
(5)			
(6)			

Part VII **Supplemental Information**

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

Identifier**Return Reference****Explanation****Schedule R (Form 990) 2010**

Software ID:

Software Version:

EIN: 25-1550350

Name: CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
ST LUKE'S HEALTH NETWORK INC 801 OSTRUM STREET BETHLEHEM, PA180151000 23-2384282	HEALTH SVCS	PA	501(C)(3)	509(A)(3)	NA		
ST LUKE'S HOSPITAL OF BETHLEHEM PA 801 OSTRUM STREET BETHLEHEM, PA180151000 23-1352213	HEALTH SVCS	PA	501(C)(3)	HOSPITAL	SLHN INC		
ST LUKE'S QUAKERTOWN HOSPITAL 801 OSTRUM STREET BETHLEHEM, PA180151000 23-1352203	HEALTH SVCS	PA	501(C)(3)	HOSPITAL	SLHN INC		
QUAKERTOWN REHABILITATION CENTER 801 OSTRUM STREET BETHLEHEM, PA180151000 23-2543924	HEALTH SVCS	PA	501(C)(3)	170B1AIII	SLHN INC		
ST LUKE'S EMERGENCY & TRANSPORT SVCS 801 OSTRUM STREET BETHLEHEM, PA180151000 23-2179542	HEALTH SVCS	PA	501(C)(3)	170B1AIII	SLHN INC		
ST LUKE'S PHYSICIAN GROUP INC 801 OSTRUM STREET BETHLEHEM, PA180151000 23-2380812	HEALTH SVCS	PA	501(C)(3)	509(A)(3)	SLHN INC		
VNA OF ST LUKE'S - HOME HEALTHHOSPICE 801 OSTRUM STREET BETHLEHEM, PA180151000 24-0795497	HEALTH SVCS	PA	501(C)(3)	509(A)(1)	BETHLEHEM		
HOMESTAR MEDICAL EQUIP & INFUSION SVCS 801 OSTRUM STREET BETHLEHEM, PA180151000 23-2418254	HEALTH SVCS	PA	501(C)(3)	509(A)(2)	VNA		
ST LUKE'S HHN AUXILIARY INC 801 OSTRUM STREET BETHLEHEM, PA180151000 23-2134479	FUNDRAISING	PA	501(C)(3)	170B1AIII	NA		

**St. Luke's Health Network, Inc.
and Controlled Entities**

**Consolidated Financial Statements and
Supplemental Information
June 30, 2011 and 2010**

St. Luke's Health Network, Inc. and Controlled Entities

Index

June 30, 2011 and 2010

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Report of Independent Auditors

The Board of Trustees
St. Luke's Health Network, Inc

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of St. Luke's Health Network, Inc. and its controlled entities (collectively, the "Network") at June 30, 2011 and 2010 and the results of their operations, changes in net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Network's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. Accordingly, we do not express an opinion on the financial position and results of operations. However, the consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

October 28, 2011

St. Luke's Health Network, Inc. and Controlled Entities
Consolidated Balance Sheet
June 30, 2011 and 2010

	2011	2010
Assets		
Current		
Cash and cash equivalents	\$ 82,725,894	\$ 139,595,830
Patient accounts receivable, net of allowance for uncollectible accounts of \$40,188,273 and \$51,280,863, respectively	131,253,158	136,334,145
Other accounts receivable	3,997,531	6,601,263
Investments	63,541,536	34,785,023
Inventories	12,709,033	13,178,322
Prepaid expenses	10,249,610	10,756,048
Assets limited as to use		
Funds held by trustee, required for current liabilities	10,020,838	9,501,807
Total current assets	<u>314,497,600</u>	<u>350,752,438</u>
Assets limited as to use, net of current portion		
Funds held by trustee	53,984,278	99,623,270
Under bond indenture	34,289,421	27,106,140
Board designated funds	<u>223,074,954</u>	<u>147,067,437</u>
	311,348,653	273,796,847
Property and equipment, net	484,848,300	426,815,635
Goodwill, net	7,336,712	7,611,120
Investments temporarily restricted as to use	17,525,676	10,889,582
Investments permanently restricted as to use	22,979,652	21,340,817
Deferred financing costs	5,541,791	5,806,557
Annuity contracts	7,881,693	5,274,414
Other assets	<u>16,477,781</u>	<u>16,202,713</u>
Total assets	<u>\$ 1,188,437,858</u>	<u>\$ 1,118,490,123</u>
Liabilities and Net Assets		
Current		
Accounts payable	\$ 42,841,824	\$ 37,460,510
Accrued salaries, wages and taxes	20,420,712	27,238,832
Accrued vacation and bonus	24,199,639	22,190,397
Current portion of self insurance reserves	14,129,862	15,054,874
Deferred income	3,945,113	4,156,042
Advance from third-party payors	2,398,101	2,398,101
Patent credit balances	10,576,785	11,230,610
Current portion of long-term debt	11,186,172	9,534,970
Current portion of accrued compensation payable	4,184,995	6,151,000
Accrued interest on long-term debt	7,649,511	7,130,481
Estimated third-party payor settlements	<u>13,249,913</u>	<u>24,247,314</u>
Total current liabilities	154,782,627	166,793,131
Long-term debt, net of current portion	400,413,367	406,030,115
Asset retirement obligation	3,559,036	3,546,905
Accrued compensation payable	100,439,924	133,757,796
Self insurance reserves	28,687,901	30,979,614
Swap contracts	34,084,440	46,729,784
Other noncurrent liabilities	589,363	602,019
Total liabilities	<u>722,556,658</u>	<u>788,439,364</u>
Net assets		
Unrestricted net assets	420,208,001	294,536,774
Temporarily restricted net assets	22,693,547	13,983,828
Permanently restricted net assets	<u>22,979,652</u>	<u>21,530,157</u>
Total net assets	<u>465,881,200</u>	<u>330,050,759</u>
Total liabilities and net assets	<u>\$ 1,188,437,858</u>	<u>\$ 1,118,490,123</u>

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

St. Luke's Health Network, Inc. and Controlled Entities
Consolidated Statement of Operations
Years Ended June 30, 2011 and 2010

	2011	2010
Revenues and gains		
Net patient service revenue	\$ 875,836,009	\$ 842,247,418
Other operating revenue and gains	21,525,632	19,852,116
Net assets released from restrictions used for operations	<u>2,023,726</u>	<u>1,362,057</u>
Total revenue and gains	<u>899,385,367</u>	<u>863,461,591</u>
Operating expenses		
Salaries and employee benefits	478,993,571	454,470,093
Supplies and other	279,329,144	272,869,053
Depreciation and amortization	45,916,921	48,556,290
Interest	13,784,086	14,259,713
Provision for bad debts	<u>57,889,408</u>	<u>51,693,660</u>
Total expenses	<u>875,913,130</u>	<u>841,848,809</u>
Income from operations	<u>23,472,237</u>	<u>21,612,782</u>
Nonoperating gains (losses)		
Unrestricted investment income from assets limited as to use	6,243,542	5,770,567
Realized losses on unrestricted investment	(1,169,790)	(3,660,993)
Gifts, grants and bequests	692,335	103,693
Unrestricted investment income from restricted net assets	464,561	666,637
Unrestricted investment (loss) income, other	4,049,134	(1,300,511)
(Loss) gain on disposal of property and equipment	(60,428)	90,079
Restructuring costs	(273,129)	-
Pre-acquisition/merger costs	(1,364,005)	-
Change in fair value of derivative instruments	3,517,586	2,479,760
Gain on retirement/purchase of bonds	<u>153,950</u>	<u>20,601,430</u>
Nonoperating gains	<u>12,253,756</u>	<u>24,750,662</u>
Excess of revenue and gains over expenses	35,725,993	46,363,444
Net assets released from restrictions used for purchase of property and equipment	7,045,643	4,348,185
Gain on sale of ambulatory surgery	13,058,999	-
Pension adjustment	33,678,542	(26,214,508)
Net effect of change in accounting principle - goodwill impairment	(2,782,024)	-
Change in unrealized gains on investments	29,816,316	16,830,951
Change in fair market value of interest rate swaps	<u>9,127,758</u>	<u>(11,518,808)</u>
Increase (decrease) in unrestricted net assets	<u>\$ 125,671,227</u>	<u>\$ 29,809,264</u>

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

St. Luke's Health Network, Inc. and Controlled Entities
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted net assets		
Excess of revenue and gains over expenses	\$ 35,725,993	\$ 46,363,444
Net assets contributed and released from restrictions used for purchase of property and equipment	7,045,643	4,348,185
Gain on sale of ambulatory surgery	13,058,999	-
Pension adjustment	33,678,542	(26,214,508)
Net effect of change in accounting principle - goodwill impairment	(2,782,024)	-
Change in unrealized gains on investments	29,816,316	16,830,951
Change in fair market value of derivatives	9,127,758	(11,518,808)
Increase in unrestricted net assets	<u>125,671,227</u>	<u>29,809,264</u>
Temporarily restricted net assets		
Contributions received	5,951,261	3,648,132
Net realized gains on investments	192	97,755
Net unrealized gains on investments	5,894,750	2,656,009
Net assets released from restrictions	(3,136,484)	(4,879,134)
Increase in temporarily restricted net assets	<u>8,709,719</u>	<u>1,522,762</u>
Permanently restricted net assets		
Contributions received	1,221,252	379,382
Net realized/unrealized gains on investments	228,243	311,187
Increase in permanently restricted net assets	<u>1,449,495</u>	<u>690,569</u>
Increase in net assets	135,830,441	32,022,568
Net assets		
Beginning of year	<u>330,050,759</u>	<u>298,028,191</u>
End of year	<u>\$ 465,881,200</u>	<u>\$ 330,050,759</u>

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

St. Luke's Health Network, Inc. and Controlled Entities
Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows provided by operating activities		
Change in net assets	\$ 135,830,441	\$ 32,022,568
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss (gain) on disposal of equipment	60,428	(90,079)
Depreciation and amortization	45,916,921	48,556,290
Equity losses from joint ventures and partnerships	(634,265)	7,156,853
Change in unrealized losses on unrestricted investments	(29,816,316)	(16,830,951)
Net realized gain on restricted investments	223,479	(130,845)
Net unrealized (gain) on restricted investments	(6,820,515)	(3,404,950)
Net realized loss on unrestricted investments	1,181,492	3,569,922
Pension adjustments	33,678,542	(26,214,508)
Swap contracts	(12,645,344)	7,790,794
Cumulative net effect of change in accounting	(2,782,024)	
Restricted contributions received	(6,698,662)	(3,556,672)
Provision for bad debts	57,889,408	51,693,660
Change in cash due to changes in operating assets and liabilities		
Patient accounts receivable	(52,808,421)	(44,665,945)
Other receivables	2,603,732	(418,740)
Inventories	469,289	1,266,659
Prepaid expenses	506,438	(418,623)
Other assets	(3,085,893)	(24,257,126)
Accounts payable and accrued liabilities	(81,135,469)	59,506,497
Patient credit balances	(653,825)	3,088,758
Net estimated third-party payor settlements	(10,997,401)	(7,470,936)
Deferred income	(210,929)	(246,125)
Net cash provided by operating activities	<u>70,071,106</u>	<u>86,946,501</u>
Cash flows used by investing activities		
Purchases of property, plant and equipment	(89,814,486)	(56,767,555)
Proceeds from sale of equipment	10,747	166,959
Decrease in assets whose use is limited, net	(39,252,329)	(25,005,153)
Sales of investments, net	(618,090)	16,650,942
Net cash used in investing activities	<u>(129,674,158)</u>	<u>(64,954,807)</u>
Cash flows provided by (used in) financing activities		
Proceeds from issuance of long-term debt	1,024,944	101,778,598
Repayments of long-term debt	(4,445,490)	(27,347,630)
Repurchase of St. Luke's 2007 Series Bonds	(545,000)	(72,660,000)
Proceeds from restricted contributions	6,698,662	3,556,672
Net cash provided by (used in) financing activities	<u>2,733,116</u>	<u>5,327,640</u>
Increase (decrease) in cash	(56,869,936)	27,319,334
Cash and cash equivalents		
Beginning of year	<u>139,595,830</u>	<u>112,276,496</u>
End of year	<u>\$ 82,725,894</u>	<u>\$ 139,595,830</u>
Construction in progress included in accounts payable	\$ 12,817,160	\$ 6,730,704
Interest paid	13,784,086	14,259,713

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

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

1. Organization, Mission and Basis of Presentation

St Luke's Health Network, Inc ("Parent") is a not-for-profit, tax-exempt corporation which controls the following acute care hospitals, organization of physician practices, and other health care related organizations serving Bethlehem, Pennsylvania and surrounding communities

- St Luke's Hospital of Bethlehem, Pennsylvania ("St Luke's Hospital"), which includes the seven following entities
 - St Luke's Health Network Insurance Company ("SLRRG")
 - St Luke's Hospital of Bethlehem, Pennsylvania Ambulatory Surgery, Ltd
 - Cancer Immunotherapies, LLC
 - St Luke's Eighth & Eaton Holding's, Inc
 - Eighth & Eaton Professional Building, L P
 - St Luke's HomeStar Services, LLC
 - St Luke's AirMed, LLC
 - St Luke's Wind Gap Property, LLC
 - St Luke's VNA ("VNA"), which includes the following two entities
 - VNA Home Health and Hospice
 - HomeStar Medical Equipment and Infusion Services
- St Luke's Quakertown Hospital
- St Luke's Physician Group, Inc
- LifeStar DBA St Luke's Emergency and Transport Services
- Quakertown Rehabilitation Center DBA St Luke's Rehabilitation Center
- Carbon-Schuylkill Community Hospital, Inc DBA St Luke's Miners Memorial Medical Center ("MMMC")

The Parent and controlled entities are referred to collectively as the St Luke's Health Network, Inc (the "Network")

The Network also participates in various joint ventures and partnerships. These arrangements enable the Network to provide healthcare services to the broader community through involvement in other healthcare organizations

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated 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 non-for-profit healthcare organizations

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent and its controlled entities. The Parent exercises control over its controlled entities through the appointment of members to the controlled entities' Board of Trustees ("Board"). The accounts of the controlled entities have been included in the consolidated financial statements to reflect the results of operations of entities under common control. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash management funds with original maturities of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under trust agreements. The carrying value of cash and cash equivalents approximates market value.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including interest, dividends and realized gains and losses on unrestricted investments), is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Realized and unrealized gains and losses on donor restricted investments are reported as changes in temporarily and permanently restricted net assets as stipulated by the donor.

The Network conducted an analysis and evaluation of securities for any potential "other than temporary impairment" of investments. If the decline in the market value of an investment below cost was deemed to be other than temporary, an adjustment would be made to reduce the cost basis of the investment(s) and a realized loss would be recorded in the excess of revenue over expenses. The Network did not have an "other than temporary impairment" adjustment for the years ended June 30, 2011 and 2010.

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Investment income and the change in unrealized gains (losses) on investments was comprised of the following for the years ended June 30

	2011	2010
Interest and dividend income	<u>\$ 8,034,975</u>	<u>\$ 6,971,315</u>
Realized gains (losses) on sales of investments	<u>\$ 7,938,894</u>	<u>\$ (3,540,148)</u>
Net unrealized gains on investments	<u>\$ 29,816,316</u>	<u>\$ 16,830,951</u>

Assets Limited as to Use and Investment Income

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the board of trustees for future capital improvements, over which the board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the network have been reclassified from assets limited as to use to current assets in the balance sheet at June 30, 2011 and June 30, 2010. Amounts reclassified to current assets were \$10,020,838 and \$9,501,807 for the years ended June 30, 2011 and 2010, respectively.

Inventories

Inventory is valued at average cost, net of reserves for obsolescence. Nonstock or nonstoreroom inventory is valued at the last purchase price or last in first out (LIFO).

Property and Equipment

Property and equipment acquisitions are recorded at cost for purchased items and fair value at the date of contribution for contributed items. Depreciation is expensed over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets. Upon sale or retirement, the cost and related accumulated depreciation of such assets are removed from the accounts and any resulting gain or loss realized is credited or charged to income for the period. Expenditures for maintenance and repairs are expensed as incurred. Significant renewals, improvements and betterments are capitalized.

Long Lived Assets

The Network evaluates the carrying value of its long lived assets for impairment when impairment indicators are identified. In the event that the carrying value of a long-lived asset is not supported by the fair value, the network will recognize an impairment loss for the difference. Fair value is based on available market prices or discounted cash flows.

Gifts of long-lived assets such as land, building, or equipment are reported as unrestricted support, and are excluded from the excess of revenue and gains over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Goodwill

Goodwill recorded in the accompanying consolidated balance sheets represents the excess of the fair market value of assets acquired over the purchase price when St. Luke's Physician Group acquired certain physician practices. Management reviews goodwill for impairment annually or when events and circumstances indicate that the carrying amount may not be recoverable.

The FASB issued new guidance Accounting Standards Update (ASU) 2010-07 on the acquisition of a business or nonprofit activity, the merger of two or more not-for-profit entities, Goodwill and other intangible assets acquired in the acquisition of a business or nonprofit activity by a not-for-profit entity, and noncontrolling equity interests in consolidated subsidiaries.

In accordance with the transition guidance in ASC 350-10-65-1, on adoption of the guidance in ASU 2010-07 the Network has ceased amortizing previously recognized goodwill and performed a transitional impairment test in accordance with ASC 350-20. Losses recognized as a result of the transitional test are reported as a change in accounting principle. Losses recognized as a result of impaired goodwill as of June 30, 2011 total \$2,782,024.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of bonds and are amortized over the life of the related debt using the effective interest method.

Annuity Contracts and Accrued Compensation Payable

The Network maintains a deferred compensation plan which provides supplemental retirement benefits for former officers and key management personnel. The Network has purchased annuity contracts to fund these benefits. These annuity contracts are included in the consolidated balance sheets at their current surrender value.

Self Insurance Reserves

Accrued insurance costs consist of discounted reserves for reported and incurred-but-not-reported (IBNR) claims related to medical malpractice incidents and the Network's self-insured retention for workers' compensation and employee health insurance incidents. For the years ended June 30, malpractice reserves and workers compensation reserves are discounted using a discount rate of 6.07% and 6.07%, respectively, in 2011 and 6.93% and 6.93%, respectively, in 2010.

Gift Annuities

The Hospital receives assets from donors in exchange for the promise to make fixed payments, over a specified period of time, to a recipient as designated by the donor. The Hospital discounts the liability for annuity contracts based on the annuitant's estimated life expectancy. These amounts are included in other noncurrent liabilities on the balance sheets. Any restricted assets remaining at the end of the annuity contract are placed into an endowment fund and the earnings on those funds are available for the general operations of the Network. Any unrestricted assets remaining at the end of the annuity contract are available for the general operations of the Network. The Network revalues the liability for annuity contracts quarterly and the related change is included as a change in net assets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets include assets whose use by the Network has been limited by donors to a specific time period or purpose. Also included in temporarily restricted net assets are unrecognized gains and losses on permanently restricted net assets. Permanently restricted net assets have been restricted by donors to be maintained by the Network in perpetuity.

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

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Donor Restricted Gifts

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

Net Patient Service Revenue

The Network has agreements with third-party payors who provide payments to the Network at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted from established charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews and investigations.

Included in net patient service revenue are changes in liability adjustments from third party payors with an overall net favorable adjustment of \$10,997,400 for 2011 as compared to favorable adjustment of \$7,470,937 for 2010.

The Pennsylvania General Assembly passed the Public Welfare Code amendment (Act 49) which was signed into law by the Governor, establishing a new program referred to as Medicaid Modernization. The program was subsequently approved by the federal Centers for Medicare and Medicaid Services. The program is designed to provide additional funding to Pennsylvania hospitals for the purpose of enhancing access to quality healthcare for qualifying Medicaid beneficiaries, helping to partially mitigate the losses incurred by hospitals resulting from low reimbursement rates. To accomplish this objective, for fiscal years 2011 through 2013, the program provides participating hospitals with improved inpatient fee-for-service hospital payments, establishes enhanced hospital payments through Medicaid managed care organizations (MCOs), and secures additional federal matching Medicaid funds through a Quality Care Assessment, under which hospitals pay the state a percentage of their net inpatient revenue for fiscal year 2011. During 2011, after deducting the cost of the assessment due to the state, the Network recognized additional operating margin of \$7,800,000 from the Pennsylvania Medicaid Modernization program.

Allowance for Doubtful Accounts

The Network records an allowance for doubtful accounts for estimated losses resulting from the unwillingness of patients to make payments for services. The allowance is determined by analyzing historical data and trends. Accounts receivable are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and collection efforts cease.

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Charity Care

The Network provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charges for services to patients who meet the Network's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The charges associated with these services for charity care provided by the Network approximate \$100,586,000 and \$79,000,000 in 2011 and 2010, respectively. The costs incurred to provide such care was approximately \$20,231,000 and \$16,340,000 for 2011 and 2010, respectively.

Excess of Revenue and Gains over Expenses

The consolidated statements of operations include the excess of revenue and gains over expenses. Changes in unrestricted net assets which are excluded from the excess of revenue and gains over expenses, consistent with industry practice, include assets released from donor restrictions to be used for purchases of property and equipment, donations of long-lived assets, net unrealized gains and losses on available for sale investments, pension adjustments, and change in fair market value of interest rate swaps meeting hedging criteria.

Income Taxes

The Parent and its controlled entities, excluding St. Luke's Health Network Insurance Company, a taxable reciprocal insurer, and HomeStar LLC, a distributor of medical equipment and pharmacy services, are Pennsylvania not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. On such basis, the Parent and its controlled entities will not incur any liability for federal income taxes, except for possible unrelated business income.

Interest Rate Swaps

The Network recognizes all derivative financial instruments in the balance sheet at fair value. The change in the fair value of derivatives that do not qualify for hedge accounting is recognized as a component of excess of revenues over expenses for the years ended June 30, 2011 and 2010. The change in the fair value of derivatives that qualify for hedge accounting are recognized through changes in unrestricted net assets on the statement of operations for the years ended June 30, 2011 and 2010.

3. Risks and Uncertainties

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations are subject to future government review and interpretations as well as regulatory actions unknown or unasserted at this time.

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
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4. Concentrations of Credit Risk

Financial instruments which subject the Network to concentrations of credit risk consist primarily of cash and cash equivalents, investments, assets limited as to use, and patient accounts receivable

The Network maintains cash, investments and assets limited as to use in banks, which include cash equivalents consisting of overnight repurchase agreements. Amounts are invested in a variety of financial instruments. The related values, as presented in the consolidated financial statements, are subject to various market fluctuations which include changes in the equity markets, interest rate environment and the general economic conditions. The FDIC insures funds up to \$250,000 per depositor.

The Network's patient accounts receivable consist of unsecured amounts due for patient services billed to patients and other third-party payors such as Medicare, Medical Assistance, Blue Cross and various commercial insurance companies and managed care companies. The primary service area of the Network is located in Lehigh, Northampton, Carbon, Schuylkill and Bucks Counties, Pennsylvania. The ability of these patients to pay is subject to changes in general economic conditions of the Network's service area. The Network performs ongoing credit evaluations and maintains reserves for potential credit losses.

The mix of receivables from patients and third-party payors at June 30, 2011 and 2010 was as follows:

	2011	2010
Medicare	20.1 %	21.0 %
Medical Assistance	6.3	6.8
Blue Cross/Highmark Blue Shield	18.1	17.3
Commercial/HMO/Other (includes Medicare HMO)	26.2	26.7
Self pay (includes balances of patients filing for Medicaid eligibility, but not yet approved)	29.3	28.2
	<u>100.0 %</u>	<u>100.0 %</u>

5. Charity Care and Community Service (Unaudited)

The Network maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of charges foregone based on established rates for services and the estimated cost of those services furnished under its charity care policy. Additionally, the Network sponsors certain other service programs and charity services which provide substantial benefit to the broader community. Such programs include services to needy populations and support including HIV treatments, medical and dental mobile vans, health fairs, community-based medical clinics, and teen pregnancy counseling.

The Network also participates in the Medical Assistance program which makes payment for services provided to financially needy patients at rates which are less than the cost of such services. Additionally, the Network provides services through the emergency room and clinics at a substantial loss.

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
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6. Third-Party Agreements

For the years ended June 30, 2011 and 2010, payment arrangements with the Network and third-party payors were as follows

Medicare

Payments to St. Luke's Hospital, St. Luke's Quakertown Hospital and MMMC from the Medicare program for inpatient acute care services are made on a prospective basis. Under this program, payments are made at a predetermined specific rate for each discharge based on the patient's diagnosis.

Outpatient services are reimbursed under the Ambulatory Payment Classification System except for clinical lab which is paid on a fee schedule and a prospective predetermined rate for renal.

Capital Blue Cross/Highmark Blue Shield

Inpatient services rendered to Capital Blue Cross/Highmark Blue Shield subscribers are reimbursed at prospectively determined per case rates. St. Luke's Quakertown Hospital is subject to a retroactive adjustment under the current Capital Blue Cross contract. Outpatient services for Capital Blue Cross are reimbursed on an interim basis on a percentage of charges for St. Luke's Quakertown Hospital and MMMC's and payments are later reconciled using a cost report device. There is no final settlement process for St. Luke's Hospital.

Inpatient services rendered to Blue Cross/Highmark Blue Shield subscribers are reimbursed at a per case basis. Outpatient services are reimbursed based upon established fee schedules.

Medicaid

The Pennsylvania Medical Assistance program ("PMA") reimburses St. Luke's Hospital, St. Luke's Quakertown Hospital and MMMC for inpatient services and capital costs on a prospective basis. Payments for inpatient services are made at a predetermined specific rate for each discharge based on the patient's diagnosis. Outpatient services are reimbursed on the basis of an established fee schedule.

Other

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

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

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7. Fair Value Measurements

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

The accounting guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Financial instruments measured at fair value are based on valuation techniques noted below consistent with fair value guidance. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Network for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from exchange or dealer markets. The Network does not adjust the quoted price for such assets and liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within level 2.

The total return swaps are less liquid and inputs are unobservable and as such are classified within level 3. While the valuation of these less liquid derivatives may utilize some level 1 and/or level 2 inputs, they also include other unobservable inputs which are considered significant to the fair value determination. At each measurement date, the Network updates the level 1 and level 2 inputs to reflect observable inputs, though the resulting gains and losses are reflected within level 3 due to the significance of the unobservable inputs.

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

St. Luke's Health Network, Inc. and Controlled Entities
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Financial instruments carried at fair value as of June 30, 2011, and 2010 are as follows

	June 30, 2011			Total Fair Value
	Quoted Prices Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Money market funds	\$ 34,438,169	\$ -	\$ -	\$ 34,438,169
Government securities	88,721,968	-	-	88,721,968
Corporate bonds	1,060,000	-	-	1,060,000
Common and preferred stock	521,656	-	-	521,656
Mutual funds	300,674,561	-	-	300,674,561
Total investments	<u>\$ 425,416,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,416,354</u>
Derivative financial instruments				
Cost of funds hedge - floating to fixed rate	\$ -	\$ 35,845,669	\$ -	\$ 35,845,669
Fixed receiver swaps	-	1,766,117	-	1,766,117
Total return swap	-	-	(3,527,346)	(3,527,346)
Interest rate swaps-liability	<u>\$ -</u>	<u>\$ 37,611,786</u>	<u>\$ (3,527,346)</u>	<u>\$ 34,084,440</u>
	June 30, 2010			
	Quoted Prices Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investments				
Money market funds	\$ 32,657,877	\$ -	\$ -	\$ 32,657,877
Government securities	115,404,686	-	-	115,404,686
Corporate bonds	4,869,518	-	-	4,869,518
Common and preferred stock	521,656	-	-	521,656
Mutual funds	196,860,339	-	-	196,860,339
Total investments	<u>\$ 350,314,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,314,076</u>
Derivative financial instruments				
Cost of funds hedge - floating to fixed rate	\$ -	\$ 46,401,272	\$ -	\$ 46,401,272
Fixed receiver swaps	-	338,272	-	338,272
Total return swaps	-	-	(9,760)	(9,760)
Interest rate swaps-liability	<u>\$ -</u>	<u>\$ 46,739,544</u>	<u>\$ (9,760)</u>	<u>\$ 46,729,784</u>

St. Luke's Health Network, Inc. and Controlled Entities
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The following table is a roll-forward for those financial instruments classified by the Network as Level 3 within the fair value hierarchy defined above

	Interest Rate Swaps
Fair value at July 1, 2009	\$ (2,470,000)
Gains/(losses)	<u>2,479,760</u>
Fair value at June 30, 2010	9,760
Gains/(losses)	<u>3,517,586</u>
Fair value at June 30, 2011	<u>\$ 3,527,346</u>

All unrealized gains (losses) in the table above are reflected in the accompanying statement of operations

8. Investments in Joint Ventures and Partnerships

St Luke's Hospital is a Class B member of the St Luke's Physician Hospital Organization, Inc ("PHO") The PHO has two classes of members Class A members consist of primary care and specialist physicians and Class B members consist of member hospitals, St Luke's being the only Class B member hospital

St Luke's Hospital holds a 49 50% interest in the St Luke's North Dialysis Center ("SLNDC"), which provides dialysis treatment services in the Lehigh Valley In connection with the formation of the SLNDC, the Hospital guaranteed the debt of the SLNDC up to a maximum of \$400,000 The guarantee expires upon repayment of the debt

St Luke's Health Network holds a 50% interest in the Center for Oral and Maxillofacial Surgery and Implantology at St Luke's, LLC, which was organized on May 12, 2005 and provides oral surgery services which enables the joint venture to respond to community needs

St Luke's Hospital holds a 50% interest in Dialysis Limited, LLC, which was incorporated to serve as the general partner and to own 1% interest in St Luke's North Dialysis Center, L P

Quakertown Rehab holds a 50% interest in New Valley Rehab, LLC ("NVR") which provides outpatient physical therapy services in the Lehigh Valley In connection with the formation of NVR the Network guaranteed 50% of the debt of NVR The guarantee expires upon repayment of the debt, which is scheduled to mature in 2012 Quakertown Rehab also holds a 50% interest in New Valley Properties, LLC ("NVP") whose purpose is the purchase, ownership, management, operation, leasing and sale of real estate related directly or indirectly to the outpatient physical therapy centers operated by NVR Quakertown Rehab, St Luke's Physical Therapy and similar health care facilities In connection with the formation of NVP the Network guaranteed 50% of the debt of NVP The guarantee expires upon repayment of the debt, which is scheduled to mature in 2031

St Luke's Hospital holds a 50% interest in Pocono MRI Imaging & Diagnostic Center, LLC, which provides imaging and diagnostic services in the Pocono area

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The Network also maintains other investments in partnerships that provide various clinical and nonclinical services. The Network's investments in the partnerships are accounted for under the equity method. The total investments in joint ventures and partnerships of approximately \$8,203,293 and \$9,612,654 for the years ended June 30, 2011 and 2010, respectively, are included in other assets on the consolidated balance sheets.

9. Property and Equipment

Property and equipment and related accumulated depreciation at June 30, 2011 and 2010 consisted of the following:

	2011	2010
Land	\$ 81,801,364	\$ 72,158,658
Buildings and improvements	396,720,655	383,964,508
Equipment	408,193,467	385,256,549
Parking garage	16,054,980	15,886,315
Total property, plant, and equipment, gross	<u>902,770,466</u>	<u>857,266,030</u>
Less Accumulated depreciation	531,273,585	486,106,846
Total property, plant and equipment, net	<u>371,496,881</u>	<u>371,159,184</u>
Construction-in-progress (CIP)	113,351,419	55,656,451
Total property, plant and equipment, net and CIP	<u>\$ 484,848,300</u>	<u>\$ 426,815,635</u>

Depreciation expense was approximately \$43,931,075 and \$44,588,550 for the years ended June 30, 2011 and 2010, respectively. Interest that was capitalized was approximately \$3,805,000 and \$7,971,000 for the years ended June 30, 2011 and 2010, respectively.

St. Luke's Health Network, Inc. and Controlled Entities
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10. Long-Term Debt

Long-term debt at June 30, 2011 and 2010 consisted of the following

	2011	2010
Quakertown General Authority - 1996A Pooled Financing Loan issued by the Quakertown General Authority at a variable rate	\$ 8,092,321	\$ 9,411,531
Hospital Revenue Bonds, Series 2007, issued by the Lehigh County General Purpose Authority	128,805,000	129,350,000
Hospital Revenue Bonds, Series 2008A, issued by Northampton County General Purpose Authority, net of unamortized discount	172,449,786	172,361,694
Hospital Revenue Bonds, Series 2010A, 2010B, 2010C, issued by Northampton County General Purpose Authority	66,879,861	70,094,233
TD Bank, N A note payable	29,049,134	29,300,000
Various notes and mortgage notes payable at various interest rates	6,323,437	5,047,627
	<u>411,599,539</u>	<u>415,565,085</u>
Less Current portion	11,186,172	9,534,970
	<u>\$ 400,413,367</u>	<u>\$ 406,030,115</u>

Scheduled maturities, assuming no amounts are tendered that cannot be remarketed, for the years ending June 30 are as follows

Fiscal Year	Long-Term Debt
2012	\$ 11,186,172
2013	7,394,733
2014	6,714,900
2015	6,942,260
2016	7,328,384
Thereafter	<u>374,408,708</u>
	413,975,157
Less Amount of unamortized bond discount/imputed interest	2,375,618
	<u>\$ 411,599,539</u>

St. Luke's Health Network, Inc. and Controlled Entities
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The fair market value of outstanding debt as of June 30, 2011 is as follows

	Par Amount	Fair Market Value
Quakertown General Authority 1996A Pooled Financing Loan	\$ 8,092,321	\$ 8,092,321
Series 2007	128,805,000	80,434,560
Series 2008	175,000,000	163,055,926
Series 2010	66,550,000	68,419,986
	<u>\$ 378,447,321</u>	<u>\$ 320,002,793</u>

The fair value of long-term debt is estimated using market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Quakertown General Authority – 1996A Pooled Financing Loan

On March 1, 1997, St. Luke's Hospital borrowed approximately \$21,700,000 from the Quakertown General Authority. St. Luke's represents one of many borrowers who participated in the \$77,900,000 Quakertown General Authority Variable Demand Revenue Bonds (Pooled Financing Program) Series of 1996A. For security of the bondholders of the 1996A Bonds, the Quakertown General Authority entered into a Letter of Credit with PNC Bank National Association. The Bonds were offered on the basis of the financial strength of PNC Bank National Association, not the individual borrowers of the 1996A Pooled Financing Program. The Bonds are seven day variable rate demand bonds that are remarketed by the remarketing agent (PNC Capital Markets) and if for some reason the Bonds could not be remarketed, then the Bonds would become Bank Bonds and held by the Bank until they were remarketed. During the time the Bonds are held by the Bank, St. Luke's would continue with the loan according to the Loan agreement between St. Luke's and the Quakertown General Authority.

The proceeds from the borrowings on the 1996A Bond Pool were used to refinance previous borrowings from the Quakertown Variable Rate Demand Bond Pool Series 1995 and to finance certain capital improvement projects. The term of the Loan is 238 months, payable in full by January 1, 2017 and will bear interest at a variable rate. At June 30, 2011 and 2010, the rate (including bond and obligated group expense) was 2.0% and 1.76%, respectively.

The obligation of St. Luke's to repay the Loan is evidenced by a note issued under and pursuant to the term of the amended 1987 Master Trust Indenture. The original trust indenture, lease agreement and all subsequent supplemental agreements contain certain covenants of the Obligated Group and the Quakertown Obligated Group including, but not limited to, covenants requiring that the Obligated Group and the Quakertown Obligated Group will generate net revenues, as defined, equal to at least 150% of annual debt service.

Hospital Revenue Bonds, Series 2007

On February 21, 2007, the Lehigh County General Purpose Authority issued \$266,310,000 of its Hospital Revenue Bonds, Series 2007 (the "2007 Bonds"). The proceeds of the 2007 Bonds were used by the Hospital to undertake various construction projects (primarily the expansion of St. Luke's Hospital in Allentown), purchase of capital equipment, refunding of previous bond offerings and to pay for certain costs and expenses related to the issuance of the bonds.

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The Hospital entered into the Master Trust Indenture with the Master Trustee and is currently the sole member of the Obligated Group. Under the Master Trust Indenture, all of the Bonds previously issued by the Authority under the indenture are collateralized by notes issued by the Hospital. The 2007 Bonds are collateralized by a note issued by the Hospital under the Master Trust Indenture.

The 2007 Bonds were issued in a quarterly reset variable rate mode. Each maturity will bear interest from the date of their delivery (February 21, 2007) or from the most recent Interest Payment Date to the next succeeding Interest Payment Date, at a per annum rate equal to (a) 67% of the Three-Month LIBOR Rate for such period plus (b) the per annum spread specified in the following table, except that the 2007 Bonds may not bear interest in any interest period at more than a maximum rate of 15% per annum.

Term Bonds	Spread Above 67% of the Three-Month LIBOR Rate
\$110,420,000 Variable, due 8/15/2033 original	92 basis points
\$49,905,000 due 8/15/2033 after redemption – see note below	
\$155,890,000 Variable, due 8/15/2042 original	102 basis points
\$78,900,000 due 8/15/2039 after redemption – see note below	

Interest is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. The 2007 Bonds bear interest at the Index Rate until maturity or the earlier redemption thereof, and are not subject to conversion to another interest rate.

Redemption of Series 2007 Bonds

A total of \$545,000 of the Lehigh County General Purpose Authority Hospital Revenue Bonds, Series 2007 Term Bonds were cancelled as a result of St. Luke's purchasing and then redeeming them with payments credited against the sinking fund installments.

The Network recorded a Nonoperating realized gain of \$153,950 on the bond purchases which is included as a Nonoperating gain in the FY 2011 Statement of Operations.

Hospital Revenue Bonds, Series 2008

On June 11, 2008, the Northampton County General Purpose Authority issued \$175,000,000 of its Hospital Revenue Bonds, Series A of 2008 (the "2008 Bonds") under a Loan and Trust Agreement by and among the Northampton County General Purpose Authority, Saint Luke's Hospital and Wells Fargo Bank, National Association, as trustee.

The 2008 Bonds were issued to provide funds for various construction projects (primarily the construction of the St. Luke's Anderson Campus), purchase of capital equipment, purchase of land in Bethlehem Township and to pay for certain costs and expenses related to the issuance of the bonds.

The Hospital entered into the Master Trust Indenture with the Master Trustee and is currently the sole member of the Obligated Group. Under the Master Trust Indenture all of the Bonds previously issued by the Lehigh County General Authority and the Quakertown General Authority are secured by notes issued by the Hospital. The 2008 Bonds will also be secured by a note issued by the Hospital under the Master Trust Indenture.

St. Luke's Health Network, Inc. and Controlled Entities
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The 2008 Bonds of each maturity will bear interest from the date of their initial delivery or from the most recent Interest Payment Date to which interest thereon has been paid or duly provided for to the next succeeding Interest Payment Date, at a fixed rate

Year (August 15)	Amount	Interest Rate	Yield
2019	\$ 4,260,000	5 000 %	5 010 %
2020	4,480,000	5 000	5 110
2021	4,715,000	5 125	5 190
2022	4,965,000	5 250	5 260
2023	5,235,000	5 250	5 320
2024	5,520,000	5 250	5 370
2028	25,270,000	5 375	5 490
2035	59,960,000	5 500	5 600
2040	60,595,000	5 500	5 660

Interest on the 2008 Bonds will be payable on each August 15 and February 15, commencing on August 15, 2008 Interest on the 2008 Bonds will be computed on the basis of 360-day year of twelve 30 day months

Hospital Revenue Bonds, Series 2010

On May 13, 2010, the Northampton County General Purpose Authority issued \$69,730,000 of its Hospital Revenue Bonds The \$69,730,000 Northampton County General Purpose Authority Hospital Revenue Bonds, consisting of \$24,415,000 aggregate principal amount of Hospital Revenue Bonds Series 2010A (Saint Luke's Hospital Project), \$10,390,000 aggregate principal amount of Hospital Revenue Bonds Series 2010B (Saint Luke's Hospital Project) and \$34,925,000 aggregate principal amount of Hospital Revenue Bonds Series 2010C (Saint Luke's Hospital Project) The 2010 Bonds are issued under that certain Loan and Trust Agreement, dated as of June 1, 2008 by and among the Northampton County General Purpose Authority, Saint Luke's Hospital of Bethlehem, Pennsylvania and Wells Fargo Bank, National Association, as trustee, as amended and supplemented by a First Supplemental Loan and Trust Agreement, dated as of May 1, 2010

The 2010 Bonds were issued to provide funds for the refunding of previous bond offerings, the construction and equipping of a medical office building on the Anderson Campus, and to pay for certain costs and expenses related to the issuance of the bonds

The Hospital requested that the Authority issue approximately \$29,300,000 of its bonds (the "Private Placement Bonds") to TD Bank, N A in a private placement (the "Private Placement") to finance capital projects and reimburse the Hospital for expenditures previously made The Private Placement Bonds are secured by a master note on a parity basis with the 2010 Bonds under the Master Trust Indenture

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

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11. Derivative Financial Instruments

In March 2008, the FASB issued new guidance intended to enhance the current disclosure framework for derivative instruments. This guidance requires disclosure of the underlying risk and accounting designation of derivative instruments. Specific required disclosures include (i) the organization's objective relative to the use of derivative instruments and the associated risk, (ii) a tabular presentation of derivative instruments' fair values and gain or loss position, and (iii) credit-risk-related contingent features. The new standard is effective for fiscal years and interim periods beginning after November 15, 2008. The Network has adopted this standard as of June 30, 2010.

At June 30, 2011, two floating to fixed interest rate swaps were outstanding with notional amounts totaling \$265.61 million and maturity dates ranging from August, 2033 to August, 2042. The bonds, issued in a quarterly reset LIBOR-based variable rate mode, will be swapped to a 4.60% fixed rate. The nature of the risk is to eliminate unpredictable variability of interest rate payments due to changes in the 3 month LIBOR rate as well as limit exposure to increases in short-term interest rates as well as significantly decrease borrowing costs (relative to a traditional fixed rate issuance). Based on the identical characteristics of the payment based index of the hedged item and the receipt based index on the interest rate swap, the hedge will exactly offset the variability of interest rates on the underlying bonds over the term of the swap transaction.

At June 30, 2011, three total return swaps were outstanding. In December 2007, St. Luke's executed a total return swap on a \$76 million portion of the outstanding Series 2007, 2042 term bond. In September 2009, St. Luke's executed a total return swap on a \$24 million portion of the outstanding Series 2007, 2033 term bond. Pursuant to these agreements, St. Luke's has guaranteed a price of 95.50% and 99.5%, respectively, on the underlying Bonds. St. Luke's has the right to call and redeem these bonds at any time as fully described in the Series 2007 Fifth Supplemental Trust Indenture. The swaps are recorded at the fair market value on the balance sheet and changes in value are posted through the excess of revenues and gains over expenses. In April 2010, St. Luke's executed a total return swap on a \$34.93 million portion of the outstanding Series 2010, 2032 term bond.

At June 30, 2011, ten fixed receiver swaps were outstanding with notional amounts totaling \$91.17 million and maturity dates ranging from August, 2032 to August, 2042 with fixed rates ranging from 3.28% to 3.48%. St. Luke's pays a rate based on the SIFMA index for each of these swaps.

The nature of the risk is to convert certain amounts of the two floating to fixed interest rate swaps to floating to floating interest rate obligations and to offset the negative periodic cash flows currently associated with the two floating to fixed interest rate swaps.

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2011 and 2010

	2011	2010
Purchase of property and equipment	\$ 2,737,567	\$ 1,982,291
Health education	7,585,303	5,184,143
Research and development	136,710	109,154
Unrealized gains on restricted net assets for health care services	12,233,967	6,708,240
	<u>\$ 22,693,547</u>	<u>\$ 13,983,828</u>

Permanently restricted net assets at June 30, 2011 and 2010 were restricted to

	2011	2010
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as other operating and nonoperating income)	<u>\$ 22,979,652</u>	<u>\$ 21,530,157</u>

Endowments

The Network's endowment consists of approximately \$22,979,652 individual donor restricted endowment funds and \$56,245,051 board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Trustees of the Network has interpreted the relevant PA state law as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Network classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The funds remain in the donor-restricted endowment fund until those amounts are appropriated for expenditure of the Network in a manner consistent with the standard of prudence prescribed by relevant PA state law. In accordance with relevant PA state law, the Network considers the following factors in making a determination to appropriate or accumulate endowment funds

- (1) The duration and preservation of the fund
- (2) The purposes of the Network and the donor restricted endowment fund
- (3) General economic conditions

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Network
- (7) The investment policies of the Network

The Network had the following endowment activities during the year ended June 30, 2011 delineated by net asset class and donor-restricted versus Board-designated funds

Endowment net asset composition by type of fund as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 13,811,034	\$ 22,979,652	\$ 36,790,686
Board-designated endowment funds	56,245,051	-	-	56,245,051
Total endowment funds	<u>\$ 56,245,051</u>	<u>\$ 13,811,034</u>	<u>\$ 22,979,652</u>	<u>\$ 93,035,737</u>

Changes in endowment net assets for the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 45,133,182	\$ 7,982,367	\$ 21,530,157	\$ 74,645,706
Investment return				
Investment income	1,093,438	-	756,096	1,849,534
Donor restricted investment income	-	-	-	-
Net depreciation (realized and unrealized)	9,204,802	(15,254)	6,031,533	15,221,081
Total investment return	10,298,240	(15,254)	6,787,629	17,070,615
Gifts	681,790	-	1,221,253	1,903,043
Income released to general fund for operations	(43,500)	-	(540,126)	(583,626)
Transfer balance of net depreciation to unrestricted	175,339	5,843,922	(6,019,261)	-
Endowment net assets, end of year	<u>\$ 56,245,051</u>	<u>\$ 13,811,035</u>	<u>\$ 22,979,652</u>	<u>\$ 93,035,738</u>

Changes in endowment net assets for the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 39,840,380	\$ 5,267,420	\$ 20,839,588	\$ 65,947,388
Investment return				
Investment income	1,224,257	58,938	3,232,268	4,515,463
Donor restricted investment income	-	-	311,186	311,186
Net depreciation (realized and unrealized)	3,890,693	14,721	-	3,905,414
Total investment return	5,114,950	73,659	3,543,454	8,732,063
Gifts	94,102	-	379,383	473,485
Income released to general fund for operations	-	-	(507,229)	(507,229)
Transfer balance of net depreciation to unrestricted	83,750	2,641,289	(2,725,039)	-
Endowment net assets, end of year	<u>\$ 45,133,182</u>	<u>\$ 7,982,368</u>	<u>\$ 21,530,157</u>	<u>\$ 74,645,707</u>

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only)

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by relevant PA State law

Permanent endowment	\$ 22,800,127
Mortgage endowment	179,525
	<hr/>
Total endowment assets classified as permanently restricted net assets	\$ 22,979,652

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$0 and \$175,339 as of June 30, 2011 and 2010, respectively.

Return Objectives and Risk Parameters

The Network has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The Network expects its endowment funds over time, to provide an average rate of return approximating the S&P 500 Stock Index (domestic portion), MSCI EAFE Index (international portion) and Lehman Brothers Intermediate Government/Corporate Index (bond portion). Actual returns in any given year may vary from the index return amounts.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the Network relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Network targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Board of Trustees of the Network determines the method to be used to appropriate endowment funds for expenditure. Calculations are performed for individual endowment funds at a rate of 4.5 percent of a three-year moving average market value with a minimum increase of 0% and a maximum increase of 10% per year over the previous year's spending amount. The total is reduced by the income distributed from the endowment fund in accordance with the preferences/restrictions made by the donors. The corresponding calculated spending allocations are distributed annually by June 30. In establishing this policy, the Board considered the expected long term rate of return on its endowment. Accordingly, over the long term, the Network expects the current spending policy to allow its endowment to grow at an average of 8% percent annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

13. Contingencies

Operating Leases

The Network leases certain medical, office and information technology equipment used in its operations. Total rental expense for all operating leases for the years ended June 30, 2011 and 2010 was approximately \$12,345,884 and \$10,143,170, respectively.

At June 30, 2011, the annual and total future minimum lease payments under noncancelable operating leases were as follows:

	Operating
2012	\$ 11,140,374
2013	10,328,449
2014	9,538,761
2015	9,153,896
Total minimum payments	<u>\$ 40,161,480</u>

Litigation

The Network and its controlled entities are involved in certain litigation which involves professional and general liability. In the opinion of management and in-house counsel, the ultimate liability, if any, will not have a material effect on the consolidated financial condition of the Network and its controlled entities.

14. Functional Expenses

The Network provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2011 and 2010 are approximately as follows:

	2011	2010
Health care services	\$ 659,037,038	\$ 590,641,124
General and administrative	216,876,092	251,207,685
	<u>\$ 875,913,130</u>	<u>\$ 841,848,809</u>

15. Pension Plan

Defined Benefit Plan

The Network has a noncontributory defined benefit pension plan ("Plan") covering substantially all employees of the Network who were hired prior to January 1, 2009 (see New Pension Plan 401(a) note below). Plan benefits are based on years of service and the employee's average annual earned income during the highest 60 consecutive months in the last ten years of credited service prior to retirement or termination. The Network's policy is to fund annually at least the minimum amount required by the Employee Retirement Income Security Act of 1974.

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Retirement Benefit Restoration Plan

The Network also has an executive retirement benefit restoration (supplemental) plan which is an unfunded benefit arrangement for a select group of management-level employees. Its primary purpose is to provide for benefits that are not payable from the qualified pension plan due to maximum salary and maximum benefit limits associated with qualified plans. In addition, this plan provides for an additional early retirement supplement at age 60 for a subset of the select management-level employees. The Network recognizes in the consolidated balance sheets the funded status of this plan. As this plan was unfunded for the years ended June 30, 2011 and 2010, the Network has recorded a liability of approximately \$3,098,467 and \$2,828,658, respectively. This liability is included in accrued compensation payable on the 2011 and 2010 consolidated balance sheets.

Pension Plan 401(a)

All employees hired before January 1, 2009 remain participants in the noncontributory defined benefit pension plan (see Pension Plan, above).

All employees hired after January 1, 2009, are provided with a defined contribution plan 401(a) of which St. Luke's will contribute a percentage of the employee's salary based on the employee's years of service as follows:

Years of Service	% of Annual Salary
1 through 5	2.5 %
6 through 10	4.0
11 through 15	5.5
16+ years	7.0

The Network has recorded a reserve of \$425,004 for the year ended June 30, 2011. This liability is included in accrued compensation payable on the 2011 consolidated balance sheet.

Retirement Plan 401(k)

As of January 1, 2009, a 401(k) retirement savings plan replaces the 403(b) retirement savings plan for employees of St. Luke's HomeStar Services, LLC, a for-profit organization.

Pension Plan Financial Components

The Net pension cost for all Plans and Plan participants during the years ended June 30, 2011 and 2010, includes the following components:

Change in Benefit Obligation	2011	2010
Benefit obligation at beginning of year	\$ 292,531,010	\$ 230,029,016
Service cost	17,144,457	13,615,536
Interest cost	17,620,584	15,785,252
Benefits paid	(4,859,198)	(4,348,834)
Actuarial loss (gain)	(2,374,196)	37,450,040
Benefit obligation at end of year	<u>\$ 320,062,657</u>	<u>\$ 292,531,010</u>

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Change in Plan Assets	2011	2010
Fair value of plan assets at beginning of year	\$ 158,542,226	\$ 120,242,800
Actual return on plan assets	37,568,633	16,895,919
Employer contributions	33,318,064	25,669,999
Benefits paid	(4,859,198)	(4,348,834)
Employer contributions	-	82,342
Fair value of plan assets at end of year	<u>\$ 224,569,725</u>	<u>\$ 158,542,226</u>
Funded status at end of year	<u>\$ (95,658,472)</u>	<u>\$ (134,154,324)</u>

Amounts recognized in the statement of financial position consist of

	2011	2010
Noncurrent assets	\$ -	\$ -
Current liabilities	(2,235,000)	(208,000)
Noncurrent liabilities	<u>(93,423,472)</u>	<u>(133,946,324)</u>
	<u>\$ (95,658,472)</u>	<u>\$ (134,154,324)</u>

Amounts recognized in unrestricted net assets consist of

	2011	2010
Net loss (gain)	\$ 62,728,940	\$ 96,096,848
Transition obligation (asset)	-	-
Prior service cost (credit)	<u>591,965</u>	<u>902,600</u>
	<u>\$ 63,320,905</u>	<u>\$ 96,999,448</u>

The accumulated benefit obligation for all defined benefit pension plans was \$272,504,826 and \$244,899,234 at June 30, 2011 and 2010, respectively

Information for pension plans with an accumulated benefit obligation in excess of plan assets

	2011	2010
Projected benefit obligation	\$ 320,228,197	\$ 292,696,550
Accumulated benefit obligation	272,009,702	244,899,234
Fair value of plan assets	224,569,725	158,542,226

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Components of net periodic benefit cost and other amounts recognized in unrestricted net assets

Net Periodic Benefit Cost	2011	2010
Service cost	\$ 17,144,457	\$ 13,615,536
Interest cost	17,620,584	15,785,252
Expected return on plan assets	(13,215,056)	(10,543,855)
Amortization of net (gain) loss	6,640,135	4,638,000
Amortization of transition obligation (asset)	-	17,702
Amortization of prior service cost (credit)	310,635	310,635
Net periodic benefit cost	<u>\$ 28,500,755</u>	<u>\$ 23,823,270</u>

Other changes in plan assets and benefit obligations recognized in unrestricted net assets

Net loss (gain)	\$ (26,727,773)
Amortization of loss (gain)	(6,640,135)
Amortization of transition obligation	-
Amortization of prior service cost	(310,635)
Total recognized in unrestricted net assets	<u>\$ (33,678,543)</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ (5,177,788)</u>

The estimated net loss, transition obligation and prior service cost for the defined benefit pension plans that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$6,640,135, \$0 and \$310,635, respectively

Weighted-average assumptions used to determine benefit obligations at June 30, 2011

Discount rate	6 13 %
Rate of compensation increase	3 50

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30, 2011

Rate of compensation increase	3 50 %
Discount rate	6 07

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Plan Assets

The St. Luke's Hospital of Bethlehem Pennsylvania Pension Plan weighted-average asset allocations at June 30, 2011 and 2010, by asset category, are as follows

Asset Category	Plan Assets at June 30	
	2011	2010
Equity securities	69 %	66 %
Debt securities	31	34
	<u>100 %</u>	<u>100 %</u>

The Investments are broadly diversified in assets which over time provide the opportunity for appreciation and rising levels of income. The precise mix of assets is determined jointly by the Finance Committee and the Investment Committee and recommended to the Board of Trustees. The Finance Committee has discretion over the selection of individual securities and the weighting of the investments.

Equities

The Finance Committee directs that a reasonable diversification be maintained and in no case shall any single investment represent more than 5% of market value of the portfolios. At no time will less than 60% nor more than 80% of the combined market value of the funds be invested in equity or equivalent securities. This total equity will be weighted with a minimum of 20% and maximum of 70% U.S. Stocks and a minimum of 10% and maximum of 40% in International Stocks. Any exceptions are mutually agreed upon by the Manager and the Finance Committee either prior to the event or as soon as is practical.

Fixed Income

All fixed income securities purchased or retained by the Fund Manager are rated by at least one of the two recognized credit rating agencies (Moody's or Standard & Poor's) as "BBB" or better. Other "investment grade" issues, as defined by the rating agencies, but which may be unrated, may be purchased or retained so long as they represent no more than 5% of the market value of the portfolios. Other than obligations of the United States Government or its agencies and instrumentalities, no fixed income obligation shall represent more than 5% of the total market value of the portfolios. The Finance Committee directs that at no time will less than 10% nor more than 40% of the combined market value of the funds be invested in fixed income securities. Any exceptions are mutually agreed upon by the Fund Manager and the Finance Committee either prior to the event or as soon as practical.

Cash Equivalent, Money Market and Other Holdings

All cash is invested in short term interest bearing securities or other cash equivalent investments. Other than obligations of the United States Government and its Agencies or instrumentalities all such investments in corporate obligations, commonly known as commercial paper, shall both carry an investment rating by a recognized rating agency of A-1 or P-1. Any exceptions to the above guidelines are mutually agreed upon by the Fund Manager and the Finance Committee either prior to the event or as soon as is practical. The Finance and Investment Committees direct that at no time more than 10% of the combined market value of the funds be invested in cash or cash equivalents.

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Other investments not covered in the above guidelines (i.e., real estate), may be purchased and/or held at the request of the Finance Committee with the concurrence of the Investment Manager or at the recommendation of the Investment Manager with the concurrence of the Finance Committee

Cash Flows

Contributions

The Network expects to contribute \$23,035,000 to its pension plan in the 2012 fiscal year

Estimated Future Benefit Payments

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

2012	\$ 8,770,000
2013	8,065,000
2014	9,105,000
2015	10,315,000
2016-2021	<u>93,917,000</u>
	<u>\$ 130,172,000</u>

The following table presents the Plan's financial instruments as of June 30, 2011, measured at fair value on a recurring basis using the fair value hierarchy defined in note 7

June 30, 2011	Quoted Prices in Active Markets (Level 1)	Total Fair Value
Investments		
Money market funds	\$ 693,871	\$ 693,871
Government securities	45,986,348	45,986,348
Common and preferred stock	<u>177,889,506</u>	<u>177,889,506</u>
Total investments	<u>\$ 224,569,725</u>	<u>\$ 224,569,725</u>

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

16. Insurance Coverage

Effective December 13, 2001, the Parent, established St. Luke's Health Network Insurance Company, a wholly-owned captive insurance company licensed by the State of Vermont providing claims-made coverage, for the primary and excess layers of professional and general liability coverage for the Network. St. Luke's converted its pure captive to a risk retention group ("RRG") effective July 1, 2003. On January 1, 2005, the RRG was converted from a nonprofit risk retention group to a reciprocal risk retention group. As a reciprocal risk retention group, the St. Luke's Health Network Insurance Company is permitted to provide primary medical professional liability coverage on an occurrence basis to non-affiliated physicians and physician's practices. Under this structure each member of the St. Luke's Health Network Insurance Company, a Reciprocal Risk Retention Group ("SLRRRG") and only members of the St. Luke's Health Network will be issued Class A subscriber units. The Class A Members of the reciprocal retention group maintains control over the SLRRRG. At June 30, 2011 and June 30, 2010, the Network was covered through the SLRRRG by a Hospital Professional Liability policy, with limits of \$500,000 for each occurrence and \$2,500,000 in the aggregate and by a Physicians Professional Liability policy, with limits of \$500,000 for each occurrence, and \$1,500,000 in the aggregate. The SLRRRG also provides Class A subscribers excess layer professional liability coverage on a claims-made basis. This coverage is provided for losses limited to \$4 million per occurrence in excess of \$1 million with an annual aggregate of \$4 million. The reserve for malpractice claims maintained at June 30, 2011 and 2010 was approximately \$28,341,585 and \$31,538,955, and was estimated using a discount rate of 3.75% and 3.75%, respectively. The discount for Class A and Class B subscribers was \$3,205,204 and \$3,047,855 for June 30, 2011 and 2010, respectively.

The Network participates in the Medical Care Availability and Reduction of Error ("Mcare") Fund, which is a Pennsylvania governmentally authorized entity that for fiscal year 2010 covers claims above \$500,000 per medical incident up to \$1,500,000 aggregate per hospital and physician. The assessment for the Mcare Fund payable by the Network is based on the schedule of occurrence rates approved by the Insurance Commissioner of Pennsylvania for the Pennsylvania Professional Liability Joint Underwriting Association ("JUA") multiplied by the annual assessment percentage. The Network recognizes its assessment as expense in the period incurred.

The Network maintains accrued insurance reserves for its self-insured portion of expected workers' compensation claims of approximately \$5,494,218 and \$5,094,219 for the years ended June 30, 2011 and 2010, respectively. The impact of the discount was \$1,173,570 and \$1,709,741 for the years ended June 30, 2011 and 2010, respectively.

17. Cullen Litigation and Regulatory Proceedings

Charles Cullen, a nurse who was employed by St. Luke's and at least ten other hospitals and healthcare facilities in Pennsylvania and New Jersey over a period of 16 years, confessed to the murders of 13 patients at Somerset Medical Center in New Jersey, the murders of three patients at Warren Hospital in Phillipsburg, New Jersey, the murder of one patient at Easton Hospital in Easton, Pennsylvania, and the attempted murder of two patients and the murder of five patients at St. Luke's. Cullen was employed by St. Luke's from June 2000 to June 2002.

St. Luke's Health Network, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

St. Luke's was originally named in 28 Pennsylvania lawsuits alleging that patients were harmed or killed by Cullen while at St. Luke's. 12 of those lawsuits have been discontinued or dismissed without any payments to the plaintiffs. An additional lawsuit has been dismissed by the plaintiffs without a trial. On June 30, 2009, 10 of the remaining 15 cases were dismissed against St. Luke's, and the plaintiffs appealed the dismissals to the Pennsylvania Superior Court. On June 30, 2010, the Pennsylvania Superior Court affirmed the dismissal of two of those cases. The other eight cases were argued to the Pennsylvania Superior Court on September 21, 2010, but the Pennsylvania Superior Court has not yet issued its decision to affirm or reverse the dismissals.

Of the remaining five lawsuits, four involve a patient whom Cullen has confessed to killing, and one involves a patient that Cullen has confessed to attempted murder. These five lawsuits assert wrongful death and survival claims grounded in the alleged negligence of St. Luke's in the hiring and supervision of Cullen with respect to his intentional harming of patients, and, in the alternative, medical malpractice claims due to negligent performance by Cullen of his nursing duties. These claims were filed after the two-year statute of limitations, which St. Luke's has raised as a defense. On July 27, 2010, the Pennsylvania Superior Court affirmed the trial court's decision to allow these cases to go to trial. St. Luke's filed a petition for appeal before the Pennsylvania Supreme Court on October 22, 2010. Review by the Pennsylvania Supreme Court is discretionary and not guaranteed. If the Pennsylvania Supreme Court does not reverse the trial court's and the Superior Court's decisions in these five cases, then defense of these cases will continue at the trial level.

With respect to all these cases, the Hospital has denied any responsibility for patient deaths and is vigorously defending itself. In the event the Hospital has any liability, the Hospital believes that it has adequate insurance through a risk retention group to cover its litigation costs and any reasonably foreseeable liability resulting from these actions, and therefore any such liability should not be materially adverse to the financial condition of the Hospital. Accordingly, the Hospital has not accrued any liability for losses arising from the litigation.

18. Asset Retirement Obligations

In the year ended June 30, 2006, the Network adopted accounting guidance on Accounting for Conditional Asset Retirement Obligations. If a legal obligation to perform an asset retirement obligation exists but performance is conditional upon a future event, and the obligation can be reasonably estimated, then a liability should be recognized. Upon initial application of accounting regulatory guidance, the Network recognized \$3,486,249 of conditional asset retirement obligation included within our liabilities in the consolidated balance sheet. For the year ended June 30, 2011, the Network recognized \$130,562 in accretion and depreciation expense.

19. Subsequent Events

The Network has adopted FASB subsequent events guidelines. The objective of FASB is to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this Statement sets forth:

- (1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements.
- (2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements.

St. Luke's Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

- (3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date

The Network has performed an evaluation of subsequent events through October 28, 2011, which is the date the financial statements were available to be issued

St. Luke's Anderson Campus

St. Luke's Anderson Campus is located in Bethlehem Township. The campus will initially include a Cancer Center, Medical Office Building and community hospital. The Medical Office Building and Cancer Center opened in September 2011. The hospital is expected to open in November 2011.

Purchase of Warren Hospital

St. Luke's Hospital of Bethlehem, PA entered into an agreement to purchase Warren Healthcare, a health network including a community hospital based in Phillipsburg, New Jersey.

The agreement between Warren Healthcare and St. Luke's Hospital & Health Network has been endorsed by the Boards of Trustees of both organizations. The transaction is subject to certain conditions, including review and approval by various federal and New Jersey regulatory agencies. The anticipated completion date is the fourth quarter 2011. When completed, Warren Hospital will operate under the name St. Luke's Warren Hospital.

St. Luke's Health Network, Inc. and Controlled Entities
Consolidating Balance Sheet
June 30, 2011

Schedule I

	St Luke's Health Network, Inc	St Luke's Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	Eliminations	Consolidated Totals
Assets									
Current									
Cash and cash equivalents	\$ -	\$ 79,601,001	\$ 200,293	\$ 797,386	\$ 1,065	\$ -	\$ 2,126,149	\$ -	\$ 82,725,894
Investment in controlled entities	465,881,200							(465,881,200)	-
Patient accounts receivable, net		106,639,906	8,443,769	11,095,525	693,026		4,380,932		131,253,158
Other accounts receivable		3,654,223	198,370	40,384	23,086		81,468		3,997,531
Investments		63,525,474		16,062					63,541,536
Inventories		11,106,608		832,067			770,358		12,709,033
Prepaid expenses		8,571,264	955,579	317,568	41,182		364,017		10,249,610
Due from third parties									-
Due from affiliates									-
Assets limited as to use		10,020,838							10,020,838
Total current assets	465,881,200	283,119,314	9,798,011	13,098,992	758,359	-	7,722,924	(465,881,200)	314,497,600
Assets limited as to use									
Funds held by trustee, net of current portion		53,984,278							53,984,278
Under bond indenture		34,289,421							34,289,421
Board designated funds		221,541,294		1,533,660					223,074,954
	-	309,814,993	-	1,533,660	-	-	-	-	311,348,653
Property and equipment, net		432,241,885	10,860,428	24,426,965	483,089		16,835,933		484,848,300
Goodwill, net		68,466	7,268,246						7,336,712
Due from affiliates		46,850,481				1,013,198		(47,863,679)	-
Investments temporarily restricted as to use		16,686,303		153,837	1,698		683,838		17,525,676
Investments permanently restricted as to use		21,279,548		1,690,199			9,905		22,979,652
Deferred financing costs		5,541,791							5,541,791
Annuity contracts		7,881,693							7,881,693
Other assets		14,053,851		1,230,385		756,266	437,279		16,477,781
Total assets	\$ 465,881,200	\$ 1,137,538,325	\$ 27,926,685	\$ 42,134,038	\$ 1,243,146	\$ 1,769,464	\$ 25,689,879	\$ (513,744,879)	\$ 1,188,437,858

St. Luke's Health Network, Inc. and Controlled Entities
Consolidating Balance Sheet
June 30, 2011

Schedule I

	St Luke's Health Network, Inc	Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	Eliminations	Consolidated Totals
Liabilities and Net Assets									
Current									
Accounts payable	\$ -	\$ 40,114,383	\$ 1,641,890	\$ 483,905	\$ 16,354	\$ -	\$ 585,292	\$ -	\$ 42,841,824
Accrued salaries, wages and taxes		10,744,720	8,979,475	356,429			340,088		20,420,712
Accrued vacation		18,478,546	3,551,231	1,015,437	99,198	-	1,055,227	-	24,199,639
Current portion of self insurance reserves		14,129,862							14,129,862
Deferred income		3,937,579			7,534				3,945,113
Advance from third-party payors		2,099,500		38,400			260,201		2,398,101
Patient credit balances		8,974,276		1,275,136			327,373		10,576,785
Due to affiliates									-
Current portion of long-term debt		11,129,292	51,829				5,051		11,186,172
Current portion of pension costs		3,435,597	511,202	197,881	84		40,231		4,184,995
Accrued interest on long-term debt		7,649,511							7,649,511
Estimated third-party payor settlements		10,929,695		870,590			1,449,628		13,249,913
Total current liabilities	-	131,622,961	14,735,627	4,237,778	123,170	-	4,063,091	-	154,782,627
Due to affiliates		84,558	56,480,411	12,684,202	4,414,752		7,882,129	(81,546,052)	-
Long-term debt, net of current portion		400,299,518	90,435				23,414		400,413,367
Asset retirement obligation		3,247,932		65,030			246,074		3,559,036
Accrued compensation payable		82,454,333	12,268,859	4,749,156	2,023		965,553		100,439,924
Self insurance reserves		28,687,901							28,687,901
Other noncurrent liabilities		532,153		47,689			9,521		589,363
Swap Contracts		34,084,440							34,084,440
Total liabilities	-	681,013,796	83,575,332	21,783,855	4,539,945	-	13,189,782	(81,546,052)	722,556,658
Net assets									
Unrestricted net assets (liabilities)	419,570,051	448,614,113	(55,648,647)	17,392,973	(3,298,497)	1,769,464	11,378,595	(419,570,051)	420,208,001
Less Amounts due from affiliates		(33,682,373)						33,682,373	-
Net unrestricted net assets (liab	419,570,051	414,931,740	(55,648,647)	17,392,973	(3,298,497)	1,769,464	11,378,595	(385,887,678)	420,208,001
Temporarily restricted net assets	22,693,547	20,313,241		1,267,011	1,698		1,111,597	(22,693,547)	22,693,547
Permanently restricted net assets	22,979,652	21,279,548		1,690,199			9,905	(22,979,652)	22,979,652
Total net assets (liabilities)	465,243,250	456,524,529	(55,648,647)	20,350,183	(3,296,799)	1,769,464	12,500,097	(431,560,877)	465,881,200
Total liabilities and net assets	\$ 465,243,250	\$ 1,137,538,325	\$ 27,926,685	\$ 42,134,038	\$ 1,243,146	\$ 1,769,464	\$ 25,689,879	\$ (513,106,929)	\$ 1,188,437,858

St. Luke's Health Network, Inc. and Controlled Entities
Consolidating Balance Sheet
June 30, 2010

Schedule I

	St Luke's Health Network, Inc	St Luke's Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	Eliminations	Consolidated Totals
Assets									
Current									
Cash and cash equivalents	\$ -	\$ 139,278,306	\$ 30,840	\$ 57,000	\$ 65	\$ -	\$ 229,619	\$ -	\$ 139,595,830
Investment in controlled entities	330,050,759							(330,050,759)	-
Patient accounts receivable, net		112,652,930	6,897,581	11,559,686	682,503		4,541,445		136,334,145
Other accounts receivable		5,988,247	368,286	64,781	21,893	29,058	128,998		6,601,263
Investments		34,785,023							34,785,023
Inventories		11,607,075		707,361			863,886		13,178,322
Prepaid expenses		9,175,513	661,936	384,684	82,786	12,271	438,858		10,756,048
Due from affiliates									-
Assets limited as to use		9,501,807							9,501,807
Total current assets	330,050,759	322,988,901	7,958,643	12,773,512	787,247	41,329	6,202,806	(330,050,759)	350,752,438
Assets limited as to use									
Funds held by trustee, net of current portion		99,623,270							99,623,270
Under bond indenture		27,106,140							27,106,140
Board designated funds		145,859,213		1,208,224					147,067,437
	-	272,588,623	-	1,208,224	-	-	-	-	273,796,847
Property and equipment, net		379,393,719	10,186,691	19,342,294	498,033		17,394,898		426,815,635
Due from affiliates, noncurrent		48,758,360						(48,758,360)	-
Goodwill, net		219,512	7,388,634		2,974				7,611,120
Investments temporarily restricted as to use		10,258,723		230,559	1,486		398,814		10,889,582
Investments permanently restricted as to use		19,955,631		1,383,756			1,430		21,340,817
Deferred financing costs		5,806,557							5,806,557
Annuity contracts		5,274,414							5,274,414
Other assets		15,434,131		30,886		737,696			16,202,713
Total assets	\$ 330,050,759	\$ 1,080,678,571	\$ 25,533,968	\$ 34,969,231	\$ 1,289,740	\$ 779,025	\$ 23,997,948	\$ (378,809,119)	\$ 1,118,490,123

St. Luke's Health Network, Inc. and Controlled Entities
Consolidating Balance Sheet
June 30, 2010

Schedule I

	St Luke's Health Network, Inc	Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	Eliminations	Consolidated Totals
Liabilities and Net Assets									
Current									
Accounts payable	\$ -	\$ 35,738,717	\$ 684,109	\$ 360,389	\$ 31,537	\$ 16,795	\$ 628,961	\$ 2	\$ 37,460,510
Accrued salaries, wages and taxes		18,042,396	7,635,905	604,627			955,904		27,238,832
Accrued vacation		17,031,739	2,988,012	1,109,078	95,336	20,510	945,722		22,190,397
Current portion of self insurance reserves		15,054,874							15,054,874
Deferred income		4,112,877		7,059	7,350		28,756		4,156,042
Advance from third-party payors		2,099,500		38,400			260,201		2,398,101
Patient credit balances		9,358,830		1,494,641			377,139		11,230,610
Due to affiliates		12,905,762						(12,905,762)	-
Current portion of long-term debt		9,482,097	48,095				4,778		9,534,970
Current portion of pension costs		4,926,265	842,441	315,915	133		66,246		6,151,000
Accrued interest on long-term debt		7,130,481							7,130,481
Estimated third-party payor settlements		20,855,369		1,669,972			1,721,973		24,247,314
Total current liabilities	-	156,738,907	12,198,562	5,600,081	134,356	37,305	4,989,680	(12,905,760)	166,793,131
Due to affiliates			48,480,762	8,113,031	4,176,363	280,094	8,484,723	(69,534,973)	-
Long-term debt, net of current portion		405,859,658	142,263				28,194		406,030,115
Asset retirement obligation		3,236,749		64,807			245,349		3,546,905
Accrued compensation payable		108,274,568	17,528,879	6,572,777	2,769		1,378,803		133,757,796
Self insurance reserves		30,979,614							30,979,614
Other noncurrent liabilities		551,100		40,843			10,076		602,019
Swap contracts		46,729,784							46,729,784
Total liabilities	-	752,370,380	78,350,466	20,391,539	4,313,488	317,399	15,136,825	(82,440,733)	788,439,364
Net assets									
Unrestricted net assets (liabilities)	294,536,774	328,671,888	(52,816,498)	12,774,037	(3,025,234)	461,626	8,470,955	(294,536,774)	294,536,774
Less Amounts due from affiliates		(33,682,373)						33,682,373	-
Net unrestricted net assets (liab	294,536,774	294,989,515	(52,816,498)	12,774,037	(3,025,234)	461,626	8,470,955	(260,854,401)	294,536,774
Temporarily restricted net assets	13,983,828	13,363,045		230,559	1,486		388,738	(13,983,828)	13,983,828
Permanently restricted net assets	21,530,157	19,955,631		1,573,096			1,430	(21,530,157)	21,530,157
Total net assets (liabilities)	330,050,759	328,308,191	(52,816,498)	14,577,692	(3,023,748)	461,626	8,861,123	(296,368,386)	330,050,759
Total liabilities and net assets	\$ 330,050,759	\$ 1,080,678,571	\$ 25,533,968	\$ 34,969,231	\$ 1,289,740	\$ 779,025	\$ 23,997,948	\$ (378,809,119)	1,118,490,123

St. Luke's Health Network, Inc. and Controlled Entities
Consolidating Statement of Operations
Year Ended June 30, 2011

Schedule II

	St Luke's Health Network, Inc	St Luke's Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	Eliminations	Consolidated Totals
Net patient service revenue	\$ -	\$ 668 407 000	\$ 107 225 649	\$ 54 791 868	\$ 3 252 568	\$ 7 268	\$ 42 526 646	\$ (374 990)	\$ 875 836 009
Other operating revenue and gains		17 855 185	1 301 345	1 736 024	90 759		542 319		21 525 632
Net assets released from restrictions used for operations		1 812 693	201 663	7 500			1 870		2 023 726
Equity in net income from controlled entities	35 725 993							(35 725 993)	-
Total revenue	35 725 993	688 074 878	108 728 657	56 535 392	3 343 327	7 268	43 070 835	(36 100 983)	899 385 367
Operating expenses									
Salaries and employee benefits		325 090 171	103 331 134	26 310 850	2 427 911		21 833 505		478 993 571
Supplies and other		214 188 769	32 439 296	18 349 216	576 904		14 149 949	(374 990)	279 329 144
Depreciation and amortization		37 233 755	1 964 666	3 776 499	177 459		2 764 542		45 916 921
Interest		13 598 666	23 011	158 090	4 319				13 784 086
Provision for bad debts		44 352 947	6 510 133	4 746 778	466 646		1 812 904		57 889 408
Total expenses	-	634 464 308	144 268 240	53 341 433	3 653 239	-	40 560 900	(374 990)	875 913 130
Income (loss) from operations	35 725 993	53 610 570	(35 539 583)	3 193 959	(309 912)	7 268	2 509 935	(35 725 993)	23 472 237
Nonoperating gains (losses)									
Support of Physician Practices		(29 205 691)	30 496 740	(940 444)			(350 605)		-
Unrestricted investment income from assets limited as to use		6 168 315		75 227					6 243 542
Realized gain (loss) on unrestricted investment		(1 135 881)		(33 909)					(1 169 790)
Unrestricted gifts grants and bequests		646 607		38 133	4 925		2 670		692 335
Unrestricted investment income from restricted net assets		279 392		186 489			(1 320)		464 561
Unrestricted investment (loss) income		2 743 889				1 300 570	4 675		4 049 134
Gain (loss) on disposal of property and equipment		(60 428)							(60 428)
Restructuring Costs		(53 363)		(397)			(219 369)		(273 129)
Pre-Acquisition/Merger Costs		(1 364 005)							(1 364 005)
Unrealized gain (loss) on derivative		3 517 586							3 517 586
Gain on Retirement/Purchase of Bonds		153 950							153 950
Nonoperating gains	-	(18 309 629)	30 496 740	(674 901)	4 925	1 300 570	(563 949)	-	12 253 756
Excess (deficiency) of revenue and gains in excess of expenses	35 725 993	35 300 941	(5 042 843)	2 519 058	(304 987)	1 307 838	1 945 986	(35 725 993)	35 725 993
Net assets released from restrictions used for purchase of property and equipment		6 330 380		105 915	34 000		575 348		7 045 643
Extraordinary Gain on Sale of Ambulatory Surgery		13 058 999							13 058 999
Change in additional pension liability		26 666 896	4 917 101	1 707 544	697		386 304		33 678 542
Eighth & Eaton Professional Building L P Beginning Net Assets		9 127 758							9 127 758
Change in fair market value of total return SWAP		29 529 898		286 418					29 816 316
Net unrealized gains on investments									
Cumulative net effect of change in accounting principles		(72 643)	(2 706 407)		(2 974)				(2 782 024)
	35 725 993	119 942 229	(2 832 149)	4 618 935	(273 264)	1 307 838	2 907 638	(35 725 993)	125 671 227
Increase (decrease) in unrestricted net assets	\$ 35 725 993	\$ 119 942 229	\$ (2 832 149)	\$ 4 618 935	\$ (273 264)	\$ 1 307 838	\$ 2 907 638	\$ (35 725 993)	\$ 125 671 227

St. Luke's Health Network, Inc. and Controlled Entities
Consolidating Statement of Operations
Year Ended June 30, 2010

Schedule II

	St Luke's Health Network, Inc	St Luke's Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	Eliminations	Consolidated Totals
Net patient service revenue	\$ -	\$ 651 073 023	\$ 90 886 119	\$ 55 704 339	\$ 3 231 644	\$ 69 821	\$ 41 755 430	\$ (472 958)	\$ 842 247 418
Other operating revenue and gains		16 606 616	1 659 679	1 545 653	105 907		391 427	(457 166)	19 852 116
Net assets released from restrictions used for operations		1 316 928	43 661	953			515		1 362 057
Equity in net income from controlled entities	45 824 286							(45 824 286)	-
Total revenue	45 824 286	668 996 567	92 589 459	57 250 945	3 337 551	69 821	42 147 372	(46 754 410)	863 461 591
Operating expenses									
Salaries and employee benefits		316 884 956	87 209 343	24 577 444	2 506 568		23 291 782		454 470 093
Supplies and other		212 554 674	25 631 316	18 380 209	528 874		16 574 838	(800 858)	272 869 053
Depreciation and amortization		38 522 635	3 442 264	3 779 849	200 747		2 610 795		48 556 290
Interest		14 066 184	30 472	286 339	5 984			(129 266)	14 259 713
Provision for bad debts		39 318 208	5 615 831	5 066 315	427 200		1 266 106		51 693 660
Total expenses	-	621 346 657	121 929 226	52 090 156	3 669 373	-	43 743 521	(930 124)	841 848 809
Income (loss) from operations	45 824 286	47 649 910	(29 339 767)	5 160 789	(331 822)	69 821	(1 596 149)	(45 824 286)	21 612 782
Nonoperating gains (losses)									
Support of Physician Practices		(23 987 960)	25 232 937	(1 016 640)	-	-	(228 337)	-	-
Unrestricted investment income from assets limited as to use		5 738 012		32 555					5 770 567
Realized gain (loss) on unrestricted investment		(3 569 921)		(91 072)					(3 660 993)
Unrestricted gifts, grants and bequests		77 399		16 702	6 622		2 970		103 693
Unrestricted investment income from restricted net assets		586 920		80 509			(792)		666 637
Unrestricted investment (loss) income		(2 232 408)		(35)		929 211	2 721		(1 300 511)
Equity earnings from joint venture and partnerships									-
Gain (loss) on disposal of property and equipment		108 754		(18 675)					90 079
Gain on Retirement of Bonds		20 601 430							20 601 430
Unrealized gain (loss) on derivative		2 479 760							2 479 760
Nonoperating gains	-	(198 014)	25 232 937	(996 656)	6 622	929 211	(223 438)	-	24 750 662
Excess (deficiency) of revenue and gains in excess of expenses	45 824 286	47 451 896	(4 106 830)	4 164 133	(325 200)	999 032	(1 819 587)	(45 824 286)	46 363 444
Net assets released from restrictions used for purchase of property and equipment		3 075 887		174 375	24 237		1 073 686		4 348 185
Transfer between entity		1 277 054		22 946		(1 300 000)			-
Pension adjustment		(20 756 754)	(3 827 393)	(1 329 125)	(543)		(300 693)		(26 214 508)
Change in fair market value of 2007 SWAP contracts		(11 518 808)							(11 518 808)
Net unrealized gains on investments		16 629 747		201 204					16 830 951
Increase (decrease) in unrestricted net assets	\$ 45 824 286	\$ 36 159 022	\$ (7 934 223)	\$ 3 233 533	\$ (301 506)	\$ (300 968)	\$ (1 046 594)	\$ (45 824 286)	\$ 29 809 264