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Form 990

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)

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

THE VALLEY HOSPITAL INC

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address)

Room/suite

223 NORTH VAN DIEN AVENUE

City or town, state or country, and ZIP + 4

RIDGEWOOD, NJ 07450

F Name and address of principal officer

RICHARD KEENAN

223 NORTH VAN DIEN AVE

RIDGEWOOD, NJ 07450

H(a) Is this a group return for affiliates?

☐ Yes ☒ No

H(b) Are all affiliates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) ( ) ☐ (insert no ) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW.VALLEYHEALTH.COM

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1925

M State of legal domicile

NJ

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities THE VALLEY HOSPITAL SERVES THE COMMUNITY BY HEALING AND CARING FOR PATIENTS, COMFORTING THEIR FAMILIES AND TEACHING GOOD HEALTH		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	19
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	18
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	4,029
	6	Total number of volunteers (estimate if necessary)	6	1,559
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,843,360
	7b	Net unrelated business taxable income from Form 990-T, line 34	7b	-149,737
Revenue	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	18,671,430	10,345,743
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	583,869,015	593,897,928
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	10,294,933	8,690,204
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	9,448,628	11,197,153
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	622,284,006	624,131,028
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	0
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	304,031,804	302,130,572
	b	Total fundraising expenses (Part IX, column (D), line 25) $\rightarrow$ 0	0	0
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	245,027,341	242,483,237
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	549,059,145	544,613,809
Net Assets or Fund Balances	19	Revenue less expenses Subtract line 18 from line 12	73,224,861	79,517,219
	20	Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21	Total liabilities (Part X, line 26)	698,448,493	746,293,899
	22	Net assets or fund balances Subtract line 21 from line 20	152,982,470	187,990,661
			545,466,023	558,303,238

Part II

Signature Block

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

Sign Here

\*\*\*\*\*

Signature of officer

2012-12-20

Date

RICHARD KEENAN SENIOR VP & CFO

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

EDWARD G O'CONNOR

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)

P00434443

Firm's name (or yours if self-employed), address, and ZIP + 4

O'CONNOR DAVIES LLP

15 ESSEX RD

PARAMUS, NJ 076521412

EIN  $\rightarrow$  27-1728945

Phone no  $\rightarrow$  (201) 712-9800

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

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

THE VALLEY HOSPITAL SERVES THE COMMUNITY BY HEALING AND CARING FOR PATIENTS, COMFORTING THEIR FAMILIES AND TEACHING GOOD HEALTH THE VALLEY HOSPITAL IS DISTINGUISHED BY A COMMITMENT TO EXCELLENCE IN CLINICAL CARE, INNOVATION IN PROGRAMS AND TECHNOLOGY, AND PROVIDING A COMPASSIONATE AND RESPECTFUL ENVIRONMENT

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

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?

If “Yes,” describe these changes on Schedule O

4

Describe the organization’s program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 \$ 362,672,233 including grants of \$ ) (Revenue \$ 446,232,763 )

INPATIENT SERVICES IT IS THE MISSION OF THE VALLEY HOSPITAL TO SERVE THE COMMUNITY BY HEALING AND CARING FOR PATIENTS, COMFORTING THEIR FAMILIES AND TEACHING GOOD HEALTH VALLEY HAS THREE BUILDINGS ON ITS MAIN CAMPUS THE HOSPITAL VALLEY SERVES MORE THAN 440,000 PEOPLE IN 32 TOWNS IN BERGEN COUNTY AND ADJOINING COMMUNITIES IT IS THE SECOND BUSIEST HOSPITAL IN NEW JERSEY BASED ON ADMISSIONS AND A REGIONAL PROVIDER OF COMPLEX MEDICAL AND SURGICAL CARE IN 2011, MORE THAN 51,000 INDIVIDUALS WERE ADMITTED TO VALLEY OUR CORE INPATIENT SERVICES INCLUDE -THE VALLEY HEART AND VASCULAR INSTITUTE, WHICH PROVIDES A CONTINUUM OF PREVENTION AND WELLNESS SERVICES, DIAGNOSTIC AND TREATMENT SERVICES, RESEARCH, AND EDUCATION FOR ALL TYPES OF CARDIAC AND VASCULAR DISEASE -THE VALLEY COLUMBIA HEART CENTER, OUR CARDIAC SURGERY PROGRAM, AND PART OF THE VALLEY HEART AND VASCULAR INSTITUTE -A CARDIAC SURGERY INTENSIVE CARE UNIT -FOUR CRITICAL CARE UNITS -A CARDIAC CATHETERIZATION LABORATORY -AN INPATIENT ONCOLOGY UNIT -THE NEUROSCIENCE CENTER OF EXCELLENCE, WHICH INCLUDES THE STROKE CENTER AS WELL AS PROGRAMS AND SERVICES FOR A WIDE RANGE OF NEUROLOGICAL DISORDERS -MEDICAL AND SURGICAL FLOORS -A GERIATRIC SERVICES UNIT -THE INSTITUTE FOR ROBOTIC AND MINIMALLY INVASIVE SURGERY -THE TOTAL JOINT REPLACEMENT CENTER -THE CENTER FOR METABOLIC AND WEIGHT LOSS SURGERY -THE CENTER FOR CHILDBIRTH, WHICH WELCOMES MORE THAN 3,000 NEWBORNS EACH YEAR, AND INCLUDES A LEVEL III NEONATAL INTENSIVE CARE UNIT NURSERY -A PEDIATRIC INTENSIVE CARE UNIT VALLEY HAS BEEN RECOGNIZED FOR NINE CONSECUTIVE YEARS FOR PROVIDING AN OUTSTANDING INPATIENT EXPERIENCE BY J D POWER AND ASSOCIATES THE HOSPITAL'S PATIENT RELATIONS STAFF AND VOLUNTEERS MADE MORE THAN 14,000 PATIENT-RELATED VISITS AND RESPONDED TO MORE THAN 8,000 CALLS, AND PASTORAL CARE STAFF RESPONDED TO OVER 9,000 INQUIRIES AND MADE MORE THAN 92,000 PATIENT AND FAMILY CONTACTS

4b

(Code ) (Expenses \$ 70,784,982 including grants of \$ ) (Revenue \$ 119,368,619 )

OUTPATIENT SERVICES THROUGH SATELLITE FACILITIES LOCATED THROUGHOUT ITS SERVICE AREA, THE VALLEY HOSPITAL PROVIDES THE COMMUNITIES IT SERVES WITH A COMPREHENSIVE ARRAY OF OUTPATIENT SERVICES THOSE SERVICES INCLUDE -THE BLUMENTHAL CANCER CENTER, OFFERING COMPREHENSIVE OUTPATIENT CANCER SERVICES, INCLUDING CHEMOTHERAPY INFUSION SERVICES AND MORE THAN 9,500 RADIATION THERAPY TREATMENTS ANNUALLY -THE GAMMA KNIFE CENTER OPENED IN 2011 AND TREATED 15 PATIENTS -A FULL-SERVICE LABORATORY -A DIAGNOSTIC IMAGING CENTER -THE FERTILITY CENTER - THE CENTER FOR MATERNAL-FETAL MEDICINE -A PAIN MANAGEMENT CENTER -THE BREAST CENTER -THE PROSTATE CANCER CENTER -INTEGRATIVE HEALING SERVICES, WHICH PROVIDES COMPLEMENTARY MEDICINE, EDUCATIONAL PROGRAMS AND SUPPORT GROUPS -THE LUNG CANCER CENTER -REHABILITATION MEDICINE -THE KIREKER CENTER FOR CHILD DEVELOPMENT -THE RENAL CARE CENTER OF FAIR LAWN -THE GEORGE R JAQUA SAME DAY SERVICES CENTER - THE CENTER FOR SLEEP MEDICINE -THE PEDIATRIC SLEEP DISORDERS AND APNEA CENTER -THE SPINE CENTER -THE CENTER FOR WOMEN'S HEART HEALTH -THE MEN'S HEART CENTER IN ADDITION, IN 2011, THE HOSPITAL PROVIDED MORE THAN \$57 MILLION IN UNCOMPENSATED CARE, ATTRIBUTABLE TO CHARITY CARE, BAD DEBT AND MEDICARE AND MEDICAID SHORTFALLS PATIENTS RECEIVING UNCOMPENSATED CARE IN 2011 INCLUDE PATIENTS WHO WERE TREATED AT VALLEY'S COMMUNITY CARE CLINIC IN 2011, THE CLINIC RECORDED ALMOST 9,000 VISITS VALLEY'S COMMUNITY CARE CLINIC OFFERS SERVICES IN MANY SPECIALTIES INCLUDING OBSTETRICS, PEDIATRICS, MEDICINE, CARDIOLOGY, AND SURGERY ALSO IN 2011, HOMEBOUND COMMUNITY MEMBERS RECEIVED ALMOST \$127,000 IN "AT COST" MEALS VALLEY'S DEPARTMENT OF COMMUNITY HEALTH OFFERS FREE HEART HEALTH EDUCATION PROGRAMS PROGRAMS INCLUDED UNDERSTANDING CARDIAC MEDICATIONS, CHOLESTEROL THE GOOD, BAD AND UGLY, A WOMAN'S HEART, NAVIGATING YOUR HEART RHYTHM, MANAGING CONGESTIVE HEART FAILURE, GET THE PULSE ON DVT, MEN AND HEART DISEASE, EATING YOUR WAY TO A HEALTHY HEART, METABOLIC SYNDROME, HEART HEALTHY EATING, HYPERTENSION, HEART DISEASE PREVENTION, HEART HEALTH, HEART HEALTHY NUTRITION, HEART HEALTH JEOPARDY, HEART HEALTH AWARENESS, AND MANY HEALTH FAIRS HEALTH SCREENINGS FOR BLOOD PRESSURE, STROKE AND CHOLESTEROL WERE ALSO OFFERED THE COMMUNITY TRAINING CENTER OFFERS BASIC LIFE SUPPORT, ADVANCED CARDIAC LIFE SUPPORT AND PEDIATRIC ADVANCED LIFE SUPPORT PROGRAMS, AS WELL AS FIRST AID TRAINING COMPREHENSIVE PARENT EDUCATION PROGRAMS ARE OFFERED TO EXPECTANT FAMILIES THROUGH THE CENTER FOR WOMEN, CHILDREN AND FAMILY EDUCATION CLASSES, ATTENDED BY ALMOST 2,000 PEOPLE, INCLUDE CHILDBIRTH PREPARATION, NEWBORN CARE, PARENTING, GRANDPARENTS', MOMS & BABIES SOCIAL HOUR, DADS CLASS, SIBLING ATTENDING BIRTH, INFANT AND CHILD SAFETY, INFANT MASSAGE, BREASTFEEDING, BABY SITTERS, SIBLING, PRE/POSTNATAL EXERCISE, ADOPTIVE PARENTS, MARVELOUS MULTIPLES, AND CHILD PASSENGER SEAT SAFETY CLINIC PATIENTS ATTEND FREE OF CHARGE NEW PARENT SUPPORT SERVICES INCLUDE BREASTFEEDING SUPPORT GROUPS, A HELPLINE AND LACTATION CONSULTATIONS WEEKLY TOURS OF MATERNITY SERVICES AND A SELF-HELP SUPPORT GROUP FOR BEREAVED PARENTS ARE OFFERED AT NO CHARGE THE KIREKER CENTER FOR CHILD DEVELOPMENT PROVIDES FREE IN-SERVICES AND INFORMATION ABOUT LICENSED CHILD CARE FACILITIES AND COMMUNITY GROUPS TOPICS INCLUDE INFANT/CHILD GROWTH AND DEVELOPMENT, ATYPICAL DEVELOPMENT, ENHANCING LANGUAGE SKILLS IN THE 0-5 POPULATION, DETERMINING IF A CHILD SHOULD BE ASSESSED FOR A SUSPECTED DEVELOPMENTAL DELAY, AND GENERAL PEDIATRIC HEALTH ISSUES A PARENT SUPPORT GROUP AND FREE INFORMATION IS PROVIDED ON A RANGE OF CHILD CARE TOPICS, INCLUDING DEVELOPMENTALLY APPROPRIATE TOYS, TRANSITIONS INTO PRE-SCHOOL AND CHOICES IN CHILD CARE A SCHOOL PSYCHOLOGIST, DEVELOPMENTAL PEDIATRICIAN, AND APNEA SPECIALIST SPEAK WITH SCHOOLS AND PHYSICIAN GROUPS ABOUT LEARNING ISSUES AND BEHAVIORAL CONCERNS VALLEY'S COMMUNITY EDUCATION PROGRAMS MADE MORE THAN 8,700 CONTACTS WITH PEOPLE WHO ATTENDED SCREENINGS, HEALTH FAIRS, COMMUNITY EDUCATION AND VALLEY HEALTH PRIME TIME (SENIOR MEMBERSHIP) PROGRAMS VALLEY ALSO MADE CONTACT WITH HUNDREDS OF PEOPLE WHO ATTENDED SUPPORT GROUPS VALLEY SERVES AS AN INFORMATION RESOURCE FOR THE COMMUNITY IN 2011, THE PHYSICIAN AND REFERRAL SERVICE HANDLED ALMOST 13,000 TOLL-FREE INQUIRIES FOR PROGRAM/SERVICE AND PHYSICIAN INFORMATION THE MEDICAL LIBRARY RESPONDED TO 350 INQUIRIES FROM COMMUNITY MEMBERS IN 2011 THE VALLEY WEBSITE PROVIDED FREE HEALTH INFORMATION TO 1 3 MILLION VISITORS VALLEY SUPPORTS COMMUNITY GROUPS IN 2011, VALLEY STAFF MEMBERS SERVED AS MEMBERS OF THE ROTARY, THE CHAMBER OF COMMERCE, THE RIDGEWOOD MUNICIPAL AND ALCOHOL ALLIANCE, AND THE VILLAGE'S HUMAN RESOURCES COORDINATING COUNCIL VALLEY HAS ESTABLISHED AFFILIATIONS WITH A NUMBER OF EDUCATIONAL INSTITUTIONS TO HELP EDUCATE AND TRAIN THE NEXT GENERATION OF NURSES AND OTHER HEALTHCARE PROVIDERS IN 2011 VALLEY WAS AFFILIATED WITH BERGEN COMMUNITY COLLEGE, BLOOMFIELD COLLEGE, COLLEGE OF ST ELIZABETH, COLUMBIA SCHOOL OF NURSING, DOMINICAN COLLEGE, FAIRLEIGH DICKINSON UNIVERSITY, FELICIAN COLLEGE, LIBERTY UNIVERSITY, MONROE COLLEGE, MOUNT SAINT MARY COLLEGE, NYU COLLEGE OF NURSING, RAMAPO COLLEGE, RUTGERS COLLEGE OF NURSING, SETON HALL UNIVERSITY, ST PETER'S COLLEGE, UMDNJ, WALDEN UNIVERSITY, AND WILLIAM PATERSON UNIVERSITY IN 2011, VALLEY ALSO PROVIDED AREA YOUTH IN THE COMMUNITIES SERVED WITH EDUCATIONAL OPPORTUNITIES THROUGH THE AWARD-WINNING RIDGEWOOD ACADEMY FOR HEALTH PROFESSIONS, THE BERGEN ACADEMIES, AND CAREER FRONTIERS, STUDENTS ARE INTRODUCED AND LEARN ABOUT THE DIVERSE OPPORTUNITIES IN HEALTH CARE ADDITIONALLY, VALLEY STAFF MEMBERS SPEAK AT AREA SCHOOLS ABOUT THEIR PROFESSIONS AND PROVIDE TOURS TO STUDENTS THROUGHOUT THE YEAR

4c

(Code ) (Expenses \$ 19,296,967 including grants of \$ ) (Revenue \$ 36,358,369 )

EMERGENCY SERVICES THE VALLEY HOSPITAL OFFERS THE COMMUNITIES IT SERVES A FULL-SERVICE EMERGENCY DEPARTMENT PROVIDING EMERGENCY SERVICES AND MINOR TREATMENT SERVICES ALL PHYSICIANS ON THE ACTIVE STAFF ARE BOARD CERTIFIED IN EMERGENCY MEDICINE, AND MANY NURSES ARE CERTIFIED IN EMERGENCY NURSING SERVICES INCLUDE A MINOR TREATMENT AREA AND A PEDIATRIC EMERGENCY ROOM THAT FEATURES A CHILD-FRIENDLY LAYOUT AND DESIGN THE DEPARTMENT ALSO HAS A DEDICATED COMPUTED TOMOGRAPHY SCANNER VALLEY'S EMERGENCY DEPARTMENT ALSO FEATURES THE SERVICES OF SEVERAL MOBILE INTENSIVE CARE UNITS, WHICH ANSWER THOUSANDS OF CALLS EACH YEAR MOBILE INTENSIVE CARE UNITS, STAFFED BY QUALIFIED VALLEY PARAMEDICS, ARE SPECIALLY EQUIPPED VEHICLES THAT BRING THE HIGHLY SOPHISTICATED TECHNIQUES OF INTRAVENOUS THERAPY, AIRWAY MANAGEMENT, CARDIAC MONITORING AND DEFIBRILLATION DIRECTLY TO PEOPLE IN NEED OF EMERGENCY CARE VALLEY ALSO OFFERS LIFELINE, A COMMUNICATION DEVICE THAT LINKS A HOMEBOUND INDIVIDUAL WITH EMERGENCY CARE OR PERSONAL SUPPORT WITH THE PUSH OF A BUTTON, 24 HOURS A DAY, 365 DAYS A YEAR IN 2011, THE VALLEY HOSPITAL RECORDED ALMOST 74,000 EMERGENCY DEPARTMENT VISITS AND 8,759 MOBILE INTENSIVE CARE UNIT AND 4,318 SPECIALTY CARE TRANSPORT UNIT DISPATCHES

4d

Other program services (Describe in Schedule O )

(Expenses \$ including grants of \$ ) (Revenue \$ )

4e


















Total program service expenses

\$ 452,754,182

Form 990 (2011)

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> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> . . . . .	3	No
4	<b>Section 501(c)(3) organizations.</b> 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> . . . . .	4	No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> . . . . .	5	No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7	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> 	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	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> 	11e	No
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> 	11f	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> 	12a	Yes
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> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i> . . . . .	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States? . . . . .	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i> . . . . .	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i> . . . . .	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i> . . . . .	16	No
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i> . . . . .	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i> . . . . .	18	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> . . . . .	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> . . . . . 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements . . . . . 	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		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 questions 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	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> 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 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	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b		No
36	<b>Section 501(c)(3) organizations.</b> 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	Yes	
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? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		<b>Yes</b>	<b>No</b>			
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	<b>1a</b>	425			
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0			
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes			
<b>2a</b>	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.	<b>2a</b>	4,029			
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	Yes			
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	Yes			
<b>4a</b>	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 or securities account)?	<b>4a</b>	Yes			
<b>b</b>	If "Yes," enter the name of the foreign country: <b>CJ</b> See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>				No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>				No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>				
<b>6a</b>	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?	<b>6a</b>				No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>				
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>					
<b>a</b>	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?	<b>7a</b>				No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>				
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>				No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>				
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>				No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>				No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>				
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>				
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>				
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>					
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>				
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>				
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter					
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>				
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>				
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter					
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>				
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>				
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>				
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>				
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>					
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	<b>13a</b>				
<b>b</b>	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	<b>13b</b>				
<b>c</b>	Enter the aggregate amount of reserves on hand.	<b>13c</b>				
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>				No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>				

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	Did the organization have members or stockholders?		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	NJ
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. 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.	RICHARD D KEENAN 223 NORTH VAN DIEN AVENUE RIDGEWOOD, NJ 07450 (201) 447-8000

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

**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 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 organizations compensated any current or former officer, director, or trustee

[illegible]





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	9,763,076				
	e	Government grants (contributions)	1e	582,667				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f . . . . .		10,345,743				
Program Service Revenue			Business Code					
	2a	INSURERS AND PATIENTS	621990	391,972,632	391,972,632			
	b	MEDICARE/MEDICAID PAYM	621990	201,925,296	201,925,296			
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		593,897,928				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		8,844,240			8,844,240	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties . . . . .						
	6a	Gross rents	(i) Real	(ii) Personal				
			905,173					
			3,552,872					
			-2,647,699					
	d	Net rental income or (loss) . . . . .		-2,647,699			-2,647,699	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			100,390,090	8,165				
			100,540,022	12,269				
			-149,932	-4,104				
	d	Net gain or (loss) . . . . .		-154,036			-154,036	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a					
	b	Less direct expenses . . . . .	b					
	c	Net income or (loss) from fundraising events . .						
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .	a					
	b	Less direct expenses . . . . .	b					
	c	Net income or (loss) from gaming activities . .						
	10a	Gross sales of inventory, less returns and allowances . . . . .	a					
	b	Less cost of goods sold . . . . .	b					
	c	Net income or (loss) from sales of inventory . .						
Miscellaneous Revenue		Business Code						
11a	OTHER	621990	6,372,466	6,372,466				
b	VALLEY HEALTH PHARMACY	621990	2,573,107	729,747	1,843,360			
c	FOOD SERVICES	621990	2,037,696	2,037,696				
d	All other revenue . . . . .		2,861,583	2,861,583				
e	Total. Add lines 11a-11d . . . . .		13,844,852					
12	Total revenue. See Instructions . . . . .		624,131,028	605,899,420	1,843,360	6,042,505		

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees . . . . .	5,285,640	1,535,805	3,749,835	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
7	Other salaries and wages	239,871,842	206,582,763	33,289,079	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	17,262,868	14,654,449	2,608,419	
9	Other employee benefits . . . . .	21,973,416	18,653,233	3,320,183	
10	Payroll taxes . . . . .	17,736,806	15,056,775	2,680,031	
11	Fees for services (non-employees)				
a	Management . . . . .				
b	Legal . . . . .	2,677,544		2,677,544	
c	Accounting . . . . .	98,784		98,784	
d	Lobbying . . . . .				
e	Professional fundraising See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .				
g	Other . . . . .	25,640,980	17,194,305	8,446,675	
12	Advertising and promotion . . . . .	3,082,793	10,581	3,072,212	
13	Office expenses . . . . .	24,246,783	13,951,287	10,295,496	
14	Information technology . . . . .				
15	Royalties . . . . .				
16	Occupancy . . . . .	10,618,033	2,983,689	7,634,344	
17	Travel . . . . .	617,155	497,687	119,468	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .	5,713,778	4,941,904	771,874	
20	Interest . . . . .				
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	53,154,457	53,154,457		
23	Insurance . . . . .				
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	SUPPLIES	77,641,178	64,545,495	13,095,683	
b	DRUGS	34,176,475	34,176,475		
c	LAUNDRY AND LINENS	2,450,447	2,450,447		
d	BLOOD	2,364,830	2,364,830		
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	544,613,809	452,754,182	91,859,627	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	
	2	Savings and temporary cash investments . . . . .			1,952,050	2	4,746,546
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			53,274,925	4	54,698,892
	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)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .				7	
	8	Inventories for sale or use . . . . .				8	
	9	Prepaid expenses and deferred charges . . . . .			66,587,515	9	79,842,251
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D . . . . .	10a	626,895,015	210,113,249	10c	206,034,233
	b	Less: accumulated depreciation . . . . .	10b	420,860,782			
	11	Investments—publicly traded securities . . . . .			334,426,233	11	368,779,737
	12	Investments—other securities. See Part IV, line 11 . . . . .			6,000,000	12	5,707,681
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .				14	
	15	Other assets. See Part IV, line 11 . . . . .			26,094,521	15	26,484,559
	16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			698,448,493	16	746,293,899
Liabilities	17	Accounts payable and accrued expenses . . . . .			152,982,470	17	187,990,661
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	
	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 . . . . .				23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .				25	
	26	Total liabilities. Add lines 17 through 25 . . . . .			152,982,470	26	187,990,661
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 . . . . .			538,924,526	27	551,870,971
	28	Temporarily restricted net assets . . . . .			2,112,170	28	2,002,940
	29	Permanently restricted net assets . . . . .			4,429,327	29	4,429,327
	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 . . . . .			545,466,023	33	558,303,238
	34	Total liabilities and net assets/fund balances . . . . .			698,448,493	34	746,293,899

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	624,131,028
2	Total expenses (must equal Part IX, column (A), line 25)	2	544,613,809
3	Revenue less expenses Subtract line 2 from line 1	3	79,517,219
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	545,466,023
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-66,680,004
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	558,303,238

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?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization THE VALLEY HOSPITAL INC	Employer identification number 22-1487307
---	--

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 **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 Se**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 IRC 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	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))		14				
15 Public Support Percentage for 2010 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2011. 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—2010. 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—2011. 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—2010. 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 IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage			
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15		
16 Public support percentage from 2010 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. 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—2010. 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D

(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**  
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2011

Open to Public  
Inspection

**Name of the organization**  
THE VALLEY HOSPITAL INC

**Employer identification number**  
  
22-1487307

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)☐ Preservation of an historically importantly land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ \_\_\_\_\_

4

Number of states where property subject to conservation easement is located ▶ \_\_\_\_\_

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

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

2

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

a

Revenues included in Form 990, Part VIII, line 1▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X▶ \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2011

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance . . . . .	4,429,327	4,429,327	4,429,327	4,429,327	
b Contributions . . . . .					
c Investment earnings or losses . . . . .					
d Grants or scholarships . . . . .					
e Other expenditures for facilities and programs . . . . .					
f Administrative expenses . . . . .					
g End of year balance . . . . .	4,429,327	4,429,327	4,429,327	4,429,327	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 100 000 %

c

Term endowment ▶

3a

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

(i)

unrelated organizations . . . . .

(ii)

related organizations . . . . .

b

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

	Yes	No
3a(i)		No
3a(ii)	Yes	
3b	Yes	

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		19,641,207		19,641,207
b Buildings . . . . .		328,097,615	204,987,239	123,110,376
c Leasehold improvements . . . . .				
d Equipment . . . . .		258,700,915	204,698,173	54,002,742
e Other . . . . .		20,455,278	11,175,370	9,279,908
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . .				206,034,233



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	624,131,028
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	544,613,809
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	79,517,219
4	Net unrealized gains (losses) on investments	4	-5,450,600
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-61,229,404
9	Total adjustments (net) Add lines 4 - 8	9	-66,680,004
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	12,837,215

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	585,648,275
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	0
3	Subtract line 2e from line 1 . . . . .	3	585,648,275
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	38,482,753
c	Add lines 4a and 4b . . . . .	4c	38,482,753
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	624,131,028

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements . . . . .	1	536,446,068
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	0
3	Subtract line 2e from line 1 . . . . .	3	536,446,068
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	8,167,741
c	Add lines 4a and 4b . . . . .	4c	8,167,741
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5	544,613,809

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
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN ACCRUED PENSION LIABILITY TO BE RECOGNIZED IN FUTURE PERIODS -61,229,404
PART XII, LINE 4B - OTHER ADJUSTMENTS		CHANGES TO PRIOR YEAR ALLOWANCES AND REIMBURSEMENT ESTIMATES 18,154,837 NET LOSS ON DISPOSITION OF ASSETS -4,105 NET DISTRIBUTUION FROM VALLEY HOSPITAL FOUNDATION 9,763,076 INVESTMENT INCOME 8,844,240 NET REALIZED GAIN ON SALE OF INVESTMENTS -149,932 GIFTS,GRANTS,DONATIONS,BEQUESTS & NET ASSETS RELEASED FOR OPERATING PURPOSES 4,522,336 NET RENTAL LOSS -2,647,699
PART XIII, LINE 4B - OTHER ADJUSTMENTS		NET LOSS ON DISPOSAL OF ASSETS -4,105 STRATEGIC INITIATIVES AND OTHER NON RECURRING ITEMS 5,607,833 NET TRANSFER TO AFFILIATES 2,757,878 VALLEY HEALTH MEDICAL GROUP/VALLEY HEALTH SYSTEM -193,865

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

2011

Open to Public Inspection

Name of the organization  
THE VALLEY HOSPITAL INC

Employer identification number  
22-1487307

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," is it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%</div> <div><input type="checkbox"/> 150%</div> <div><input checked="" type="checkbox"/> 200%</div> <div><input type="checkbox"/> Other _____ %</div>	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <div><input type="checkbox"/> 200%</div> <div><input type="checkbox"/> 250%</div> <div><input type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input type="checkbox"/> 400%</div> <div><input checked="" type="checkbox"/> Other <b>500.000000000000</b> %</div>	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c		No
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	6a	Yes	
6b	If "Yes," did the organization make it available to the public? . . . . .	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charnty care at cost (from Worksheet 1) . . . . .			11,717,045	677,590	11,039,455	2 030 %
b Medicaid (from Worksheet 3, column a) . . . . .			4,011,071	1,888,559	2,122,512	0 390 %
c Costs of other means-tested government programs (from Worksheet 3, column b) .						
d Total Charity Care and Means-Tested Government Programs . . . . .			15,728,116	2,566,149	13,161,967	2 420 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			1,568,275	353,184	1,215,091	0 220 %
f Health professions education (from Worksheet 5) . . .			642,777	600	642,177	0 120 %
g Subsidized health services (from Worksheet 6) . . .			388,619		388,619	0 070 %
h Research (from Worksheet 7)			2,369		2,369	0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			273,676		273,676	0 050 %
j Total Other Benefits . . . . .			2,875,716	353,784	2,521,932	0 460 %
k Total. Add lines 7d and 7j . . . .			18,603,832	2,919,933	15,683,899	2 880 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(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
1Physical improvements and housing						
2Economic development						
3Community support			236,777	126,994	109,783	0 020 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development			367,799		367,799	0 070 %
9Other						
10Total			604,576	126,994	477,582	0 090 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	5,900,939	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	3,186,507	
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	197,720,545
6Enter Medicare allowable costs of care relating to payments on line 5	6	236,634,559
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-38,914,014
8Describe 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

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

Part IVManagement Companies and Joint Ventures (see instructions)

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

## Section A. Hospital Facilities

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

## Name and address

[illegible]



Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

THE VALLEY HOSPITAL

Name of Hospital Facility: \_\_\_\_\_

Line Number of Hospital Facility (from Schedule H, Part V, Section A): \_\_\_\_\_1\_\_\_\_\_

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>500 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	Yes	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI	20	No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	21	No

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 from largest to smallest)

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

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 6A THE HOSPITAL PREPARES AN ANNUAL COMMUNITY BENEFIT REPORT WHICH IS MAILED TO OUR SERVICE AREA COMMUNITY BENEFIT STATISTICS ARE ALSO REPORTED AT OUR ANNUAL MEETING, WHICH IS OPEN TO THE PUBLIC

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE COST TO CHARGE RATIO USED TO CALCULATE THE AMOUNTS IN THE TABLE WAS DERIVED FROM WORKSHEET 2, RATIO OF PATIENT CARE COST-TO-CHARGES

Identifier	ReturnReference	Explanation
		PART I, LINE 7G THERE ARE NO SUBSIDIZED HEALTH SERVICES WHICH ARE ATTRIBUTABLE TO A PHYSICIAN CLINIC COSTS INCLUDED REPRESENT MEDICATION AND TRANSPORTATION FOR INDIGENT PATIENTS

Identifier	ReturnReference	Explanation
		PART II RENEWAL, WHICH IS BEING EVALUATED, IS ALL ABOUT MEETING THE HEALTH CARE NEEDS OF OUR COMMUNITY THE OLDEST BUILDING ON THE CAMPUS, PHILLIPS, WAS CONSTRUCTED IN 1960 IT HOUSES OVER 250 BEDS, MOST OF WHICH ARE IN SMALL, OUTDATED, SEMI-PRIVATE ROOMS THE PHYSICAL STRUCTURE CAN NO LONGER ACCOMMODATE THE EQUIPMENT AND TECHNOLOGY NEEDED TO DELIVER CARE, THUS OUR PLANS TO RENEW OUR CAMPUS ARE BASED IN OUR MISSION TO PROVIDE THE BEST QUALITY CARE TO THE RESIDENTS OF OUR COMMUNITY WHEN WE BUILT THE LUCKOW PAVILION IN PARAMUS, WE DID RESEARCH THAT INDICATED THE BEST WAY TO DELIVER CARE TO CANCER PATIENTS WAS TO LOCATE ALL SERVICES INTO ONE BUILDING THIS NOT ONLY PROVIDES A SERVICE TO THE PATIENT, IT IS GOOD MEDICINE AS THE MEDICAL ONCOLOGISTS, SURGICAL ONCOLOGISTS AND RADIATION ONCOLOGISTS CAN CONSULT EACH OTHER TO ENSURE THAT THE PATIENT IS RECEIVING THE MOST APPROPRIATE TREATMENT WE BUILT THE AMBULATORY SURGERY CENTER TO ADAPT TO THE CHANGING PRACTICE OF PERFORMING SURGERY ON A SAME DAY BASIS



Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE AMOUNT OF THE PROVISION FOR BAD DEBT IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS, BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE AND OTHER COLLECTION INDICATORS THE METHODOLOGY USED IS THE COST TO CHARGE RATIO, APPLIED ON A BASIS CONSISTENT WITH MEDICARE COST REPORTING PRINCIPLES

Identifier	ReturnReference	Explanation
		PART III, LINE 8 IN ADDITION TO CHARITY CARE, BAD DEBT, AND THE TREATMENT OF FINANCIALLY NEEDY PATIENTS UNDER THE MEDICAID PROGRAM, THE HOSPITAL PROVIDES SERVICES TO ELDERLY AND DISABLED PATIENTS COVERED UNDER THE MEDICARE PROGRAM REGARDLESS OF INCOME THE UNPAID COSTS ATTRIBUTED TO PROVIDING CARE UNDER THIS PROGRAM, AND THUS CONSIDERED A COMMUNITY BENEFIT, WERE ESTIMATED AT \$38.9 MILLION

Identifier	ReturnReference	Explanation
		PART III, LINE 9B WHEN A PATIENT MAY QUALIFY FOR CHARITY CARE OR FINANCIAL ASSISTANCE, OUR SYSTEM IS SET UP TO STOP SENDING STATEMENTS TO PREVENT THEM FROM GOING TO A COLLECTION AGENCY WE ALSO HAVE THE ABILITY TO MANUALLY PUT AN ACCOUNT ON HOLD TO AVOID COLLECTION ACTIVITY AS WELL

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 HOSPITAL STAFF REVIEWS ALL THE DISCHARGE DATA FROM THE STATE DOHSS TO DETERMINE WHAT THE MAJOR HEALTH ISSUES ARE IN THE COMMUNITY WE LOOK AT DISEASE SPECIFIC INCIDENCE RATES IN OUR COMMUNITY AND DEVELOP FORECASTS FOR WHAT HEALTH ISSUES ARE PROJECTED TO PLAGUE THE POPULATION IN THE FUTURE WE REVIEW CENSUS DATA TO MONITOR DEMOGRAPHIC SHIFTS AND WE CONDUCT QUALITATIVE RESEARCH (FOCUS GROUPS) TO ASSESS COMMUNITY FEEDBACK TO NEW PROGRAMS AND SERVICES WE DEVELOP OUR CORE SERVICES AROUND THE MAJOR HEALTH ISSUES IN THE COMMUNITY - THUS, THEY ARE MOSTLY IN THE AREA OF HEART AND VASCULAR DISEASE, ONCOLOGY (MEDICAL AND SURGICAL), NEUROLOGY (STROKE) AND WOMEN'S AND CHILDREN'S SERVICES (OB, NICU, PICU, MFM AND IVF)

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 SIGNS ARE POSTED AT EVERY REGISTRATION AREA INFORMATION REGARDING FINANCIAL SCREENING IS POSTED ON THE HOSPITAL'S WEBSITE FOR CHARITY CARE AS WELL AS THE UNINSURED DISCOUNT POLICY PATIENTS CAN PRINT APPLICATIONS AND REQUIREMENTS FROM THE WEBSITE THE HOSPITAL'S STATEMENTS CONTAIN INFORMATION ALERTING PATIENTS OF FINANCIAL ASSISTANCE THE HOSPITAL'S HANDBOOKS EXPLAIN FINANCIAL OPTIONS WHICH INCLUDE INFORMATION OF STATE ASSISTANCE, DISCOUNT POLICY AND ANY OTHER TYPE OF FINANCIAL ARRANGEMENT

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE PRIMARY AND SECONDARY SERVICE AREA OF THE VALLEY HOSPITAL IS COMPOSED OF 32 TOWNS IN NORTHWEST BERGEN AND PASSAIC COUNTIES THESE COMMUNITIES ACCOUNT FOR 70% OF ALL OUR DISCHARGES THE POPULATION IS 440,000 PEOPLE

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
THE VALLEY HOSPITAL INC

Employer identification number  
22-1487307

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div></div> <div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div></div> <div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div></div> <div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
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		
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Written employment contract</div></div> <div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div></div> <div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
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?		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?		No
b	Any related organization?		No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?		No
b	Any related organization?		No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
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 Schedule J-1 if additional space needed.

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

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

(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) AUDREY MEYERS	(i)	822,338	1,077,201	47,237	20,583	21,010	1,988,369	339,540
	(ii)	0	0	0	0	0	0	0
(2) RICHARD D KEENAN	(i)	410,421	0	40,018	1,003,598	18,692	1,472,729	0
	(ii)	0	0	0	0	0	0	0
(3) MARIA MEDIAGO	(i)	240,201	105,652	5,077	19,694	18,405	389,029	0
	(ii)	0	0	0	0	0	0	0
(4) ERIC CAREY	(i)	221,219	60,772	8,393	18,216	21,262	329,862	0
	(ii)	0	0	0	0	0	0	0
(5) MEGAN FRASER	(i)	203,980	65,613	10,262	16,814	25,016	321,685	0
	(ii)	0	0	0	0	0	0	0
(6) RUSSELL SHOWERS	(i)	234,475	50,887	9,357	13,408	7,107	315,234	0
	(ii)	0	0	0	0	0	0	0
(7) ANN MARIE LEICHMAN	(i)	238,228	75,061	17,465	20,424	13,291	364,469	0
	(ii)	0	0	0	0	0	0	0
(8) ANASTASIOS KOZAITIS	(i)	205,310	64,766	6,567	15,675	27,516	319,834	0
	(ii)	0	0	0	0	0	0	0
(9) ROBIN G HOLLANDER	(i)	324,300	210,898	12,814	84,090	26,016	658,118	0
	(ii)	0	0	0	0	0	0	0
(10) PETER W DIESTEL	(i)	417,209	305,763	20,838	8,974	24,261	777,045	0
	(ii)	0	0	0	0	0	0	0
(11) MITCHELL RUBINSTEIN	(i)	321,657	119,773	19,613	68,867	23,590	553,500	0
	(ii)	0	0	0	0	0	0	0
(12) JEFFREY LIETO	(i)	297,914	120,122	15,490	16,610	22,321	472,457	0
	(ii)	0	0	0	0	0	0	0
(13) GAIL CALLANDRILLO	(i)	152,817	148,737	11,927	113,307	26,016	452,804	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							



**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
	PART I, LINE 4B	AUDREY MEYERS RECEIVED PAYMENT OF \$339,540 FROM THE 457F PLAN. GAIL CALLANDRILLO, ROBIN HOLLANDER, RICHARD KEENAN, MITCHELL RUBINSTEIN CONTRIBUTED FUNDS THAT ARE INCLUDED IN PART II COLUMN C TO THE 457F PLAN IN ADDITION TO 401K/457B CONTRIBUTIONS.

**SCHEDULE O**  
(Form 990 or 990-EZ)Department of the Treasury  
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ****Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.**  
▶ **Attach to Form 990 or 990-EZ.**

OMB No 1545-0047

**2011****Open to Public  
Inspection**Name of the organization  
THE VALLEY HOSPITAL INC**Employer identification number**

22-1487307

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	FORM 990 PART VI SECTION A LINE 10 WHEN THE FORM 990 HAS BEEN PREPARED, REVIEWED BY MANAGEMENT AND IS READY TO BE FILED WITH THE INTERNAL REVENUE SERVICE, A PAPER COPY IS SENT TO MEMBERS OF THE BOARD AUDIT COMMITTEE FOR REVIEW AND COMMENTS ANY COMMENTS AND QUESTIONS CONCERNING THE 990 ARE DISCUSSED WITH MANAGEMENT AND APPROPRIATE ACTIONS ARE TAKEN WHEN NECESSARY BEFORE FILING WITH THE IRS
	FORM 990, PART VI, SECTION B, LINE 12C	FROM 990 PART VI SECTION B LINE 12C THE BOARD MANDATES THAT ALL MEMBERS OF MANAGEMENT AND BOARD MEMBERS SIGN A CONFLICT OF INTEREST POLICY AND DISCLOSE ANY POTENTIAL OR ACTUAL CONFLICTS THAT MAY EXIST IF A CONFLICT OF INTEREST EXISTS THE HOSPITAL WILL NOTIFY MANAGEMENT AND OR BOARD MEMBERS AND INVESTIGATE THE POTENTIAL CONFLICT IF IT IS DETERMINED THAT A CONFLICT EXISTS THE MEMBERS OF MANAGEMENT OR THE BOARD WILL BE NOTIFIED IMMEDIATELY AND WILL NOT BE ALLOWED TO VOTE OR BE PART OF ANY DECISIONS ABOUT SUCH MATTERS
	FORM 990, PART VI, SECTION B, LINE 15	FORM 990 PART VI PAGE 6 LINE 15 THE HOSPITAL HAS ESTABLISHED A POLICY FOR COMPENSATION OF ITS OFFICERS, TOP MANAGEMENT AND KEY EMPLOYEES THE POLICY MANADATES THAT EXECUTIVE BE PERIODICALLY REVIEWED BY THE BOARD THE BOARD DETERMINES THAT THE EXECUTIVES ARE BEING PAID AN APPROPRIATE LEVEL OF COMPENSATION
	FORM 990, PART VI, SECTION C, LINE 19	FROM 990 PAGE 6 PART IV SECTION C LINE 19 THE HOSPITAL MAKES ITS FORM 990 AVAILABLE FOR PUBLIC INSPECTION AS REQUIRED UNDER SECTION 6104 OF THE INTERNAL REVENUE CODE BY POSTING OF THE RETURN ON GUIDESTAR.ORG AND SIMILAR TYPES OF WEBSITES IN ADDITION FORM 990 AS WELL AS THE FINANCIAL STATEMENTS AND CONFLICT OF INTEREST POLICY AND OTHER RELEVANT DOCUMENTS ARE AVAILABLE UPON REQUEST
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -5,450,600 CHANGE IN ACCRUED PENSION LIABILITY TO BE RECOGNIZED IN FUTURE PERIODS -61,229,404 TOTAL TO FORM 990, PART XI, LINE 5 -66,680,004
		FORM 990 PART XII LINE 2C THE PROCESS FOR SELECTING AN INDEPENDENT ACCOUNTANT AND ESTABLISHING A COMMITTEE THAT ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT HAS NOT CHANGED FROM PRIOR YEARS

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
THE VALLEY HOSPITAL INC

Employer identification number  
22-1487307

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
(1) 555 MAPLE ACQUISITION INC 223 NORTH VAN DIEN AVENUE RIDGEWOOD, NJ 07450 45-3070365	REAL ESTATE ACQUISITION	NJ	0	5,750,000	THE VALLEY HOSPITAL INC

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) VALLEY HEALTH SYSTEM INC  223 NORTH VAN DIEN AVENUE  RIDGEWOOD, NJ 07450 22-2922016	PROVIDES MANAGEMENT & PLANNING SERVICES FOR ITS MEMBERS	NJ	501(C)(3)	3	N/A		No
(2) VALLEY MEDICAL SERVICES INC  223 NORTH VAN DIEN AVENUE  RIDGEWOOD, NJ 07450 22-3260998	PROVIDES CERTAIN MEDICAL CARE TO PATIENTS INCL PEDIATRIC & NEONATAL SERVICES	NJ	501(C)(3)	3	N/A		No
(3) VALLEY PHYSICIAN SERVICES INC  15 ESSEX ROAD  PARAMUS, NJ 07652 32-0041186	PROVIDES MEDICAL CARE TO CARRYOUT THE PURPOSE OF THE VALLEY HEALTH SYSTEM	NJ	501(C)(3)	3	N/A		No
(4) VALLEY HOME CARE INC  15 ESSEX ROAD  PARAMUS, NJ 07652 22-3208480	PROVIDES REHABILITATION VISITS AND HOME HEALTH AIDS VISITS TO PATIENTS	NJ	501(C)(3)	9	N/A		No
(5) THE VALLEY HOSPITAL FOUNDATION INC  223 NORTH VAN DIEN AVENUE  RIDGEWOOD, NJ 07450 22-2324554	SOLICIT,RECEIVE AND APPLY CONTRIBUTIONS FOR THE BENEFIT OF THE HOSPITAL	NJ	501(C)(3)	9	N/A		No
(6) VHS INSURANCE COMPANY LTD  010 MAIN STREET FC CAYMAN ISLANDS, CAYMAN ISLANDS CJ 98-0408200	PROVIDES PROFESSIONAL AND COMMERCIAL GENERAL LIABILITY INSURANCE	CJ			N/A		No

Part III

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

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

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) VALLEY HEALTH MEDICAL GROUP INC 15 ESSEX ROAD PARAMUS, NJ 07652 22-3475233	OPERATES URGENT/PRIMARY CARE CLINICS	NJ	N/A	C			
(2) VALLEY HEALTH MEDICAL GROUP NJPC 15 ESSEX ROAD PARAMUS, NJ 07652 22-3475166	OPERATES URGENT/PRIMARY CARE CLINICS	NJ	N/A	C			
(3) VALLEY PHYSICIAN SERVICE NY PC 15 ESSEX ROAD PARAMUS, NJ 07652 45-3125678	OPERATES URGENT/PRIMARY CARE CLINICS	NY	N/A	C			

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

No

Yes

No

No

Yes

No

No

Yes

Yes

Yes

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) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
------------	------------------	-------------	--

**Software ID:**  
**Software Version:**  
**EIN:** 22-1487307  
**Name:** THE VALLEY 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 501(c) (3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
VALLEY HEALTH SYSTEM INC  223 NORTH VAN DIEN AVENUE RIDGEWOOD, NJ 07450 22-2922016	PROVIDES MANAGEMENT & PLANNING SERVICES FOR ITS MEMBERS	NJ	501(C) (3)	3	N/A		No
VALLEY MEDICAL SERVICES INC  223 NORTH VAN DIEN AVENUE RIDGEWOOD, NJ 07450 22-3260998	PROVIDES CERTAIN MEDICAL CARE TO PATIENTS INCL PEDIATRIC & NEONATAL SERVICES	NJ	501(C) (3)	3	N/A		No
VALLEY PHYSICIAN SERVICES INC  15 ESSEX ROAD PARAMUS, NJ 07652 32-0041186	PROVIDES MEDICAL CARE TO CARRYOUT THE PURPOSE OF THE VALLEY HEALTH SYSTEM	NJ	501(C) (3)	3	N/A		No
VALLEY HOME CARE INC  15 ESSEX ROAD PARAMUS, NJ 07652 22-3208480	PROVIDES REHABILITATION VISITS AND HOME HEALTH AIDS VISITS TO PATIENTS	NJ	501(C) (3)	9	N/A		No
THE VALLEY HOSPITAL FOUNDATION INC  223 NORTH VAN DIEN AVENUE RIDGEWOOD, NJ 07450 22-2324554	SOLICIT,RECEIVE AND APPLY CONTRIBUTIONS FOR THE BENEFIT OF THE HOSPITAL	NJ	501(C) (3)	9	N/A		No
VHS INSURANCE COMPANY LTD  010 MAIN STREET FC CAYMAN ISLANDS,CAYMAN ISLANDS CJ 98-0408200	PROVIDES PROFESSIONAL AND COMMERCIAL GENERAL LIABILITY INSURANCE	CJ			N/A		No



**Form 990, Schedule R, Part V - Transactions With Related Organizations**

<b>(a)</b> Name of other organization		<b>(b)</b> Transaction type(a-r)	<b>(c)</b> Amount Involved (\$)	<b>(d)</b> Method of determining amount involved
<b>(1)</b>	THE VALLEY HOSPITAL FOUNDATION	C	10,149,310	
<b>(2)</b>	THE VALLEY HEALTH SYSTEM	Q	2,757,878	
<b>(3)</b>	THE VALLEY HOME CARE	P	907,134	
<b>(4)</b>	THE VALLEY HOME CARE	I	360,900	
<b>(5)</b>	VALLEY PHYSICIAN SERVICES INC	Q	350,000	
<b>(6)</b>	VALLEY MEDICAL SERVICES INC	P	1,514,143	
<b>(7)</b>	VALLEY HOSPITAL FOUNDATION	L	1,405,191	
<b>(8)</b>	VALLEY HOSPITAL FOUNDATION	P	408,900	
<b>(9)</b>	THE VALLEY HEALTH SYSTEM	O	1,984,840	

**TY 2011 Category 3 filer statement****Name:** THE VALLEY HOSPITAL INC**EIN:** 22-1487307

<b>Amount Of Indebtedness</b>	<b>Type Of Indebtedness</b>	<b>Name</b>	<b>Address</b>	<b>Identifying Number</b>	<b>Number Of Shares</b>
	NONE	THE VALLEY HOSPITAL INC	223 NORTH VAN DIEN AVE RIDGEWOOD, NJ 07450	22-1487307	

**TY 2011 Itemized Other Assets Schedule****Name:** THE VALLEY HOSPITAL INC**EIN:** 22-1487307

Corporation Name	Corporation EIN	Other Assets Description	Beginning Amount	Ending Amount
VHS INSURANCE COMPANY LTD	98-0408200	SECURITIES AVAILABLE FOR SALE	27,191,403	31,979,530
		PREPAID EXPENSES	10,366	10,366

**TY 2011 Itemized Other Current Assets  
Schedule****Name:** THE VALLEY HOSPITAL INC**EIN:** 22-1487307

Corporation Name	Corporation EIN	Other Current Assets Description	Beginning Amount	Ending Amount
VHS INSURANCE COMPANY LTD	98-0408200	SECURITIES AVAILABLE FOR SALE	8,074,422	4,737,407
		INTEREST RECEIVABLE	260,525	220,486

**TY 2011 Other Deductions Schedule****Name:** THE VALLEY HOSPITAL INC**EIN:** 22-1487307

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
PROFESSIONAL FEES		11,904
MANAGEMENT FEES		50,085
REGISTERED OFFICE FEES		1,200
MEETING EXPENSES		13,467
GOVERNMENT FEES		11,097
INVESTMENT MANAGEMENT FEES		20,261
OTHER EXPENSES		4,006
EXPENSES ALLOCATED TO DEPOSIT LIAB.		-112,020

**TY 2011 Itemized Other Liabilities Schedule**

**Name:** THE VALLEY HOSPITAL INC

**EIN:** 22-1487307

**TY 2011 Itemized Other Liabilities Schedule**

Corporation Name	Corporation EIN	Other Liabilities Description	Beginning Amount	Ending Amount
VHS INSURANCE COMPANY LTD	98-0408200	DEPOSIT LIABILITY	35,778,057	38,485,114

**TY 2011 Other Income Statement****Name:** THE VALLEY HOSPITAL INC**EIN:** 22-1487307

Description	Foreign Amount	Amount
UNREALIZED LOSS ON SALE OF SECURITI		-134,558
REVENUE ALLOCATED TO DEPOSIT LIAB.		-714,352

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

(A) Name and Title	(B) Average hours per week	(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			
ANASTASIOS KOZAITIS PRESIDENT, FOUNDATION	40 00				X			276,643	0	43,191
ROBIN G HOLLANDER VP LEGAL AFFAIRS	40 00					X		548,012	0	110,106
PETER W DIESTEL VP ADMINISTRATION	40 00					X		743,810	0	33,235
MITCHELL RUBINSTEIN VP MEDICAL AFFAIRS	40 00					X		461,043	0	92,457
JEFFREY LIETO VP AMBULATORY SVCS	40 00					X		433,526	0	38,931
GAIL CALLANDRILLO VICE PRESIDENT	40 00					X		313,481	0	139,323



Additional Data

Software ID:

Software Version:

EIN: 22-1487307

Name: THE VALLEY HOSPITAL INC

Form 990, Special Condition Description:

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

(A) Name and Title	(B) Average hours per week	(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			
ANNE GOHEEN CRANE TRUSTEE	3 00	X						0	0	0
AUDREY MEYERS PRESIDENT/CEO	40 00	X		X				1,946,776	0	41,593
BRUCE J MACTAS TRUSTEE	3 00	X						0	0	0
CYNTHIA J HALABY TRUSTEE	3 00	X						0	0	0
JOHN WALBOHM ESQ TRUSTEE	3 00	X						0	0	0
JOSEPH MARION TREASURER	3 00	X						0	0	0
JUSTICE GARY STEIN TRUSTEE	3 00	X						0	0	0
KAY YEOMANS SECRETARY	3 00	X						0	0	0
EDWARD B SELF MD TRUSTEE	3 00	X						0	0	0
ROBERT E FINK VICE CHAIRMAN	3 00	X						0	0	0
RUTH SCHULZE MD TRUSTEE	3 00	X						0	0	0
NANCY DAVIDSON TRUSTEE	3 00	X						0	0	0
MICHAEL RAHMIN MD TRUSTEE	3 00	X						0	0	0
VICTORIA H BRUNI ESQ TRUSTEE	3 00	X						0	0	0
VINCENT FORLENZA CHAIRMAN	3 00	X						0	0	0
WARREN F COOKE ESQ VICE CHAIRMAN	3 00	X						0	0	0
JAMES CORNELLPHDMD TRUSTEE	3 00	X						0	0	0
LESLIE KANE TRUSTEE	3 00	X						0	0	0
STEVEN SILVERSTEIN TRUSTEE	3 00	X						0	0	0
RICHARD D KEENAN VP FINANCE, SR CFO	40 00			X				450,439	0	1,022,290
MARIA MEDIAGO VICE PRESIDENT	40 00				X			350,930	0	38,099
ERIC CAREY CP/CIO INFORMATION SYSTEM	40 00				X			290,384	0	39,478
MEGAN FRASER CP COMMUNICATIONS/MARKETIN	40 00				X			279,855	0	41,830
RUSSELL SHOWERS VP, HUMAN RESOURCES	40 00				X			294,719	0	20,515
ANN MARIE LEICHMAN CP/CNO PATIENT CARE SERVIC	40 00				X			330,754	0	33,715

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 22-1487307  
**Name:** THE VALLEY HOSPITAL INC

# CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The Valley Hospital  
Years Ended December 31, 2011 and 2010  
With Report of Independent Auditors

Ernst & Young LLP



The Valley Hospital  
Consolidated Financial Statements  
and Supplementary Information  
Years Ended December 31, 2011 and 2010

**Contents**

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## Report of Independent Auditors

The Board of Trustees  
The Valley Hospital

We have audited the accompanying consolidated balance sheets of The Valley Hospital (the “Organization”) as of December 31, 2011 and 2010, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Valley Medical Services, Inc., Valley Physician Services, Inc., and VHS Insurance Company, Ltd., for which The Valley Hospital is the sole member, which statements reflect combined total assets of \$79.5 million and \$78.4 million as of December 31, 2011 and 2010, respectively, and combined total revenues of \$18.1 million and \$15.2 million for the years then ended, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Valley Medical Services, Inc., Valley Physician Services, Inc., and VHS Insurance Company, Ltd., is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Valley Hospital at December 31, 2011 and 2010, and the consolidated results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Organization adopted Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which changed its presentation of the provision for bad debt on the consolidated statement of operations and changes in net assets.

*Ernst & Young LLP*

May 21, 2012

# The Valley Hospital

## Consolidated Balance Sheets

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets		
Cash and cash equivalents <i>(Note 12)</i>	\$ 6,285	\$ 2,396
Accounts receivable, less allowance for doubtful accounts of \$59,593 in 2011 and \$51,602 in 2010	59,722	58,297
Prepaid expenses	10,061	7,679
Supplies and other current assets <i>(Notes 1 and 8)</i>	14,090	4,831
Total current assets	90,158	73,203
Limited use assets, net of current portion <i>(Notes 4, 6, 12, and 14)</i>		
Board designated	390,848	366,383
Insurance company-held funds	38,628	35,941
Donor restricted investments	6,432	6,541
	435,908	408,865
Property and equipment, net <i>(Note 5)</i>	207,034	210,184
Other assets <i>(Notes 1 and 12)</i>	19,819	19,281
Assets held by related organization <i>(Notes 1 and 8)</i>	26,485	26,095
	<u>\$ 779,404</u>	<u>\$ 737,628</u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 21,538	\$ 21,529
Accrued salaries and related benefits	42,176	39,820
Other accrued expenses	8,677	5,925
Total current liabilities	72,391	67,274
Estimated professional liability <i>(Note 14)</i>	18,200	22,431
Amounts due to third-party payors and other liabilities <i>(Notes 1 and 3)</i>	55,477	55,446
Accrued pension liability <i>(Note 9)</i>	46,458	11,041
Total liabilities	192,526	156,192
Contingencies <i>(Note 13)</i>		
Net assets		
Unrestricted	580,446	574,894
Temporarily restricted <i>(Note 7)</i>	2,003	2,113
Permanently restricted <i>(Note 7)</i>	4,429	4,429
Total net assets	586,878	581,436
	<u>\$ 779,404</u>	<u>\$ 737,628</u>

*See accompanying notes*

The Valley Hospital

Consolidated Statements of Operations  
and Changes in Net Assets

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
Unrestricted revenues:		
Net patient service revenue <i>(Note 3)</i>	\$ 615,005	\$ 589,855
Provision for bad debt	(21,181)	(21,633)
Net patient service revenue less provision for bad debts	593,824	568,222
Other revenue <i>(Note 15)</i>	9,905	12,122
Total unrestricted revenues	603,729	580,344
Expenses:		
Salaries and wages	262,891	253,941
Employee benefits	56,776	60,651
Medical fees	6,541	5,871
Other expenses	181,376	174,864
Depreciation <i>(Note 5)</i>	53,750	38,733
Interest and amortization of original issue discount and deferred financing costs <i>(Note 6)</i>	—	1,790
Total expenses	561,334	535,850
Income from operations before other items and special projects	42,395	44,494
Other items and special projects <i>(Notes 3 and 11)</i>	8,752	461
Income from operations	51,147	44,955

*Continued on next page*



# The Valley Hospital

## Consolidated Statements of Operations and Changes in Net Assets (continued)

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
Income from operations (continued)	\$ 51,147	\$ 44,955
Non-operating gains and losses <i>(Notes 4 and 16)</i>	14,235	11,754
Change in unrealized gains and losses on investments <i>(Note 4)</i>	(5,451)	3,351
Revenues and gains in excess of expenses and losses	59,931	60,060
Other changes in unrestricted net assets:		
Change in accrued pension liability to be recognized in future periods <i>(Note 9)</i>	(61,229)	(10,963)
Net change in assets held by related organizations and net asset transfers to/from affiliated entities <i>(Note 8)</i>	6,850	17,094
Increase in unrestricted net assets	5,552	66,191
Decrease in temporarily restricted net assets	(110)	(736)
Increase in net assets	5,442	65,455
Net assets at beginning of year	581,436	515,981
Net assets at end of year	\$ 586,878	\$ 581,436

*See accompanying notes*

The Valley Hospital

Consolidated Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 5,442	\$ 65,455
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	53,750	38,733
Amortization of original issue discount and deferred financing costs	—	(525)
Loss on disposal of assets	987	911
Change in assets held by related organization	(390)	(16,457)
Change in accrued pension liability to be recognized in future periods	61,229	10,963
Change in unrealized gains and losses on investments	5,451	(3,351)
Changes in operating assets and liabilities:		
Accounts receivable	(1,425)	1,730
Prepaid expenses, supplies and other current assets	(11,641)	(360)
Other assets	(951)	(3,113)
Accounts payable and other current liabilities	5,117	8,648
Accrued pension liability	(25,812)	(16,575)
Estimated professional liability	(4,231)	3,277
Amounts due to third-party payors and other liabilities	31	9,174
Net cash provided by operating activities	<u>87,557</u>	<u>98,510</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(51,174)	(31,530)
Net purchases of limited use assets	(32,494)	(34,105)
Net cash used in investing activities	<u>(83,668)</u>	<u>(65,635)</u>
<b>Cash flows from financing activities</b>		
Payments on long-term debt	—	(31,420)
Net cash used in financing activities	<u>—</u>	<u>(31,420)</u>
Net increase in cash and cash equivalents	3,889	1,455
Cash and cash equivalents at beginning of year	2,396	941
Cash and cash equivalents at end of year	<u>\$ 6,285</u>	<u>\$ 2,396</u>
<b>Supplemental disclosure</b>		
Cash paid during the year for interest	<u>\$ —</u>	<u>\$ 2,425</u>

*See accompanying notes*

# The Valley Hospital

## Notes to Consolidated Financial Statements

December 31, 2011

### **1. Organization and Summary of Significant Accounting Policies**

#### **Organization**

The Valley Hospital (the “Hospital”) is a 431-bed, not-for-profit acute care hospital located in Ridgewood, New Jersey and is a subordinate corporation of Valley Health System, Inc. (the “System”). The Hospital is the sole member of Valley Medical Services, Inc. (“VMS”), Valley Physician Services, Inc. (“VPS”) and VHS Insurance Company, Ltd. (“VHSIC”), collectively (the “Organization”). VMS provides the Hospital with physicians, certain medical services and varied consulting services. VPS was formed to provide medical care and to carry out the purposes of the System. VHSIC was incorporated as an exempted company under the laws of the Cayman Islands and operates under the terms of an Unrestricted Class “B” Cayman Island insurers license. The license allows VHSIC to conduct insurance business, other than Cayman domestic business, from within the Cayman Islands. VHSIC provides professional and commercial general liability insurance on a mature claims made basis to the Organization.

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Hospital, VMS, VPS and VHSIC. All significant intercompany accounts and transactions have been eliminated.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets, such as estimated uncollectibles for accounts receivable for services to patients, and liabilities, such as estimated payable to third-party payors, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

#### **Cash Equivalents**

The Organization considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents, except for amounts reported within limited use assets.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### Investments

All investments are classified as trading securities. Investments included in limited use assets in the accompanying consolidated balance sheets consist of cash, equity securities, pooled/collective investment funds, U.S. government obligations and government secured obligations, corporate bonds, and alternative investments. All investments, except alternative investments and collective investment funds, are reported at fair value based upon reference to quoted market prices. Alternative investments and collective investment funds are stated at net asset value provided by the applicable fund manager using the equity method of accounting, except for alternative investments and collective investments included in the defined benefit pension plan's assets which are recorded at fair value.

For the defined benefit pension plan, the fair value of the alternative investments and collective investment funds is determined by management for each investment based upon net asset values as a practical expedient for fair value. Financial information used to evaluate the alternative investments is provided by the investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors.

Alternative investments (nontraditional, not readily marketable securities) consist of event-driven funds, multi-strategy hedge funds, emerging market debt funds, and global hedge funds. Alternative investment interests generally are structured such that the noncontributory, defined benefit pension plan (the "Plan") holds a limited partnership interest or an interest in an investment management company. The Plan's ownership structure does not provide for control over the related investees and the Plan's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. The Plan has no future funding commitments for alternative investments at December 31, 2011.

Individual investment holdings within the alternative investments include nonmarketable and market-traded debt and equity securities and interests in other alternative investments. The Plan may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. Alternative investments often have liquidity restrictions under which the Plan's capital may be divested only at specified times. Liquidity restrictions may apply to all or portions of a particular invested amount.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

There is uncertainty in determining fair values of alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, time lags associated with reporting by the investee companies and the subjective evaluation of liquidity restrictions. As a result, the estimated fair values reported might differ from the values that would have been used had a ready market for the alternative investment interests existed and there is at least a reasonable possibility that estimates will change.

Investment income or loss (including realized gains and losses on investments, interest and dividends) and change in unrealized gains and losses on investments are included in revenues and gains in excess of expenses and losses unless the income or loss is restricted by donor or law.

Investment income on bond indenture funds is reported as other revenue and investment income on other limited use assets is reported as non-operating gains and losses in the consolidated statements of operations and changes in net assets.

#### **Limited Use Assets**

Limited use assets include funds designated for malpractice funding and funds whose use is restricted by donors and designated assets set aside by the Board of Trustees, primarily for future capital improvements, over which the Board of Trustees retains control and may at its discretion subsequently use for other purposes.

#### **Accounts Receivable**

Accounts receivable results from the health care services provided by the Organization. Accounts receivable for which the Organization receives payment under cost reimbursement, prospective payment formulae or negotiated rates, which cover the majority of services, are stated at the net amounts receivable from third-party payors.

Accounts receivable are reduced by an allowance for doubtful accounts. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in health care coverage and other collection indicators. Additions to the allowance for uncollectible accounts result from the provisions for bad debt. Accounts written off as uncollectible are deducted from the allowance for uncollectibles.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### **Supplies**

Supplies are carried at the lower of cost (first-in, first-out method) or market. Supplies totaling approximately \$3.9 million are included in supplies and other current assets in the consolidated balance sheets at December 31, 2011 and 2010.

#### **Property and Equipment**

Property and equipment are recorded at cost. Annual provisions for depreciation of property and equipment are computed using the straight-line method. Additions are depreciated beginning with the month that the asset is placed in service.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell (see Note 5).

#### **Donor-Restricted Gifts**

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

#### **Deferred Compensation**

Certain Hospital employees participate in deferred compensation plans. In connection with these plans, the Hospital deposits amounts with trustees on behalf of the participating employees. The assets are restricted for payments under the plans, but may revert to the Hospital in the event of a

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

bankruptcy filing. At December 31, 2011 and 2010, amounts on deposit with trustees were equal to liabilities under the plans and aggregated \$17.9 million. Investments consist of mutual funds and are reported at fair value based upon quoted market price. Amounts on deposit are recorded in other assets and liability amounts are included in amounts due to third-party payors and other liabilities in the accompanying consolidated balance sheets.

The investments held by the trustees are classified as trading securities. For the years ended December 31, 2011 and 2010, the Hospital recorded investment (loss) income related to deferred compensation of \$(.9) million and \$2.0 million, respectively, as other revenue. Changes to the deferred compensation liability are recorded in employee benefits expense.

#### **Classification of Net Assets**

The Organization separately accounts for and reports donor restricted and unrestricted net assets. Temporarily restricted net assets are those whose use is temporarily limited by the donor. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

The Hospital recognizes its accumulated interest in the net assets of the Valley Hospital Foundation, Inc. ("Foundation") as assets held by a related organization in the accompanying consolidated balance sheets. Changes in the Hospital's interest in the net assets of the Foundation are reported in the accompanying consolidated statements of operations and changes in net assets. The net assets held by the Foundation on behalf of the Hospital are temporarily restricted for health care services and capital expenditures.

#### **Self-Insured Health Benefits**

The Hospital maintains limited self-insured medical, dental and workers' compensation coverage for its employees. Claims under the plan are accrued as the incidents that give rise to them occur and an estimate of unpaid claims is included in other accrued expenses.

The System, Hospital, VMS and VPS are co-borrowers on a \$1.0 million irrevocable standby letter of credit with a bank for self-insured workers' compensation coverage. The letter of credit expires on March 31, 2013.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### **Medical Malpractice Insurance**

The Organization participates in the VHSIC malpractice program. The Organization records the actuarially determined liabilities for incurred but not reported professional and general liabilities. Amounts deposited are based on actuarially determined funding requirements and are included in limited use assets.

#### **Net Patient Service Revenue**

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 ongoing and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations (see Note 3).

#### **Functional Expenses**

All expenses of the Organization are related to the provision of health care services and health education.

#### **Performance Indicator**

The consolidated statements of operations and changes in net assets include the caption revenues and gains in excess of expenses and losses as the performance indicator. Changes in unrestricted net assets, which are excluded from revenues and gains in excess of expenses and losses, consistent with industry practice, include changes in accrued pension liability to be recognized in future periods, permanent transfers of assets to and from affiliates for other than goods and services, changes in net assets held by related organization, and contributions of long-lived assets including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets.



# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### Income Taxes

The Hospital, VMS and VPS are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. VHSIC obtained an Unrestricted Class B Insurer’s license under the provisions of the Cayman Islands Insurance Law. The Organization has received an undertaking from the Cayman Islands Government exempting it from local income, profits and capital gains taxes until April 2023. No such taxes were currently levied in the Cayman Islands

#### Recent Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2010-23, *Measuring Charity Care for Disclosure*. ASU No. 2010-23 requires that the level of charity care provided be presented based on the direct and indirect costs of the charity services provided. ASU No. 2010-23 also requires separate disclosure of the amount of any cash reimbursements received for providing charity care. ASU No. 2010-23 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Organization has adopted the provisions of ASU No. 2010-23 within its consolidated financial statement disclosures (See Note 2).

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Under ASU 2011-07, certain health care entities are required to change the presentation of their statement of operations and changes in net assets by reclassifying the provision for bad debt associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts as well as disclosure of qualitative and quantitative information about changes in the allowance for doubtful accounts. The guidance is effective for fiscal years, and interim periods, ending after December 15, 2012, with early adoption permitted. The Organization has elected to early adopt ASU 2011-07, and accordingly, the provisions of ASU 2011-07 are included in the accompanying financial statements. In addition, the 2010 presentation has been reclassified to conform to ASU 2011-07.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### **Subsequent Events**

The Organization has evaluated the impact of subsequent events through May 21, 2012, representing the date at which the consolidated financial statements were available to be issued.

#### **2. Charity Care**

The Hospital provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services (“DOH”) without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The cost of providing these services and supplies to patients who meet the charity care eligibility requirements was estimated using a ratio of cost to charges and approximated \$11.3 million and \$9.2 million for the years ended December 31, 2011 and 2010, respectively.

The Hospital also provides free care to other patients who do not meet the DOH eligibility requirements or are not compliant in pursuing eligibility status. Such amounts are included in the consolidated statements of operations and changes in net assets as part of the provision for bad debt, net of any recoveries realized through collection efforts.

Additionally, the Organization sponsors other charitable programs, which provide substantial benefit to the broader community. Such programs include services to the needy and elderly population that require special support, various clinical outreach programs, as well as health promotion and education for the general community welfare. Health care and other services are also provided to those covered by Medicaid and Medicare for which the Hospital is not reimbursed at its full cost.

The Hospital receives revenue through the State of New Jersey Charity Care Subsidy Fund. Reported as other revenue, the amount received totaled \$.7 million and \$.5 million for the years ended December 31, 2011 and 2010, respectively.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### **3. Hospital Reimbursement Systems**

The Hospital provides care to patients under Medicare, Medicaid, and other third-party payor contractual arrangements. The Medicare program currently pays for most services at predetermined rates. However, certain services and specified expenses continue to be reimbursed on a reasonable cost basis. The Medicaid program also currently reimburses the Hospital largely at predetermined rates for inpatient services and on a cost-based methodology for outpatient services. Medicare and Medicaid regulations require annual retroactive settlements for cost-based reimbursements through cost reports filed by the Hospital. These retroactive settlements are estimated and recorded in the consolidated financial statements in the year in which they occur and are included in other items and special projects. The estimated settlements recorded at December 31, 2011 and 2010 could differ from actual settlements based on the results of cost report audits. Medicare cost reports for all years through 2005 have been audited and settled as of December 31, 2011.

Future changes in the Medicare and Medicaid programs and potential funding reductions could have an adverse impact on the Hospital. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the Medicare and Medicaid programs. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The Hospital also has entered into payment agreements with certain managed care organizations and commercial insurance carriers. The basis for payment to the Hospital under these agreements includes prospectively determined rates (per discharge or day of hospitalization) and discounts from established charges.

Patient service revenue associated with services provided to patients who have third-party payor coverage is determined on the basis of contractual rates. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a provision for bad debts related to uninsured patients in the period the services are provided.

## The Valley Hospital

### Notes to Consolidated Financial Statements (continued)

#### 3. Hospital Reimbursement Systems (continued)

The components of net patient service revenue (before provision for bad debt) for the Hospital are as follows (in thousands):

	2011	2010
Gross charges	\$ 1,866,062	\$ 1,814,257
Contractual and other allowances	(1,269,138)	(1,239,594)
Net patient service revenue	<u>\$ 596,924</u>	<u>\$ 574,663</u>

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts, and a provision for bad debts, for potential unattainable amounts due from the third party payor, as well as expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid.

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

During 2011 and 2010 approximately \$17 million was written off as bad debt with \$8.7 million related to patients' balances after insurance.

## The Valley Hospital

### Notes to Consolidated Financial Statements (continued)

#### 3. Hospital Reimbursement Systems (continued)

During the years ended December 31, 2011 and 2010, approximately \$18.5 and \$9.6, respectively, of previously recorded estimated third-party payor settlement liabilities were no longer considered necessary and were included as an increase to other items and Special projects. See footNote 11.

The percentages of net patient service revenue received from various third-party payors and patients were as follows for the years ended December 31, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Medicare and Medicaid	<b>34%</b>	35%
Managed care	<b>60</b>	60
Commercial and other	<b>6</b>	5
	<b>100%</b>	100%

In addition, net patient service revenue includes amounts related to VMS and VPS of \$18.1 million and \$15.2 million for the years ended December 31, 2011 and 2010, respectively.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 4. Limited Use Assets

Limited use assets that are required for obligations classified as current liabilities are reported in current assets. The components of limited use assets and investments is set forth in the following table (in thousands):

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 6,521	\$ 12,359
Equity securities	4,986	5,666
Pooled/collective investment funds	51,165	53,293
U.S. government obligations and government secured obligations	222,191	249,488
Corporate bonds	142,896	79,455
Alternative investments	5,708	6,000
	<b>433,467</b>	<b>406,261</b>
Add accrued interest receivable	2,441	2,604
	<b>\$ 435,908</b>	<b>\$ 408,865</b>

Unrealized gains and losses represent the change in the difference between cost and fair value of the limited use assets and investments. For the years ended December 31, 2011 and 2010, the change in net unrealized gains and losses was (\$5.5) million and \$3.4 million, respectively.

Investment income consists of the following (in thousands):

	<b>2011</b>	<b>2010</b>
Included in non-operating gains and losses ( <i>Note 16</i> ):		
Interest and dividend income	\$ 9,498	\$ 9,263
Realized gains (losses) on sales of securities	105	1,996
	<b>\$ 9,603</b>	<b>\$ 11,259</b>
Included in other revenue:		
Interest and dividend income	\$ —	\$ 5

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 5. Property and Equipment

A summary of property and equipment follows (in thousands):

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Land	\$ 19,891	\$ 14,091
Land improvements	14,770	13,298
Building	328,098	317,609
Equipment and furnishings	259,655	232,647
	<b>622,414</b>	<b>577,645</b>
Less accumulated depreciation	<b>421,065</b>	<b>389,469</b>
	<b>201,349</b>	<b>188,176</b>
Construction in progress	5,685	22,008
Property and equipment, net	<b>\$ 207,034</b>	<b>\$ 210,184</b>

Depreciation expense for the years ended December 31, 2011 and 2010 totaled \$32.2 million and \$30.8 million, respectively. Included in these amounts are \$1.0 million and \$0.9 million in 2011 and 2010, respectively, which are included in special projects (see Note 11).

During 2011 and 2010, management determined that approximately \$22.6 and \$8.8 million, respectively, of costs previously capitalized and recorded in construction in progress had no future benefit due to changes made in connection with the renewal project. Accordingly, these costs were written off during 2011 and 2010 and are included in depreciation expense in the accompanying consolidated statements of operations and changes in net assets.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 6. Long-Term Debt

In accordance with the Series Resolution adopted on September 28, 2000, the Authority authorized the issuance of The Valley Hospital Obligated Group Issue, Series 2000 Revenue Bonds ("Series 2000 Bonds") to provide funds for certain capital projects. On July 1, 2010, the Hospital paid the remaining balance of the Series 2000 Bonds. In connection with the payoff of these bonds, approximately \$0.7 million of deferred financing costs were written off and included in interest and amortization of original issue discount and deferred financing costs.

### 7. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes (in thousands):

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Health care services	\$ 1,443	\$ 1,486
Purchase of equipment	—	20
Health education	560	607
	<u>\$ 2,003</u>	<u>\$ 2,113</u>

Permanently restricted net assets represent endowments that have been restricted by donors to be maintained in perpetuity and are held by the Hospital. The Hospital follows the requirements of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as they relate to its permanently restricted contributions and net assets, effective upon the State of New Jersey's enactment of the legislation in March 2009.

The Hospital has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulations to the permanent endowment are used in accordance with the direction of the applicable donor gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the amounts are appropriated for expenditure in accordance with a manner consistent with the standard of prudence proscribed by UPMIFA. In accordance with UPMIFA, the Hospital



# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 7. Temporarily and Permanently Restricted Net Assets (continued)

considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (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 Hospital; and (7) the investment and spending policies of the Hospital.

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the endowment funds while seeking to maintain the purchasing power of the funds. To satisfy long-term return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital employs a long-term equity oriented strategy of investing in both traditional and alternative asset classes.

### 8. Related Party Transactions

The Organization has receivables due from related parties as follows (in thousands):

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Valley Health System, Inc.	\$ 545	\$ 499
Valley Hospital Foundation, Inc.	952	126
Valley Physician Services, NY	1,066	—
	<b>\$ 2,563</b>	<b>\$ 625</b>

These amounts are reported within supplies and other current assets and primarily represent services provided and expenses paid on behalf of affiliates.

During 2011 and 2010, the Hospital transferred \$2.8 million and \$1.2 million, respectively, to the System to fund its operations.

For the years ended December 31, 2011 and 2010, the Hospital reported approximately \$9 million and \$2 million, respectively, in the accompanying consolidated statements of operations and changes in net assets for contribution received from the Foundation. These contributions included both equipment reimbursements and other unrestricted funds.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### **8. Related Party Transactions (continued)**

The Hospital reported \$26.5 million and \$26.1 million at December 31, 2011 and 2010, respectively, for its accumulated interest in net assets of the Foundation as assets held by related organization in the accompanying consolidated balance sheets. Changes in the Hospital's interest in the net assets of \$.4 million and \$16.5 million for the years ended December 31, 2011 and 2010, respectively, are reported within changes in related party transactions in the accompanying consolidated statements of operations and changes in net assets.

### **9. Pension Plans**

#### **Defined Benefit Plan**

The Hospital maintains a defined benefit plan (the "Plan") covering employees of the Hospital, VMS and VPS. The benefits are based on years of service and final average earnings. The Hospital's funding policy is based on contribution levels recommended by consulting actuaries considering Employee Retirement Income Security Act of 1974 ("ERISA") regulations.

The Plan was amended effective April 1, 2004 to provide that no employee who first completes an hour of service after such date shall be eligible to participate in the Plan. The Plan was further amended on December 31, 2009 to provide that no participant shall accrue any additional benefits after December 31, 2009 and that a participant's accrued benefit determined as of December 31, 2009 shall not increase thereafter.

Included in unrestricted net assets are \$130.4 million and \$69.1 million of unrecognized actuarial losses that have not been recognized in net periodic pension cost at December 31, 2011 and 2010, respectively. Approximately \$4.1 million of these unrecognized actuarial losses are expected to be recognized in net periodic pension cost during the year ending December 31, 2011.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 9. Pension Plans (continued)

The following table provides a reconciliation of the changes in the projected benefit obligation and fair value of the plan assets and a statement of the funded status of the Plan (in thousands):

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 278,656	\$ 250,030
Interest cost	15,807	15,404
Actuarial loss	45,422	20,205
Benefits paid	(7,729)	(6,983)
Benefit obligation, end of year	332,156	278,656
Change in plan assets:		
Fair value of plan assets, beginning of year	267,615	233,377
Actual return on plan assets	(1,188)	23,921
Employer contribution	27,000	17,300
Benefits paid	(7,729)	(6,983)
Fair value of plan assets, end of year	285,698	267,615
Funded status	\$ (46,458)	\$ (11,041)

At December 31, 2011 and 2010, the funded status of the Plan is reported in the consolidated balance sheets as a noncurrent liability. The accumulated benefit obligation for the Hospital's Plan totaled approximately \$332.2 million and \$278.7 million at December 31, 2011 and 2010, respectively.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 9. Pension Plans (continued)

The discount rate used in determining the accumulated benefit obligation was 4.75% and 5.75% at December 31, 2011 and December 31, 2010, respectively.

Net periodic pension cost comprises the following (in thousands):

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Interest cost	\$ 15,807	\$ 15,404
Expected return on assets	(18,715)	(17,836)
Recognized actuarial loss	4,095	3,157
Net periodic pension cost	<u>\$ 1,187</u>	<u>\$ 725</u>

Weighted-average assumptions used in determining the net periodic pension cost were as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Discount rate	5.75%	6.25%
Expected long-term rate of return on market-related plan assets	7.00	7.50

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 9. Pension Plans (continued)

The Hospital's Plan weighted-average asset allocations by asset category were as follows:

Asset Category	Plan Assets at December 31		Target Allocation
	2011	2010	
Equity securities	52%	58%	50-70%
Fixed income	30	26	30-50%
Alternative investments	11	8	0%
Other	7	8	0%
Total	100%	100%	

Plan assets are invested in a trust. The investment committee of the Board of Trustees establishes the target asset mix and monitors asset performance. The Hospital's determination of the expected long-term rate of return on assets is based on a building block approach. First, the underlying inflation rate is determined, then the expected real rate of return of stocks and bonds is determined based on their allocation percentages within the trust.

The assets of the Plan are managed in accordance with ERISA. Plan assets are measured at fair value and consist of cash and cash equivalents, collective investment funds, and alternative investments. Cash and cash equivalents and collective funds are reported at fair value in accordance with the policies discussed in Note 1. Collective investment funds underlying securities primarily consist of equity and fixed income securities.

Refer to Note 12 for fair value measurement information related to the defined benefit plan asset categories noted above.

The Hospital expects to contribute approximately \$7 million to the Plan during 2012. The Plan's minimum required contribution for 2011 was \$.6 million. The Hospital's actual contribution for 2011 was \$27 million. The amount of this contribution above the minimum requirement is discretionary.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 9. Pension Plans (continued)

Expected benefit payments (includes future accruals) for the next ten years are as follows (in thousands):

2012	\$ 9,218
2013	10,122
2014	11,126
2015	12,195
2016	13,346
2017-2021	82,554

### 401(k) Retirement Savings Plan

In April 2004, the Hospital introduced a 401(k) Retirement Savings Plan. The Hospital no longer offers the defined benefit plan to employees hired after April 1, 2004. Participants of the defined benefit plan had the option to continue with the defined benefit plan, or begin to earn benefits in the new 401(k) plan effective April 1, 2004 with full credit for benefits earned through the defined benefit plan as of March 31, 2004.

All employees of the Organization who have attained the age of 21, completed one year of service and have at least 1,000 hours of service are eligible to participate. Employees may contribute 1% to 25% of their salary on a pretax basis, not to exceed Internal Revenue Service limitations of \$16,500 in 2011 and 2010. All employee pretax contributions are 100% vested. Prior to January 1, 2010, the Organization contributed 2% of the employee's base compensation and it matched up to 2% of the employee's contribution.

Effective January 1, 2010, the Hospital introduced a new formula under the 401(k) plan to determine the basic contribution percentage that will be provided to each employee in the Organization. Using a points scale system, every employee will be credited with one point for each full year of credited service (a calendar year with 1,000 hours of service), as well as one point for each full year of employee's age. Basic contributions range from 1% to 6% based on points. Additionally, the Hospital will match 100% of the first 3.5% employee contribution on top of the basic contribution. The Organization contributed \$16.1 million and \$15.7 million for 2011 and 2010, respectively.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 10. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The concentrations of gross accounts receivable from patients and third-party payors were as follows:

	<b>2011</b>	<b>2010</b>
Blue Cross	<b>17%</b>	18%
Medicare and Medicaid	<b>22</b>	22
Commercial	<b>14</b>	13
Managed care	<b>27</b>	30
Self-pay	<b>20</b>	17
	<b>100%</b>	100%

### 11. Other Items and Special Projects

The components of other items and special projects are as follows (in thousands):

	<b>2011</b>	<b>2010</b>
Offsite properties	<b>\$ (2,785)</b>	\$ (2,673)
Changes to prior year allowances and reimbursement estimates	<b>18,499</b>	9,619
Strategic initiatives and other nonrecurring items	<b>(6,962)</b>	(6,485)
	<b>\$ 8,752</b>	\$ 461

### 12. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the Organization measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Organization's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

## The Valley Hospital

### Notes to Consolidated Financial Statements (continued)

#### **12. Fair Value Measurements (continued)**

The Organization follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

*Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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. In determining fair value, the Organization uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.



# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 12. Fair Value Measurements (continued)

Financial instruments (included in cash and cash equivalents, limited use assets (excluding amounts accounted for using the equity method of accounting), deferred compensation assets, and defined benefit plan assets.), carried at fair value as of December 31, 2011 are classified in the table below in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 28,000	\$ —	\$ —	\$ 28,000
Equity securities	4,986	—	—	4,986
Fixed income				
Mortgage backed securities	120,785	—	—	120,785
US Treasuries	101,406	—	—	101,406
Corporate bonds	117,816	—	—	117,816
Loomis Sayles Mutual Fund	35,115	—	—	35,115
Equity Mutual Funds				
Deferred Comp Mutual Funds	16,561	—	—	16,561
MSCI ACWI	14,502	—	—	14,502
Equity Index Fund	26,112	—	—	26,112
Russell 2000 Index Fund	10,552	—	—	10,552
CCTs				
Equity Index Non Lendable Mutual Fund	—	76,698	—	76,698
Blackrock MSCI ACWI EX US Mutual Fund	—	40,995	—	40,995
Russell 2000 Index Mutual Fund	—	29,763	—	29,763
State Street Passive Bond Market Index Fund	—	85,598	—	85,598
Hedge Funds				
Commonfund Multi Strat	—	—	8,833	8,833
Greenlight Master Offshore	—	—	10,209	10,209
Vittoria Fund	—	—	9,005	9,005
Other Alternative investments	—	—	97	97
	<u>\$ 475,835</u>	<u>\$ 233,054</u>	<u>\$ 28,144</u>	<u>\$ 737,033</u>

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 12. Fair Value Measurements (continued)

Financial instruments (included in cash and cash equivalents, limited use assets (excluding amounts accounted for using the equity method of accounting), deferred compensation assets, defined benefit plan assets, and derivative instruments), carried at fair value as of December 31, 2010 are classified in the table below in one of the three categories described above (in thousands):

2010	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 36,430	\$ —	\$ —	\$ 36,430
Equity securities	3,047	—	—	3,047
Fixed income				
Mortgage backed securities	168,681	—	—	168,681
US Treasuries	80,807	—	—	80,807
Corporate bonds	79,455	—	—	79,455
Equity Mutual Funds				
Deferred Comp Mutual Funds	15,812	—	—	15,812
MSCI ACWI	454	—	—	454
S&P 500	1,291	—	—	1,291
TR Russell 2000	873	—	—	873
CCTs				
Equity Index Non Lendable				
Mutual Fund	—	77,696	—	77,696
Blackrock MSCI ACWI EX				
US Mutual Fund	—	46,697	—	46,697
Russell 2000 Index				
Mutual Fund	—	31,103	—	31,103
State Street Passive Bond				
Market Index Fund	—	68,837	—	68,837
Hedge Funds				
Commonfund Multi Strat	—	—	7,872	7,872
Greenlight Cash	—	—	1,500	1,500
Greenlight Master Offshore	—	—	6,644	6,644
Money Market EBT	—	—	865	865
Vittoria Fund	—	—	6,840	6,840
Total	\$ 386,850	\$ 224,333	\$ 23,721	\$ 634,904

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 12. Fair Value Measurements (continued)

The following is a description of the Organization's valuation methodologies for assets measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers and brokers. The financial investments classified in Level 3 of the fair value hierarchy consist of alternative investments, the valuation for which is described in Note 1. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

The following table is a rollforward for financial instruments, classified by the Organization in Level 3 of the valuation hierarchy defined above (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2011	2010
Fair value at beginning of year	\$ 23,721	\$ 14,776
Purchases, sales, issuances and settlements, net	6,097	3,000
Total realized and unrealized gains or losses	(1,674)	5,945
Fair value at end of year	<u>\$ 28,144</u>	<u>\$ 23,721</u>
Change in unrealized gains (losses) related to financial instruments held at end of year	<u>\$ (1,674)</u>	<u>\$ 5,945</u>

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### **13. Contingencies**

Various investigations, lawsuits and claims arising in the normal course of operations are pending or on appeal against the Organization. While the ultimate effect of such actions cannot be determined at this time, it is the opinion of management that the liabilities which may arise from such actions would not materially affect the consolidated financial position or results of operations of the Organization.

During 2008, the Organization received a subpoena from the U.S. Department of Justice (“DOJ”) broadly seeking documentation relating to agreements between the Organization and numerous device manufacturers for the period January 1, 2003 to the present. In addition, during 2009, a Department of Health and Human Services subpoena was received requesting original records of certain dialysis patients for health oversight and/or law enforcement purposes. The Organization has fully cooperated with the requests in response to the subpoenas.

During 2010, the Organization was informed that the DOJ is reviewing certain claims regarding the implantation of cardioverter defibrillators to determine if they were consistent with Medicare coverage policies. Estimated amounts related to potential retroactive adjustments have been included in amounts due to third-party payors and other liabilities.

### **14. Professional Insurance**

Through March 20, 2003, the Organization had malpractice insurance coverage on a claims-made basis under a retrospectively rated policy based primarily on experience of a group of health care providers. Premiums were accrued based on the ultimate cost of the Hospital’s claims experience to date. Losses from unasserted claims and incidents that may have occurred, but have not been identified under the incident reporting system are accrued in the amount of approximately \$1.0 million at December 31, 2011 and 2010 based principally on estimates that incorporate the Hospital’s past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors.

Effective March 20, 2003, the Organization insured its malpractice and general liability under a policy from VHSIC. Under this policy, the Organization is insured for professional liability up to \$3.0 million for each incident and with \$10.0 million annual aggregate. The Hospital funds VHSIC for the projected cost of future professional liabilities. Suggested funding levels are actuarially determined based on experience to date of VHSIC and a projected investment return on the self-insured trust fund.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 14. Professional Insurance (continued)

In accordance with U.S. generally accepted accounting principles, VHSIC is required to apply deposit accounting based upon VHSIC (insurer) not providing indemnification of the Organization (insured) against loss or liability. Premium paid less the amount of premium to be retained by VHSIC shall be accounted for as a deposit. Losses paid and expenses paid are recorded as deduction to the deposit liability.

Activity in the deposit liability is summarized as follows (in thousands):

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance at beginning of year	\$ 35,778	\$ 29,722
Deposits from the Organization	5,007	5,420
Income attributable to deposit liability	714	1,215
	<u>5,721</u>	<u>6,635</u>
Losses paid	2,902	448
Loss and loss adjustment expense	112	131
	<u>3,014</u>	<u>579</u>
Balance at end of year	<u>\$ 38,485</u>	<u>\$ 35,778</u>

At December 31, 2011 and 2010, the balance of VHSIC at fair value was approximately \$38.6 million and \$35.9 million, respectively, and is included in limited use assets as insurance company-held funds in the accompanying consolidated balance sheets. The actuarially determined undiscounted professional and general liabilities aggregated approximately \$18.2 million and \$22.4 million at December 31, 2011 and 2010, respectively (includes approximately \$4.1 million and \$4.2 million for estimated incurred but not reported costs), and are reported as estimated professional liability in the Organization's consolidated balance sheets.

# The Valley Hospital

## Notes to Consolidated Financial Statements (continued)

### 15. Other Revenue

The Organization's other revenue consists of the following (in thousands):

	2011	2010
Patient convenience	\$ 1,570	\$ 2,320
Valley Health Pharmacy	2,573	2,348
Food services	2,038	1,846
Purchase discounts and rebates	1,493	983
Investment (loss) income	(879)	2,046
Charity care subsidy	677	466
Other	2,433	2,113
	<u>\$ 9,905</u>	<u>\$ 12,122</u>

### 16. Non-Operating Gains and Losses

The Organization's non-operating gains and losses consist of the following (in thousands):

	2011	2010
Investment income	\$ 9,603	\$ 11,259
Change in fair value of derivative instruments	—	145
Grant revenue and other expenses, net	4,632	350
	<u>\$ 14,235</u>	<u>\$ 11,754</u>

## Supplementary Information

## Report of Independent Auditors on Supplementary Information

The Board of Trustees  
The Valley Hospital

We have audited the consolidated financial statements of The Valley Hospital as of and for the year ended December 31, 2011, and have issued our report thereon dated May 21, 2012 which contained an unqualified opinion on those financial statements. We did not audit the financial statements of Valley Medical Services, Inc., Valley Physician Services, Inc., and VHS Insurance Company, Ltd. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets as of December 31, 2011 and 2010 and the consolidating statements of operations and changes in net assets for the years then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, based on our audits and the reports of other auditors, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Ernst & Young LLP*

May 21, 2012



# The Valley Hospital

## Consolidating Balance Sheet

December 31, 2011  
(In Thousands)

	Valley Hospital	Valley Medical Services, Inc.	Valley Physician Services, Inc.	VHS Insurance Company, Ltd.	Eliminations	Consolidated
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 4 747	\$ 1 455	\$ 83	\$ —	\$ —	\$ 6 285
Accounts receivable	54 699	3 237	1 786	—	—	59 722
Prepaid expenses	9 761	7 469	—	—	(7 169)	10 061
Supplies and other current assets	13 631	—	1 047	—	(588)	14 090
Total current assets	82 838	12 161	2 916	—	(7 757)	90 158
<b>Limited use assets - net of current portion</b>						
Board designated	368 055	22 793	—	—	—	390 848
Insurance company-held funds	—	—	—	38 628	—	38 628
Donor restricted investments	6 432	—	—	—	—	6 432
	374 487	22 793	—	38 628	—	435 908
Property and equipment - net	206 034	—	1 000	—	—	207 034
Other assets	56 451	—	1 996	—	(38 628)	19 819
Assets held by related organization	26 485	—	—	—	—	26 485
	\$ 746 295	\$ 34 954	\$ 5 912	\$ 38 628	\$ (46 385)	\$ 779 404
<b>Liabilities and net assets</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 20 871	\$ 109	\$ 558	\$ —	\$ —	\$ 21 538
Accrued salaries and related benefits	40 413	789	974	—	—	42 176
Other accrued expenses	7 713	433	531	—	—	8 677
Deposit Liability	—	—	—	38 508	(38 508)	—
Due to Affiliates	—	145	7 612	—	(7 757)	—
Total current liabilities	68 997	1 476	9 675	38 508	(46 265)	72 391
Estimated professional liability	18 200	—	—	—	—	18 200
Amounts due to third-party payors and other liabilities	54 337	838	302	—	—	55 477
Accrued pension liability	46 458	—	—	—	—	46 458
Total liabilities	187 992	2 314	9 977	38 508	(46 265)	192 526
<b>Net assets</b>						
Unrestricted	551 871	32 640	(4 065)	120	(120)	580 446
Temporarily restricted	2 003	—	—	—	—	2 003
Permanently restricted	4 429	—	—	—	—	4 429
Total net assets	558 303	32 640	(4 065)	120	(120)	586 878
	\$ 746 295	\$ 34 954	\$ 5 912	\$ 38 628	\$ (46 385)	\$ 779 404

# The Valley Hospital

## Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2011

(In Thousands)

	Valley Hospital	Valley Medical Services, Inc.	Valley Physician Services, Inc.	VHS Insurance Company, Ltd.	Eliminations	Consolidated
Unrestricted revenues						
Net patient service revenue	\$ 596 924	\$ 12 085	\$ 5 996	\$ —	\$ —	\$ 615 005
Bad debt	(21 181)	—	—	—	—	(21 181)
Net patient service revenue less provision for bad debts	575 743	12 085	5 996	—	—	593 824
Other revenue	9 905	—	—	—	—	9 905
Total unrestricted revenues	585 648	12 085	5 996	—	—	603 729
Expenses						
Salaries and wages	242 769	9 417	10 705	—	—	262 891
Employee benefits	56 776	—	—	—	—	56 776
Medical fees	6 541	—	—	—	—	6 541
Other expenses	177 200	1 348	2 828	—	—	181 376
Depreciation	53 159	—	591	—	—	53 750
Total expenses	536 445	10 765	14 124	—	—	561 334
Income (loss) from operations before other items and special projects	49 203	1 320	(8 128)	—	—	42 395
Other items and special projects	9 899	314	(1 461)	—	—	8 752
Income (loss) from operations	59 102	1 634	(9 589)	—	—	51 147
Non-operating gains and losses	13 326	617	(58)	—	350	14 235
Change in unrealized gains and losses on investments	(5 451)	—	—	—	—	(5 451)
Revenues and gains in excess (deficiency) of expenses and losses	66 977	2 251	(9 647)	—	350	59 931
Other changes in unrestricted net assets						
Change in accrued pension liability to be recognized in future periods	(61 229)	—	—	—	—	(61 229)
Net change in assets held by related organization and net asset transfers to from affiliated entities	7 200	(7 375)	7 375	—	(350)	6 850
(Decrease) increase in unrestricted net assets	12 948	(5 124)	(2 272)	—	—	5 552
Temporarily restricted net assets						
Net assets released from restriction for operating purposes	(110)	—	—	—	—	(110)
Decrease in temporarily restricted net assets	(110)	—	—	—	—	(110)
Increase (decrease) in net assets	12 838	(5 124)	(2 272)	—	—	5 442
Net assets at beginning of year	545 465	37 764	(1 793)	120	(120)	581 436
Net assets at end of year	\$ 558 303	\$ 32 640	\$ (4 065)	\$ 120	\$ (120)	\$ 586 878

