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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

▶ 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 07/01/11 , and ending 06/30/12

B Check if applicable
- [ ] Address change
- [X] Name change
- [ ] Initial return
- [ ] Terminated
- [ ] Amended return
- [ ] Application pending

C Name of organization: Reading Hospital

Doing Business As:

Number and street (or P O box if mail is not delivered to street address): PO Box 16052

Room/suite:

City or town, state or country, and ZIP + 4: Reading PA 19612-6052

D Employer identification number: 23-1352204

E Telephone number: 610-988-8114

G Gross receipts $ 812,965,311

F Name and address of principal officer:
Clint Matthews (see Schedule O)
PO Box 16052
Reading PA 19612-6052

H(a) Is this a group return for affiliates? [ ] Yes [X] No

H(b) Are all affiliates included? [ ] Yes [ ] No

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

I Tax-exempt status: [X] 501(c)(3) [ ] 501(c) ( ) ◀ (insert no) [ ] 4947(a)(1) or [ ] 527

J Website ▶ WWW.READINGHOSPITAL.ORG

H(c) Group exemption number ▶

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ▶

L Year of formation 1869

M State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
See Schedule O

2 Check this box ▶ [ ] 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	28
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	27
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	6448
6	Total number of volunteers (estimate if necessary)	6	971
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,076,322
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-15,628

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	3,123,673	2,698,940
9	Program service revenue (Part VIII, line 2g)	746,785,001	785,135,455
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	736,450	636,798
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	25,743,492	23,027,998
12	Total revenue – add lines 8 through 11 (must equal Part VIII, column (A), line 12)	776,388,616	811,499,191
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	415,250	484,564
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)	363,240,486	356,928,773
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	330,740,577	375,251,624
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	694,396,313	732,664,961
19	Revenue less expenses Subtract line 18 from line 12	81,992,303	78,834,230

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	855,456,958	915,035,276
21	Total liabilities (Part X, line 26)	793,836,701	850,291,791
22	Net assets or fund balances Subtract line 21 from line 20	61,620,257	64,743,485

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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 — Date: 5-9-13

▶ Richard W. Jones — Chief Financial Officer
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name: Matthew Petrosk	Preparer's signature	Date: 5/1/13	Check [ ] if self-employed	PTIN: P00853132
Firm's name ▶ PricewaterhouseCoopers LLP			Firm's EIN ▶	13-4008324
Firm's address ▶ 2001 Market St, STE 1700 Philadelphia, PA 19103			Phone no	267-330-3000

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

For Paperwork Reduction Act Notice, see the separate instructions.

DAA

Form **990** (2011)

SCANNED JUN 04 2013

H 619 16

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

See Schedule O

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 $ 37,340,401 including grants of $) (Revenue $ 149,111,273)

Operating Room - 224,509 units of service
RH operates in a market served by nearly 20 specialty, investor-owned facilities, which carve out the best paying insurance plans, the highest margin procedures, and the least complicated patients to serve. By continuing to provide a full service surgical service, RH offers the most advanced surgical options, from robotic assisted, minimally invasive surgery to a full spectrum of outpatient surgical options. And to ensure our community has access to surgical specialities that may be experiencing shortages elsewhere in the country. TRHMC

4b (Code) (Expenses $ 33,222,808 including grants of $) (Revenue $ 166,439,494)

Emergency Care - 404,635 units of service
RH Emergency Department provides emergent, urgent and primary care services to our community "24/7/365," regardless of ability to pay. Volume to RH emergency department ranks it among the top three in the state of Pennsylvania year after year. As the area's only accredited Trauma Center, RH also provides immediate access through its emergency department to all speciality srevices, from trauma surgeons to plastic surgeons, and all areas of sepciality care. In addition to its trauma certification, RH is the only hospital in the region to have made a commitment to accrediated care in stroke and chest pain. Following the relocation of the other hospital in the city to a new suburban campus, RH is fulfilling its

4c (Code) (Expenses $ 28,063,304 including grants of $) (Revenue $ 112,032,329)

Pharmacy - 8,720,881 units of service
RH provides acess to needed prescriptions for those patients who cannot afford their medication. Each month RH absorbs the cost of prescription medication for patients of RH with no prescription coverage. RH recognizes the important role of patient compliance with their treatment, including taking medication as prescribed, and recognizes that patients without the ability to pay for those medications will simply not comply. To ensure optimal patient health and the best patient outcomes, RH absorbs the costs of these medications as part of our exempt purpose in our community.

4d Other program services (Describe in Schedule O)
(Expenses $ 473,739,322 including grants of $ 484,564) (Revenue $ 361,524,486)

4e Total program service expenses ▶ 572,365,835

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	478		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	6448		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a	X	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O		3b	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		X
b	If "Yes," enter the name of the foreign country ▶ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		X
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state?		13a		
	Note. See the instructions for additional information the organization must report on Schedule O				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		X
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O		14b		

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 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 [X]

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O	1a	28		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	27		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		X	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?	3		X	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			X
6	Did the organization have members or stockholders?	6			X
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b		X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		X	
b	Each committee with authority to act on behalf of the governing body?	8b		X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			X

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

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

Section C. Disclosure

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

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

[ ] Own website [ ] Another's website [X] 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 during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ Richard W. Jones, CFO Sixth Ave. & Spruce Sts. West Reading PA 19611 610-988-8114

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Lil Murphy Board Member	1.00	X						0	0	0
(2) John Weidenhammer Board Member	1.00	X						0	0	0
(3) Karen Ritemyre Board Member	1.00	X						0	0	0
(4) Barbara Arner Board Member	1.00	X						0	0	0
(5) Theodore Auman Board Member	1.00	X						0	0	0
(6) Mary Ellen Batman Board Member	1.00	X						0	0	0
(7) Bruce Bengston Board Member	1.00	X						0	0	0
(8) Robert J. Gibble Board Member	1.00	X						0	0	0
(9) Victor Hammel Board Member	1.00	X						0	0	0
(10) Julia Klein Board Member	1.00	X						0	0	0
(11) Christ G. Kraras Board Member	1.00	X						0	0	0
(12) Edward T. Lentz Board Member	1.00	X						0	0	0
(13) Terrence McGlinn Board Member	1.00	X						0	0	0
(14) Margaret S. McShane Board Member	1.00	X						0	0	0

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

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) Richard M. Palmer, Jr. Board Member	1.00	X						0	0	0
(16) John Roland, Esq. Board Member	1.00	X						0	0	0
(17) Elizabeth Rothermel Board Member	1.00	X						0	0	0
(18) Jay S. Sidhu Board Member	1.00	X						0	0	0
(19) C. Thomas Work, Esq. Chairman	1.00	X		X				0	0	0
(20) Michael Avedissian, MD Board Member	1.00	X						0	0	0
(21) Brent Wagner, MD Board Member	1.00	X						0	0	0
(22) P. Michael Ehlerman Vice Chairman	1.00	X		X				0	0	0
(23) Elizabeth Ehrlich Board Member	1.00	X						0	0	0
(24) Samuel A. McCullough Board Member	1.00	X						0	0	0
(25) Marlin Miller, Jr. Board Member	1.00	X						0	0	0
1b Sub-total							▶			
c Total from continuation sheets to Part VII, Section A							▶	8,506,856		265,201
d Total (add lines 1b and 1c)							▶	8,506,856		265,201

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 256

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
FTI CONSULTING PO BOX 418005 BOSTON MA 02241-8005	CONSULTING	7,727,217
HCSC BLOOD CENTER 2171 28th STREET SW ALLENTOWN PA 18103	CONSULTING	3,638,084
CARDIOLOGY ASSOICATES OF WEST READIN 301 S 7TH AVE WEST READING PA 19611	CONSULTING	3,309,359
BALLINGER 833 CHESTNET STREET, SUITE 1400 PHILADELPHIA PA 19107	CONSTRUCTION	3,177,335
PENN TRAUMA ASSOCIATES 3400 SPRUCE ST PHILADELPHIA PA 19104	TRAUMA SER.	2,958,612

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 92

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

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) David L. Thun Board Member	1.00	X						0	0	0
(16) Ben Zintak Board Member	1.00	X						0	0	0
(17) Thomas Flynn Board Member	1.00	X						0	0	0
(18) Richard J Mable Senior VP Planning	50.00			X				262,128	0	46,988
(19) Paul Toburen Vice President	50.00			X				252,797	0	22,567
(20) Carl J Seidl Vice President	60.00			X				235,568	0	41,358
(21) Margaret M Bligh Vice President	50.00			X				231,360	0	43,807
(22) Donna F Weber VP Nursing	50.00			X				225,279	0	41,643
(23) Clint Matthews President & CEO	60.00			X				0	0	0
(24) Therese Sucher COO	50.00			X				0	0	0
(25) Richard W. Jones CFO	50.00			X				0	0	0
1b Sub-total ▶								1,207,132		196,363
c Total from continuation sheets to Part VII, Section A ▶										
d Total (add lines 1b and 1c) ▶										

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

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

Section B. Independent Contractors

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

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

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

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

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) Robert A Brigham Dir. Of Surgery	40.00					X		738,553	0	3,894
(16) Charles J. Lusch Physician	40.00					X		541,584	0	8,405
(17) Charles F. Barbera Physician	40.00					X		448,102	0	6,935
(18) William K. Natale Physician	40.00					X		403,784	0	2,733
(19) Neil Gulati Physician	40.00					X		382,986	0	5,664
(20) Scott R Wolfe former President	0.00						X	2,812,586	0	1,000
(21) Charles B Sullivan retired President	0.00						X	1,972,129	0	40,207
(22)										
(23)										
(24)										
(25)										
1b Sub-total ▶								7,299,724		68,838
c Total from continuation sheets to Part VII, Section A ▶										
d Total (add lines 1b and 1c) ▶										

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

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

Section B. Independent Contractors

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

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

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

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	263,282			
	e Government grants (contributions)	1e	1,477,094			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	958,564			
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a–1f ▶		2,698,940			
Program Service Revenue		Busn Code				
	2a Patient Service Revenue		785,135,455	785,135,455		
	b					
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f ▶		785,135,455			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts) ▶		1,241,916			1,241,916
	4 Income from investment of tax-exempt bond proceeds ▶					
	5 Royalties ▶					
		(i) Real	(ii) Personal			
	6a Gross rents					
	b Less rental exps					
	c Rental inc or (loss)					
	d Net rental income or (loss) ▶					
	7a Gross amount from sales of assets other than inventory	(i) Securities 861,002	(ii) Other			
	b Less cost or other basis & sales exps	1,466,120				
	c Gain or (loss)	-605,118				
	d Net gain or (loss) ▶		-605,118			-605,118
	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	Busn. Code				
	11a Rent Income		8,802,314			8,802,314
	b Meals/Room Rental		4,923,466			4,923,466
	c Tuition - Nursing Tech School		4,577,245	4,577,245		
	d All other revenue		4,724,973		1,076,322	3,648,651
	e **Total.** Add lines 11a–11d ▶		23,027,998			
	12 **Total revenue.** See instructions ▶		811,499,191	789,712,700	1,076,322	18,011,229

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 U S See Part IV, line 21				
2 Grants and other assistance to individuals in the U S See Part IV, line 22	484,564	484,564		
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,207,132		1,207,132	
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	279,794,320	247,258,641	32,535,679	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	16,696,099	14,692,567	2,003,532	
9 Other employee benefits	38,980,808	32,731,609	6,249,199	
10 Payroll taxes	20,250,414	17,821,255	2,429,159	
11 Fees for services (non-employees)				
a Management				
b Legal	3,501,674		3,501,674	
c Accounting	416,399	30,000	386,399	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other				
12 Advertising and promotion	2,748,946	2,314,836	434,110	
13 Office expenses				
14 Information technology				
15 Royalties				
16 Occupancy	3,773,900	2,609,998	1,163,902	
17 Travel	795,844	606,575	189,269	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	788,944	538,781	250,163	
20 Interest	18,726,091	16,853,482	1,872,609	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	60,115,080	31,038,435	29,076,645	
23 Insurance	15,439,588	2,404	15,437,184	
24 Other expenses Itemize expenses not covered above. (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a Supplies	106,263,168	98,099,238	8,163,930	
b Bad Debts	47,316,507	47,316,507		
c Repairs/Maintenance	20,039,465	7,966,078	12,073,387	
d FEES - PHYSICIAN	19,093,950	18,948,594	145,356	
e All other expenses	76,232,068	33,052,271	43,179,797	
25 Total functional expenses Add lines 1 through 24e	732,664,961	572,365,835	160,299,126	0
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest bearing		1,593,986	1	553,097
	2	Savings and temporary cash investments		151,395,623	2	187,873,688
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		101,270,554	4	112,324,645
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		12,626,870	8	11,856,589
	9	Prepaid expenses and deferred charges		7,455,718	9	10,973,507
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 1048595967			
	b	Less accumulated depreciation	10b 526,852,239	515,220,255	10c	521,743,728
	11	Investments—publicly traded securities		20,713,042	11	19,933,781
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		45,180,910	15	49,776,241
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		855,456,958	16	915,035,276
Liabilities	17	Accounts payable and accrued expenses		115,296,222	17	108,713,561
	18	Grants payable			18	1,003,962
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		43,063,060	20	4,770,000
	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		2,499,924	23	2,240,755
	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		632,977,495	25	733,563,513
	26	**Total liabilities.** Add lines 17 through 25		793,836,701	26	850,291,791
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		43,665,851	27	47,300,049
	28	Temporarily restricted net assets		646,812	28	630,552
	29	Permanently restricted net assets		17,307,594	29	16,812,884
		Organizations that do not follow SFAS 117, check here ▶ [ ] and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building, or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		61,620,257	33	64,743,485
	34	Total liabilities and net assets/fund balances		855,456,958	34	915,035,276

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	811,499,191
2	Total expenses (must equal Part IX, column (A), line 25)	2	732,664,961
3	Revenue less expenses Subtract line 2 from line 1	3	78,834,230
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	61,620,257
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-75,711,002
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	64,743,485

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990-EZ)

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: Reading Hospital

Employer identification number: 23-1352204

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

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

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

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

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

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

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

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

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III–Functionally integrated **d** ☐ Type III–Other

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

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

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

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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 (or fiscal year beginning in) ▶	(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 Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support.** Add lines 7 through 10						

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

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 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 from 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 a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10%-facts-and-circumstances test—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 III Support Schedule for Organizations Described in Section 509(a)(2)

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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 section 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.** Complete this part to provide the explanations required by Part II, line 10, Part II, line 17a or 17b, and Part III, line 12 Also complete this part for any additional information (See instructions).

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions.

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

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

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

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

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

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

Name of organization	Employer identification number
Reading Hospital	23-1352204

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

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

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

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

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

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

	(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

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

A Check ▶ ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is	The lobbying nontaxable amount is
Not over $500,000	20% of the amount on line 1e
Over $500 000 but not over $1,000,000	$100 000 plus 15% of the excess over $500 000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity	(a) Yes	(a) No	(b) Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?	X		96,000
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?		X	
j Total Add lines 1c through 1i			96,000
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Schedule C, Part II-B, Line 1

Part II-B, Line 1g

A retainer fee was paid to the law firm of Stevens and Lee to do direct contact with legislators. The purpose of their contact was to promote the general interests and welfare of Reading Hospital during these difficult economic times in the health care field.

Part IV Supplemental Information (continued)

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

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Name of the organization

Reading Hospital

Employer identification number

23-1352204

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 In Part 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 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

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

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

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

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

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

b Assets included in Form 990, Part X ▶ $

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

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

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

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

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

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

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

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

	Amount
1c	
1d	
1e	
1f	

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

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

b If "Yes," explain the arrangement in Part XIV

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	4,819,664	4,011,593	3,521,023		
b Contributions	29,254		120,701		
c Net investment earnings, gains, and losses	249,875	850,421	397,389		
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	28,871	42,352	27,518		
g End of year balance	5,069,623	4,819,664	4,011,593		

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

- a Board designated or quasi-endowment ▶ %
- b Permanent endowment ▶ 100.00 %
- c Temporarily restricted endowment ▶ %

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

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

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

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		21,011,533		21,011,533
b Buildings		449,954,416	214,882,417	235,071,999
c Leasehold improvements				
d Equipment		521,270,348	311,969,822	209,300,526
e Other		56,359,670		56,359,670
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)			▶	521,743,728

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

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

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Column (b) must equal Form 990, Part X, col (B) line 13) ▶		

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

	(a) Description	(b) Book value
(1)	Non Current Trust Funds	19,640,559
(2)	LT Deferred &Revenue Bond Debentures	15,360,044
(3)	Medical Malpractice Trust Fund	5,332,300
(4)	Due from Affiliates	4,137,840
(5)	VEBA Trust	2,855,498
(6)	Workers Comp Trust Fund	2,450,000
(7)	Long Term Deferred Finance Expense	
(8)		
(9)		
(10)		
Total. (Column (b) must equal Form 990, Part X, col (B) line 15) ▶		49,776,241

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

1.	(a) Description of liability	(b) Book value
(1)	Federal income taxes	
(2)	LT Loan - Affiliate Payable	489,110,113
(3)	Pension Payable	203,190,343
(4)	Estimated Self Insurance Costs	40,574,001
(5)	NMG Swap	689,056
(6)	Due to Affiliates	
(7)		
(8)		
(9)		
(10)		
(11)		
Total. (Column (b) must equal Form 990, Part X, col (B) line 25) ▶		733,563,513

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

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	811,499,191
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	732,664,961
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	78,834,230
4	Net unrealized gains (losses) on investments	4	-315,575
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-75,395,427
9	Total adjustments (net) Add lines 4 through 8	9	-75,711,002
10	Excess or (deficit) for the year per audited financial statements Combine lines 3 and 9	10	3,123,228

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	811,183,616
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-315,575		
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	-315,575
3	Subtract line **2e** from line **1**			3	811,499,191
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	811,499,191

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	808,060,388
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	808,060,388
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	-75,395,427		
c	Add lines **4a** and **4b**			4c	-75,395,427
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	732,664,961

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, line 2, 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

Part X - FIN 48 Footnote

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

Part XI, Line 8 - Reconciliation of Changes - Other

Development Fund adjustment	$ -518,305
Change in Pension Liability	$ -96,257,226
Transfer from Parent	$ 21,488,200
Other Changes in Assets	$ -108,096

Part XIII, Line 4b - Expense Amounts Included on Return - Other

Development Fund adjustment	$ -518,305
Change in Pension Liability	$ -96,257,226
Transfer from Parent	$ 21,488,200
Other Changes in Assets	$ -108,096

Part XIV - Supplemental Financial Information

Income to the Development Fund was recognized only as an increase in the balance sheet amount and it was not recognized on the P&L. Since donations coming through this fund affect Schedule B, which ties to the Statement of Revenue, and adjustment was made to recognize the difference from the consolidated audited statements.

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

Reading Hospital

Employer identification number

23-1352204

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			6,887,226	1,008,245	5,878,981	0.80
b Medicaid (from Worksheet 3, column a)			131,026,266	57,927,536	73,098,730	9.98
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			137,913,492	58,935,781	78,977,711	10.78
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			4,303,214	6,767	4,296,447	0.59
f Health professions education (from Worksheet 5)			10,677,652	3,206,972	7,470,680	1.02
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			2,169,057		2,169,057	0.30
i Cash and in-kind contributions for community benefit (from Worksheet 8)			214,197		214,197	0.03
j Total Other Benefits			17,364,120	3,213,739	14,150,381	1.93
k Total Add lines 7d and 7j			155,277,612	62,149,520	93,128,092	12.71

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

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?		1	X	
2	Enter the amount of the organization's bad debt expense	2 17,841,578			
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy	3 10,116,175			
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5 210,691,056			
6	Enter Medicare allowable costs of care relating to payments on line 5	6 304,305,579			
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7 -93,614,523			
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

[X] Cost accounting system [ ] Cost to charge ratio [ ] Other

Section C. Collection Practices

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

Part IV Management 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	TRH SurgiCenter, LLC	Outpatient Surgery	50		50
2	Reading Berks PT LLC	Physical Therapy	40		
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest)

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

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)
1 Reading Hospital Sixth Ave & Spruce St West Reading PA 19611	X	X		X			X		

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)

Name of Hospital Facility: Reading Hospital

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 tax year 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 line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a 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?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and 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	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	X	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	X	
	If "Yes," indicate the FPG family income limit for eligibility for free care 100 %			
	If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information (continued)

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	X	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	X	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	[X] Income level			
b	[ ] Asset level			
c	[ ] Medical indigency			
d	[ ] Insurance status			
e	[ ] Uninsured discount			
f	[ ] Medicaid/Medicare			
g	[ ] State regulation			
h	[X] Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	X	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[X] The policy was posted on the hospital facility's website			
b	[X] The policy was attached to billing invoices			
c	[ ] The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	[X] The policy was posted in the hospital facility's admissions offices			
e	[X] The policy was provided, in writing, to patients on admission to the hospital facility			
f	[ ] The policy was available on request			
g	[X] Other (describe in Part VI)			

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	X	
15	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in 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?	16		X
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	[ ] Reporting to credit agency			
b	[ ] Lawsuits			
c	[ ] Liens on residences			
d	[ ] Body attachments			
e	[ ] Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in line 16 (check all that apply)			
a	[ ] Notified patients of the financial assistance policy on admission			
b	[ ] Notified patients of the financial assistance policy prior to discharge			
c	[ ] Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d	[ ] Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e	[ ] 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?	18	X	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☒ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
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?	20		X
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for any service provided to that patient?	21		X
If "Yes," explain in Part VI			

Part V Facility Information (continued)

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

(list in order of size, from largest to smallest)

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

Name and address	Type of Facility (describe)
1 TRHMC SurgiCenter at Spring Ridge 2603 Keiser Blvd Reading PA 19610	Ambulatory Surgery Center

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Part I, Line 7g - Subsidized Health Services Explanation

Reading Hospital utilizes the IRS guidelines in determining the ratio of patient cost to charges to estimate the cost of each subsidized health service. This calculation does not reflect Reading Hospital's operational loss. Currently the hospital provides behavioral health, and outpatient services to the community on a subsidized basis as these services reflect an operational loss.

Reading Hospital is a not-for-profit healthcare center providing comprehensive acute care, post-acute care rehabilitation, behavioral, and occupational health services to the people of Berks and adjoining counties. Reading Hospital lies on the outskirts of the City of Reading, which has an estimated population of 88,414, in 2011 and contains 12 medically underserved census tracts. 37% of the residents of the city live below federal poverty levels. The health care needs track closely to the high poverty rate in the city. The adult prevalence of diabetes, the proportion of adults with diagnosed high blood pressure, the percent of women who receive no prenatal care in the first trimester, the pediatric and adult asthma hospital admission rates, and the three-year average pneumonia death rate all exceed the national benchmarks for these indicators.

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

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The Mission of READING HOSPITAL is to provide compassionate, accessible, high quality, cost effective health care to the community; to promote health; to educate healthcare professionals; and to participate in appropriate clinical research. READING HOSPITAL is committed to serving the needs of the community, even when the needed services cause a drain on capital resources.

READING HOSPITAL is a regional referral center for Behavioral Health Services. READING HOSPITAL provides approximately one-third of all inpatient mental health services used by the residents of Berks County and over 50% among patients age 60+. Another mental health provider, Haven Behavioral Health, has recently established a treatment facility in the city of Reading offering mental health services.

READING HOSPITAL treats nearly 40% of Berks County patients requiring inpatient services for substance abuse. The other non-profit hospital in the area serves only 4% of these patients. READING HOSPITAL has recently expanded and relocated its inpatient detoxification center to meet the growing need for these services. If READING HOSPITAL ceased to provide substance abuse services, patients would have to travel out of the area for treatment, because local providers would not have the ability to meet the

Part VI Supplemental Information

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need.

READING HOSPITAL perennially ranks among the top four Pennsylvania hospitals in outpatient services. Because of the high poverty rate and the high number of uninsured and Medicaid/CHIP residents, outpatient services are often provided without adequate compensation. READING HOSPITAL continues to provide vital outpatient medical services to the community with an operational loss.

Part I, Line 7 - Costing Methodology Explanation

In the Charity Care and Means-Tested Government programs section of Line 7 a cost to charge ratio developed from our Medicare Cost Report is utilized. In the other benefits section the percentage calculation from Worksheet #2 is used.

Part III, Line 9b - Collection Practices Explanation

Reading Hospital's debt collection policy does not contain any specific provisions for referring a patient to financial assistance because those qualifying for financial assistance will have been addressed by the

Part VI Supplemental Information

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financial assistance policy before an account gets to the collection stage.

Reading Hospital, Line Number 1 - Part V, Line 11h

Family size is also considered.

Reading Hospital, Line Number 1 - Part V, Line 13g

Information regarding eligibility for assistance is provided on the hospital's billing statements and in the patient financial brochure that is available to all patients. Options are also reviewed with patients when they contact the hospital's Call Center. The hospital clinics' personnel are well versed in charity care policy and they will discuss the options with the patients. Patients are directed to the County Assistance Office, or in the case of inpatients and outpatients, assist them with filling out the application with one of the hospital's Financial Counselors for Medical Assistance. Options are also reviewed with patients who come into the Cashiers Office near the main lobby.

Patient Education of Eligibility for Assistance

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

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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

Reading Hospital's new commitment to providing affordable care,(C2PAC) program offers financial counseling and provides discounts for uninsured patients. C2PAC makes information and counseling services more readily available to all qualified patients. Patients are encouraged to enter the C2PAC program as early in the treatment process as possible. All C2PAC patients will be afforded the opportunity to meet with certified patient financial counselors and resource eligibility specialists to determine eligibility for programs such as Medical Assistance, Disability, COBRA, PA Fair Care, Charity Care, and receive information on available community programs. C2PAC includes urgent, non-elective, emergent services, and several other pre-approved and pre-screened services. Implantables, high-cost drugs, DME and contracted services will be provided to the patient at hospital cost.

Community Information

The Reading Hospital serves Berks County, along with parts of Montgomery, Chester, Lebanon, Lancaster and Schuylkill counties. The population of the total service area is about 754,000. BERKS COUNTY PROFILE: Berks County population is 411,442. There is a large population originated by birth in

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

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the county: 75% of residents were born in Pennsylvania, 15% were born elsewhere in the United States, 4% were born in Puerto Rico, US Islands or abroad to American parents, and 6% were foreign born. The racial mix includes 90% white, 6% black, 1% Asian, 1% some other race, and 2% of mixed race. There is a large Hispanic population in Berks County; about 16% of residents classify themselves as Hispanic, and 12% of all residents, ages 6+ speak Spanish at home. 16% percent of Berks County residents age 25+ have less than a high school education; whereas 22% hold a college bachelor's degree or higher. The median household income in Berks County is $54,823. 13% percent of Berks County residents live in poverty; this figure includes 20% of all children under age 18 and 7% of all seniors age 65+.

CITY OF READING PROFILE: Berks County includes the City of Reading, which has a more diverse population than the rest of the county: 52% of the residents were born in Pennsylvania, 18% were born elsewhere in the United States, 14% were born in Puerto Rico, Us Islands, or abroad to American parents, and 17% were foreign born. The racial mix includes 48% white, 13% black, 1% Asian, 32% some other race, and 6% of mixed race. The majority of the population of the City of Reading is Hispanic; about 58% of the

Part VI Supplemental Information

Complete this part to provide the following information

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residents classify themselves as Hispanic, and 46% speak Spanish in their homes. Thirty-five percent of Reading residents age 25+ have not graduated from high school, and only 9% have attained a bachelor's degree or higher. Many Reading residents are poor, and the median income in the city is only $27,416. Over one-third of the residents, (37%), live below the federal poverty limit (FPL); this figure includes over half, (51%), of all children under age 18 and 17% of all seniors age 65+.

Health of Community in Relation to Exempt Purpose

DESCRIPTION OF ACHIEVEMENTS IN FISCAL 2012 RELATING TO EXEMPT PURPOSE

1) Providing Health Care

Inpatient Services 11,171,410

Outpatient Services 5,329,236

Births 3,666

Emergency Services 128,051

Amount of Charity Care Provided:

2) Promoting Health

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 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Health outreach for children (Newborns through Teens)

Initiated St Chris Care, an ambulatory pediatric specialty practice primarily for the medically underserved

Operate Children's Health Center: provide ambulatory care to pediatric patients who are medically underserved; 51,797 visits; provides each child with a free book through it Reach Out and Read Program to improve literacy and develop a child's lifelong passion for reading.

Health Outreach for Adults

Operate Women's Health Center: offering medically underserved women both obstetrical and gynecological care; 48,217

Operate Center for Public Health: offers care to individuals diagnosed with AIDS or who are HIV positive; 2,722 patient registrations.

Operate Outpatient Services Adult Clinics: provides primary and subspecialty care to medically underserved adults; 50,747 visits.

Health Outreach: Impacting all Ages

Operate an accredited Trauma Center, that provided this life-saving level of care to 1,834 individuals last year; provide trauma prevention education to the general community; and professional education to EMS and Hospital providers.

Part VI Supplemental Information

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Operate a 24/7 Emergency Department.

Operate the Reading Health Dispensary and its Second Street satellite; provide primary care to families and adults medically underserved; new offering midwifery care to pregnant women; 30,026 visits.

Operate a School of health Sciences to provide college-level training in five healthcare careers (nursing, radiologic technology, clinical pastoral care, surgical technology, paramedic medicine).

Operate a School of Clinical Laboratory Science to provide the fourth year of college work to students interested in careers in laboratory medicine.

Operate two Urgent Care Centers to provided healthcare access on weekend and weekday evenings when most private practices are closed; 13,155

Operate a 24/7 Drug and Alcohol Center with inpatient detoxification, drop-in service, and support groups.

Maintain 24/7 Interpreting Services: 21 on-site Spanish-English interpreters; and 1 translator for written communications; network of 24/7 video-remote interpreting stations and telephones for any language.

Maintain 24/7 Sign Language Services: partnership with Berks Deaf and Hard of hearing to provide certified sign language interpreter as needed; established 24/7 video-remote sign language interpreting service.

Part VI Supplemental Information

Complete this part to provide the following information

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Provides 24/7 Chaplaincy Services program to provide patients and staff with support for spiritual concerns.

Developed Palliative Care services to support seriously ill patients and families in understanding health problem and options.

Provide inpatient hospice services, with appropriate networking for outpatient hospice care.

Hired a social worker to manage patients who have frequented the ED with minor complaints. Visits patients in their home to connect them with community resources and access to outpatient care.

Offer Raggedy Ann Therapy Program as a non-threatening method of establishing communication with anxious or depressed patients.

Offer Paws for Wellness and other pet therapy programs at no charge to patients.

Offers No One Dies Alone Program through specially trained volunteers.

Provide free valet parking to patients and their visitors; offer wheelchairs and escorts to support medically fragile patients.

Support organ donation communication and process; earned recognition from the US Department of Health and Human Services for level of success.

Maintain HELPLine (call center) for free information on Hospital services,

Part VI Supplemental Information

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physicians, health topics, and /or local support groups.

Educating Healthcare Professionals/Conducting appropriate research

preparing students for careers in Health Care

Hospital Schools	Enrolled	Graduated
Clinical Pastoral Education	9	7
Nursing	369	144
Paramedic Institute	32	18
Radiological Tech	35	15
Surgical Tech	9	7
Physicians in Residencies	73	29
Medical Students in Clerkships	420	NA

Ongoing Education/Research Opportunities for Current Healthcare professionals.

Office of Research continues to stimulate local research that will bring leading-edge treatment options to Berks County. Works in conjunction with Hospital's Institutional Review Board that monitors all clinical research projects conducted at READING HOSPITAL.

Accredited by the Pennsylvania Medical Society to sponsor continuing medical education for physicians. CME Department within Academic Affairs

Part VI Supplemental Information

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Division oversees department-based programs for CME Category1 and Category 2 credits.

Provides ongoing education for staff in all clinical departments.

Provides ongoing education for staff in all departments on safety, compliance, and related regulatory and professional issues.

Invested in the future health and well-being of the community through education and research activities.

Affiliated Health Care Information

The Reading Hospital Medical Group and Reading Professional Services are two groups in the hospitals affiliated health care system that provide general and specialized practice assistance to RH which is an acute care hospital. Physicians in these entities can refer patients to the acute care hospital for further treatment.

Additional Information

Part 7, line K - If Bad Debt is removed from the denominator the percent of total expense in Part 7, line K, column (f) is 13.59%. This number is included in accordance with the Schedule H instructions that requires bad

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

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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

debt to be removed from the denominator. Due to software limitations, we are provoding this amount in a supplemental statement.

SCHEDULE I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990.**

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2011

Open to Public Inspection

Name of the organization
Reading Hospital

Employer identification number
23-1352204

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? [X] Yes [ ] No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000 Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed ▶ [ ]

1	(a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1)								
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								
(8)								
(9)								

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ▶

3 Enter total number of other organizations listed in the line 1 table ▶

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22 Part III can be duplicated if additional space is needed.

	(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
1	Future of caring	3		12,682	FMV	credit
2	LPN Scholarship	22		195,680	FMV	credit
3	Scheetz Scholarship	136		276,202	FMV	credit
4						
5						
6						
7						

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

Part I, Line 2 - Procedures for Monitoring the Use of Grant Funds

All School of Health Sciences scholarships are awarded to students with the highest "Un-met Need" calculation. Un-met need is calculated as follows: Student Cost of Education minus Expected Family Contribution from the Department of Education minus all other Gift Aid (scholarships, grants).

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

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

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2011

Open to Public Inspection

Name of the organization

Reading Hospital

Employer identification number

23-1352204

Part I Questions Regarding Compensation

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

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

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

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

	(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)–(D)	(F) Compensation reported as deferred in prior Form 990
			(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1	Richard J Mable	(i)	211,550	41,055	9,523	30,089	16,899	309,116	0
		(ii)	0	0	0	0	0	0	0
2	Paul Toburen	(i)	185,552	16,511	50,734	0	22,567	275,364	0
		(ii)	0	0	0	0	0	0	0
3	Carl J Seidl	(i)	196,489	37,285	1,794	23,788	17,570	276,926	0
		(ii)	0	0	0	0	0	0	0
4	Margaret M Bligh	(i)	191,814	37,397	2,149	29,057	14,750	275,167	0
		(ii)	0	0	0	0	0	0	0
5	Donna F Weber	(i)	187,709	35,815	1,755	23,406	18,237	266,922	0
		(ii)	0	0	0	0	0	0	0
6	Clint Matthews	(i)	0	0	0	0	0	0	0
		(ii)	0	0	0	0	0	0	0
7	Therese Sucher	(i)	0	0	0	0	0	0	0
		(ii)	0	0	0	0	0	0	0
8	Richard W. Jones	(i)	0	0	0	0	0	0	0
		(ii)	0	0	0	0	0	0	0
9	Robert A Brigham	(i)	665,553	70,000	3,000	0	3,894	742,447	0
		(ii)	0	0	0	0	0	0	0
10	Charles J. Lusch	(i)	442,941	97,483	1,160	0	8,405	549,989	0
		(ii)	0	0	0	0	0	0	0
11	Charles F. Barbera	(i)	367,197	70,781	10,124	0	6,935	455,037	0
		(ii)	0	0	0	0	0	0	0
12	William K. Natale	(i)	334,431	66,953	2,400	0	2,733	406,517	0
		(ii)	0	0	0	0	0	0	0
13	Neil Gulati	(i)	340,059	13,800	29,127	0	5,664	388,650	0
		(ii)	0	0	0	0	0	0	0
14	Scott R Wolfe	(i)	670,550	0	2,142,036	0	1,000	2,813,586	0
		(ii)	0	0	0	0	0	0	0
15	Charles B Sullivan	(i)	0	0	1,972,129	40,207	0	2,012,336	0
		(ii)	0	0	0	0	0	0	0
16		(i)							
		(ii)							

Part III Supplemental Information

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

Part I, Line 4 - Severance, Nonqualified, and Equity-Based Payments

	Severance	Nonqualified	Equity-based
Scott R Wolfe	670,550	2,142,036	0
Charles B Sullivan	0	1,972,129	0

Part III - Other Additional Information

The personnel serving in the capacity of President & CEO (Clint Matthews), COO (Therese Sucher)and CFO (Richard Jones) were employed by FTI Consulting of Boston during fiscal 2012. Individual compensation was not available from FTI. FTI was paid $7,757,217 for these and other FTI consultants in fiscal 2012.

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

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

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

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2011

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Name of the organization

Reading Hospital

Employer identification number

23-1352204

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

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

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

	(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) Loan to or from the organization? From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) In default? No	(f) Approved by board or committee? Yes	(f) Approved by board or committee? No	(g) Written agreement? Yes	(g) Written agreement? No
(1)											
(2)											
(3)											
(4)											
(5)											
(6)											
(7)											
(8)											
(9)											
(10)											
Total				▶ $							

Part III Grants or Assistance Benefiting Interested Persons.

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

	(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount and type of assistance
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			
(7)			
(8)			
(9)			
(10)			

Part IV Business Transactions Involving Interested Persons.

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

	(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of org revenues? Yes	(e) Sharing of org revenues? No
(1)	Roland Stock LLC (John Roland)	Partner	695,185	legal services		X
(2)	Stevens & Lee (C. Thomas Work)	Partner	915,028	legal services		X
(3)						
(4)						
(5)						
(6)						
(7)						
(8)						
(9)						
(10)						

Part V Supplemental Information

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

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 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

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Name of the organization
Reading Hospital

Employer identification number
23-1352204

Form 990 - Organization's Mission or Most Significant Activities

Reinvesting resources into the health of our community

Ask someone to define a hospital's role in the community, and most often you hear about services and departments, or about doctors, nurses and other caregivers.

In addition to its primary role as a provider of direct care, Reading Health System addresses issues outside that realm that impact health and wellness. In fact, a key part of our mission means the reinvestment of our resources into these efforts, which are collectively known as Community Benefit.

We are proud to report that in our last fiscal year, we committed more than $209 million to this cause - an increase of more than 14% over the previous year.

Our caregivers and support staff participate in health education, free screenings, and immunizations. They support activities for individuals with serious or chronic health conditions, advance self-care by increasing healthcare knowledge, and address specific community needs through an array of other educational, service and outreach activities.

Here are a few examples of why these programs represent the best of all of us, working together for the health of our community.

Name of the organization: Reading Hospital

Employer identification number: 23-1352204

Making Berks County Even More HeartSAFE

HeartSAFE Berks County is an innovative program that places automatic external defibrillators (AEDs) in key institutions throughout the county. An AED can help revive a person whose heart has stopped before emergency medical personnel arrive.

Phase one of the program placed 250 AEDs - which typically cost $1,500 each - in every "first responder" vehicle and police department in the county. Phase two extends to the high schools throughout the county, to inspect and, where needed, replace or install AEDs. The program also trains faculty and students in CPR and AED use - which expands the number of people with lifesaving skills throughout the county.

The next phase, already underway, offers corporations the ability to purchase AEDs and offer training to their employees at Reading Hospital's cost.

Local media have reported on at least two lives saved as a result of having AEDs in patrol cars, which usually arrive before an ambulance. Said a Reading Eagle editorial about this program: "Organizers are to be commended for making this lifesaving equipment available. It requires a determined fundraising effort to achieve the goal of making sure the devices are around where they are needed."

HeartSAFE Berks County, the first program of its kind in Pennsylvania, is supported by Reading Hospital's Miller Regional Heart Center in partnership with The Friends of Reading Hospital.

Employees Reach Out

Through the new Employee Engagement Initiative, Reading Health employees get the opportunity to take paid time to participate in one community volunteer activity each year.

How successful is the program? Smaller non-profit groups, which cannot always muster the people power needed to support their missions, are pleased to rely on our volunteers. And inside Reading Health, there's already a long waiting list to participate.

Here are some of the ways our employees are assisting:
"Doing landscaping at Opportunity House, our community's shelter for individuals and families in need of emergency housing.
"Painting bright new interior murals at the Children's Home of Reading
"Ripping down walls, removing bricks, carrying wood, and putting up dry wall to help Habitat for Humanity provide housing for a local family in need.
"Sorting and packing school supplies for area children as part of the United Way's "Stuff the Bus" campaign.
"Serving food at rescue missions and other organizations during the holiday

season.

Screenings for Better Health

Screening tests can help find cancer at an early stage, before symptoms appear. As the National Cancer Institute explains, when abnormal tissue or cancer is found early, it may be easier to treat or cure.

Each year, we offer potentially life-saving Free Cancer Screenings. They include breast, cervical, prostate, skin, and oral cancers. Some of the results:

"67 women braved a freak Halloween snowstorm to undergo a free gynecological and breast cancer screening at Berks Community Health Center (formerly The Reading Health Dispensary). Of those, 12 were referred for physician visit follow-up and 63 were referred for a free mammogram.

"Of 72 men screened for prostate cancer, which included a PSA blood test, 9 were sent for follow-up with their physician or a urologist.

"During the annual skin cancer screening, 70 community members were seen, and 40 were referred to a physician for follow-up on the findings.

Promoting Safety as a Way of Life

Now in its seventh year, our Injury Prevention Program reaches thousands of

area residents, educating them in safety as a way of life. The goal is to prevent those accidents and injuries that result in the highest patient volume in our Trauma Center.

Our Trauma Center's education coordinator participates in and recruits staff to help with programs such as:

""Dare to Prepare," a program in partnership with AAA and the Pennsylvania Department of Transportation, which assists parents in preparing teens for driving by reviewing risks and distractions for new drivers.
"Visits to elementary schools to review safety issues on the playground and school buses, as well as to promote the use of bike helmets.
""CarFit" educational events for older drivers, which review a senior's driving skills and distractions on the road. Aging bodies are more fragile and vulnerable in a car crash, so making sure a car is properly "fitted" for a senior driver greatly increases the driver's safety.
"First Aid stations at major community events, such as the Reading Fair, Maple Grove Raceway events, and Mid-Atlantic Air Museum's World War II weekend.

Creating Greater Access

In partnership with leading community organizations, Reading Health System helped create a federally qualified health center in downtown Reading. The new Berks Community Health Center, located at the site of the former Reading Health Dispensary, opened in June.

A formal memorandum of agreement transferred the operations of the Dispensary from Reading Hospital to the board of BCHC. Because federally qualified health centers receive higher reimbursement and grants from the federal government, this move should result in greater access in terms of both number of patients served and types of services offered to underserved members of the community.

Asking the Questions

Reading Health System joined with St. Joseph Medical Center, United Way of Berks County, and Berks Community Foundation to conduct a quantitative survey of community needs. Under the guidance of a Community Health Needs Assessment Advisory Board, these organizations engaged Public Health Management Company to conduct a health survey of Berks County residents this summer.

Reading Hospital also conducted a separate research project targeting individuals who live in the City of Reading. Results from both initiatives, along with anecdotal information on service utilization and gaps, will drive future Community Benefit activities.

COMMUNITY BENEFIT TOTAL: $ 209,482,386

(fiscal year 2012)

DIRECT PATIENT CARE

Unreimbursed Medicare: $93.6 million (estimated: 49,000 individuals)
The difference between Medicare charges and Medicare payments and the actual cost of
providing patient care.

Unreimbursed Medicaid: $73 million (estimated: 37,400 individuals)
The difference between Medical Assistance charges and Medicaid payments and the actual cost of providing patient care.

Bad Debt: $17.8 million (estimated: 29,600 individuals)
The cost of providing care to patients whom we believe would qualify for financial assistance under our charity care policy.

Uncompensated Charity Care: $6.9 million (estimated: 4,000 individuals)
Free health services provided to persons who meet our criteria for financial assistance. This amount reflects the actual cost of providing care.

COMMUNITY HEALTH IMPROVEMENT SERVICES

Patient Care Community Services: $3.6 million
Includes free flu shots, cancer screenings, medications, medical equipment and transportation for community members; free interpreting services; and free community help line.

Community Health Education: $0.7 million

Includes health education programs, CPR classes, support groups and free worksite health education programs that improve community health.

Contributions: $0.2 million

Monetary support given to the West Reading community.

Financial and In-Kind Donations: $0.2 million

Contributions made by TRHMC and its employers to community non-profit organizations.

PROFESSIONAL EDUCATION and CLINICAL RESEARCH

Medical Education for Physicians/Medical Students: $6.4 million

Includes salaries and benefits for medical residents, medical library, and continuing medical education programs available to all physicians within the community.

Nursing and other Health Professional Education: $4.7 million

Includes nursing, paramedic and pastoral care education that result in a degree, certificate or training necessary to be licensed to practice as a health professional. Includes continuing medical education programs offered to all nurses in the community.

Cancer Clinical Research and Tumor Registry: $2.2 million

Includes research and clinical trials in the areas of cancer, and Tumor Registry expenses.

Name of the organization: Reading Hospital

Employer identification number: 23-1352204

Form 990 - Additional Information

Clint Matthews was in the capacity of CEO during fiscal 2012 while employed by FTI Consulting of Boston, MA. Individual compensation is not available from FTI. FTI was paid $7,757,217.

Therese Sucher was in the capacity of COO during fiscal 2012 while employed by FTI Consulting of Boston, MA. Individual compensation was not available from FTI. FTI Consulting was paid $7,757,217.

Richard Jones was in the capacity of CFO during fiscal 2012 while employed by FTI Consulting of Boston, MA. Individual compensation was not available from FTI. FTI Consulting was paid $7,757,217.

Interest in Part IX, line 20 is for pre 2003 Bonds on the Medical Center and interest paid on the Bonds held at the parent level.

Part IX - fund raising done by TRH Auxiliary, a separate entity.

The Reading Hospital & Medical Center (TRHMC) was rebanded as Reading Hospital (RH).

Form 990, Part I, Line 6

194 active adult inservice volunteers gave 23,516 hours of service to RH

119 teen inservice volunteers gave 4,167 hours of service to RH

Approximately 74 members of The Friends of TRHMC Board of Directors gave 5,969 hours of service to raise dollars for RH.

Approximately 527 members of local Friends Groups gave RH 39,860 hours of service.

During FY 2012 volunteers gave approximately 74,000 hours of service.

Form 990, Part III, Line 4a - First Accomplishment

supports its surgeons in their fellowship training and recruits and retains surgeons in areas like plastic surgery - available only during limited hours or not at all, in other hospitals in its market.

Form 990, Part III, Line 4b - Second Accomplishment

ommittment to serve the underserved population of the city.

Form 990, Part III, Line 4d - All Other Accomplishment

Description	Units of Service	Prog. Expense
Other Departments	6,906,821	227,316,819
Indirect Allocated Expenses		
Employee Benefits		32,612,087
Pension		14,692,567
Payroll Taxes		17,813,836
Interest		16,853,482
Depreciation		31,038,435
Utilities		3,090,810
Provision for Bad Debts		47,316,507

Form 990, Part VI, Line 2 - Related Party Information Among Officers

Roland Stock (John Roland)	Roland Stock(David Roland)
Board Member	Life Member
Uncle	

Form 990, Part VI, Line 3 - Management Delegated

The CEO, COO and CFO listed on Part VII, Line 1a are all employed by FTI

Consulting of Boston. They receive or accrue compensation from an unrelated organization for services rendered to RH.

Form 990, Part VI, Line 7a - Election of Members and Their Rights
The management of the Corporation shall be vested in the Board of Directors elected by the Member who is the Reading Health System.

Form 990, Part VI, Line 7b - Decisions Subject to Approval of Members
All decisions are subject to approval by the Board of Directors as management of the corporation elected by the Member.

Form 990, Part VI, Line 11b - Organization's Process to Review Form 990
The Form 990 is prepared by hospital staff and reviewed by PwC accounting firm tax personnel before posting it on a website for Board Members prior to filing. Members are alerted to information and notices. A copy of the 990 is mailed to any Board Member unable to view this site.

Form 990, Part VI, Line 12c - Enforcement of Conflicts Policy
It shall be the policy of the hospital to require each Board member to submit in writing to the Chief Executive Officer a list of business or other organizations of which the member or member's spouse is an officer, director, member employee or owner (10% or greater share) with which the company might reasonably enter into a relationship or a transaction in which the Board member would have conflicting interests. Each year a copy of the written statement will be sent to the Board member for updating and resubmission and by which the Board member shall confirm his awareness of this policy.

Name of the organization: Reading Hospital

Employer identification number: 23-1352204

Form 990, Part VI, Line 15a - Compensation Process for Top Official

The Reading Health System's Board of Directors has duly appointed an Executive Compensation Committee (the "Committee"), which is responsible for the review and approval of all compensation and benefits provided to the Hospital's executive management. The Committee has adopted a written Executive Compensation Philosophy Statement and an Executive Compensation Committee Charter governing the work and review process of the Committee. The Committee follows the procedures described in the Philosophy Statement and the Charter when it reviews and approves the compensation and employee benefits provided to the Hospital's senior management, including the Chief Executive Officer and the Chief Financial Officer.

The Committee's review analyzes every element of compensation, including current and deferred compensation, and benefits, including qualified and non-qualified benefits. The Committee conducts its review and approval process at least annually, and approves compensation and benefits only to the extent that the Committee has concluded that the compensation and benefits constitute no more than reasonable compensation for each executive. The Committee consists entirely of disinterested members of the Board, and the Committee works with an independent compensation consultant to prepare and review in advance comprehensive data showing the compensation provided by similarly situated organizations for functionally similar positions. The Committee also prepares a timely and thorough written record of its deliberations and conclusions. As a result, the Committee's review process is designed to satisfy the procedural criteria necessary to qualify for the rebuttable presumption of reasonableness under the federal income tax law intermediate sanctions rules.

Name of the organization: Reading Hospital

Employer identification number: 23-1352204

Form 990, Part VI, Line 15b - Compensation Process for Officers

Same response as Line 15a which includes key employees.

Form 990, Part VI, Line 19 - Governing Documents Disclosure Explanation

The organization does not make its governing documents, conflict of interest policy and financial statements available to the public.

Form 990, Part IX, Line 24e - Other Expenses

Description	Amount
FEES - CONSULTING	$ 12,159,222
UTILITIES	$ 9,365,954
FEES - OUTSIDE SERVICE	$ 8,233,426
FEES - PROFESSIONAL	$ 8,180,711
OUTSIDE SERVICE EXPENSE	$ 8,014,247
FEES - CONTRACT LABOR	$ 7,935,725
FEES - OTHER	$ 4,502,920
TESTING SERVICES	$ 4,038,949
RECRUITING EXPENSE	$ 2,512,225
Taxes/Licenses	$ 1,731,188
FEES - MANAGEMENT	$ 1,723,274
Telephone	$ 1,487,221
Postage and Shipping	$ 1,156,085
DUES & SUBSCRIPTIONS	$ 1,150,832
COMMUNITY HEALTH PROGRAMS	$ 1,149,250
EMPLOYMENT CONTRACTS	$ 999,311
CONTRIBUTIONS	$ 980,735

OTHER DIRECT SERVICES	$	771,998
Printing and Publications	$	363,005
OFFSETS/OTHER EXPENSE	$	-224,210

Form 990, Part XI, Line 5 - Other Changes in Net Assets Explanation

Transfer from the parent	$21,488,200
Change in pension liability	-$96,257,226
Unrealized loss on investments	-$315,575
Change in Development Fund balance	-$518,305
Other fund changes	-$108,096

Form 990, Part XII, Line 2c - Change in Financial Review Process

For Fiscal 2012 (Tax 2011) Reading Hospital financial statements were audited on a consolidated basis. Previously they were audited on a separate basis.

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

Reading Hospital

Employer identification number

23-1352204

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to 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)						
(2)						
(3)						
(4)						
(5)						

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

	(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) Section 512(b)(13) controlled entity? No
(1)	Reading Health System Sixth Ave & Spruce St 23-2201344 West Reading PA 19611	Supporting	PA	501c3	11c	N/A		X
(2)	The Friends of The Reading Hospital Sixth Ave & Spruce St 23-6026108 West Reading PA 19611	Supporting	PA	501c3	11b	TRH	X	
(3)	The Rdg Hospital & Med Center Self- Sixth Ave & Spruce St 23-2087514 West Reading PA 19611	Trust Fund	PA	501c3	11b	TRH	X	
(4)	The Rdg Hospital & Med Center Worke Sixth Ave & Spruce St 22-3054717 West Reading PA 19611	Trust Fund	PA	501c3	11b	TRH	X	
(5)	Reading Professional Services Sixth Ave & Spruce St 23-2266054 West Reading PA 19611	Healthcare	PA	501c3	3	MG	X	

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

Reading Hospital

Employer identification number

23-1352204

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to 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)						
(2)						
(3)						
(4)						
(5)						

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

	(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) Section 512(b)(13) controlled entity? No
(1)	The Rdg Hospital Medical Group Sixth Ave & Spruce St 20-5095905 West Reading PA 19611	Healthcare	PA	501c3	3	TRH	X	
(2)	The Highlands at Wyomissing 2000 Cambridge Ave 22-2790840 Wyomissing PA 19610	Retirement	PA	501c3	9	TRH	X	
(3)								
(4)								
(5)								

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to 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 alloc ? Yes	(h) Disproportionate alloc ? No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) General or managing partner? No	(k) Percentage ownership
(1) The Reading Hospital SurgiCenter 2603 Keiser Blvd Wyomissing PA 19610 58-2682467	surgery	PA	The Rdg Ho	Excluded	3,672,324	2,375,771		X		X		50.00
(2)												
(3)												
(4)												

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to 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) MC Realty Corp 627 North Fourth Street Reading PA 19601 23-2607292	realestate	PA	N/A	C	N/A	N/A	N/A
(2)							
(3)							
(4)							

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

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

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)	The Reading Hospital Medical Group	n	229,725	G/L Transaction
(2)	The Reading Hospital Medical group	j	498,844	G/L Transaction
(3)	The Reading Hospital Medical group	i	220,025	G/L Transaction
(4)	Reading Professional Services	l	1,215,481	G/L Transaction
(5)	Reading Professional Services	p	36,077	G/L Transaction
(6)	Reading Professional Services	n	6,041,926	G/L Transaction

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

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)	The Highlands at Wyomissing	p	8,040,466	G/L Transaction
(2)	The Highlands at Wyomissing	a	1,672,203	G/L Transaction
(3)				
(4)				
(5)				
(6)				

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to Form 990, Part IV, line 37)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations? Yes	(e) No	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													

Part VII Supplemental Information

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

TRHMC 04/30/2013 12 09 PM

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2011

Attachment Sequence No **179**

Name(s) shown on return: Reading Hospital

Identifying number: 23-1352204

Business or activity to which this form relates: Laundry and Laboratory

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	500,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4	Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5	Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost

7	Listed property Enter the amount from line 29	7	
8	Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction Enter the **smaller** of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2010 Form 4562	10	
11	Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12 ▶	13	

Note: Do not use Part II or Part III below for listed property Instead, use Part V

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property) (See instructions)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	8,305

Part III MACRS Depreciation (Do not include listed property) (See instructions)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2011	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

	(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only–see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a	3-year property						
b	5-year property						
c	7-year property						
d	10-year property						
e	15-year property						
f	20-year property						
g	25-year property			25 yrs		S/L	
h	Residential rental property			27 5 yrs	MM	S/L	
				27 5 yrs	MM	S/L	
i	Nonresidential real property			39 yrs	MM	S/L	
					MM	S/L	

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a	Class life					S/L	
b	12-year			12 yrs		S/L	
c	40-year			40 yrs	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property Enter amount from line 28	21	16,975
22	**Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	25,280
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions.

Form **4562** (2011)

DAA

Part V Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						25		
26 Property used more than 50% in a qualified business use								
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%	138,325	66,431		S/L-	16,975	
		%				S/L-		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						28	16,975	
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							29	

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions)					
43 Amortization of costs that began before your 2011 tax year				43	
44 **Total.** Add amounts in column (f) See the instructions for where to report				44	

Forms **990 / 990-PF**

Mortgages and Other Notes Payable

For calendar year 2011, or tax year beginning 07/01/11 , and ending 06/30/12

2011

Name

Reading Hospital

Employer Identification Number

23-1352204

Form 990, Part X, Line 23 - Additional Information

	Name of lender	Relationship to disqualified person
(1)	Wachovia Bank	
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		

	Original amount borrowed	Date of loan	Maturity date	Repayment terms	Interest rate
(1)		01/01/04	03/01/20	20 years	9.060
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

	Security provided by borrower	Purpose of loan
(1)	1550 Kutztown Road Kutztown PA 19530	Purchase of Real Estate
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		

	Consideration furnished by lender	Balance due at beginning of year	Balance due at end of year
(1)		2,499,924	2,240,755
(2)			
(3)			
(4)			
(5)			
(6)			
(7)			
(8)			
(9)			
(10)			
Totals		2,499,924	2,240,755

Form **990**

Tax-Exempt Bond Liabilities

For calendar year 2011, or tax year beginning 07/01/11 , and ending 06/30/12

2011

Name

Reading Hospital

Employer Identification Number

23-1352204

Form 990, Part X, Line 20 - Additional Information

	Name of lender	Purpose of issue
(1)	Berks County Municipal Authority	
(2)	Dauphin County General Authority	
(3)	Berks County Municipal Authority	
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		

	Issue date	Original amount of issue	Form 8038 filed Y/N	Date filed	Date retired	Completion date of project	Unexpended bond proceeds
(1)			N				
(2)			N				
(3)			N				
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							

	Third party use percent	Maturity date	Repayment terms	Interest rate
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				

	Security provided by borrower	Amount outstanding at beginning of year	Amount outstanding at end of year
(1)		30,633,060	
(2)		5,465,000	
(3)		6,965,000	4,770,000
(4)			
(5)			
(6)			
(7)			
(8)			
(9)			
(10)			
Totals		43,063,060	4,770,000

Tax-Exempt Interest on Investments

Description	Amount	Unrelated Business Code	Exclusion Code	Postal Code	Acquired after 6/30/75	InState Muni ($ or %)
Interest Income	$ 1,241,916		14			
Total	$ 1,241,916					

Federal Statements

Form 990, Part IX, Line 24e - All Other Expenses

Description	Total Expenses	Program Service	Management & General	Fund Raising
FEES - CONSULTING	$ 12,159,222	$ 492,968	$ 11,666,254	$
UTILITIES	9,365,954	1,136,748	8,229,206	
FEES - OUTSIDE SERVICE	8,233,426	6,302,734	1,930,692	
FEES - PROFESSIONAL	8,180,711	3,093,462	5,087,249	
OUTSIDE SERVICE EXPENSE	8,014,247	4,948,539	3,065,708	
FEES - CONTRACT LABOR	7,935,725	6,744,395	1,191,330	
FEES - OTHER	4,502,920	1,428,519	3,074,401	
TESTING SERVICES	4,038,949	4,038,949		
RECRUITING EXPENSE	2,512,225	441,648	2,070,577	
Taxes/Licenses	1,731,188	615,098	1,116,090	
FEES - MANAGEMENT	1,723,274	1,026,061	697,213	
Telephone	1,487,221	58,556	1,428,665	
Postage and Shipping	1,156,085	4,653	1,151,432	
DUES & SUBSCRIPTIONS	1,150,832	608,247	542,585	
COMMUNITY HEALTH PROGRAMS	1,149,250	769,589	379,661	
EMPLOYMENT CONTRACTS	999,311		999,311	
CONTRIBUTIONS	980,735		980,735	
OTHER DIRECT SERVICES	771,998	304,075	467,923	
Printing and Publications	363,005	359,038	3,967	
OFFSETS/OTHER EXPENSE	-224,210	678,992	-903,202	
Total	$ 76,232,068	$ 33,052,271	$ 43,179,797	$ 0

The Reading Hospital and Controlled Entities

Consolidated Financial Statements and Supplementary Consolidating Information
June 30, 2012 and 2011

The Reading Hospital and Controlled Entities
Index
June 30, 2012 and 2011

pwc

Report of Independent Auditors

The Board of Directors of
The Reading Hospital and Controlled Entities

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of The Reading Hospital and Controlled Entities (the "Company") at June 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America These consolidated financial statements are the responsibility of the Company's management Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

PricewaterhouseCoopers LLP

November 2, 2012

PricewaterhouseCoopers LLP, 100 East Pratt Street, Suite 1900, Baltimore, MD 21202-1096
T: (410) 783 7600, F: (410) 783 7680, www.pwc.com/us

The Reading Hospital and Controlled Entities
Consolidated Balance Sheets
June 30, 2012 and 2011

	2012	2011
Assets		
Current		
Cash and cash equivalents	$ 191,713,225	$ 153,711,135
Patient accounts receivable, less allowance for uncollectible accounts of $41,451,392 and $37,523,872 in 2012 and 2011, respectively	110,747,136	99,564,208
Other receivables	4,914,466	10,137,129
Receivable from affiliates	1,454,833	1,260,326
Inventories	12,175,915	12,938,623
Prepaid expenses and other current assets	12,072,896	8,839,669
Assets whose use is limited - required for current liabilities		
Self-insurance funding arrangements	10,782,507	10,783,761
Revenue bond indentures - debt service requirements	7,252,138	3,026,508
Total current assets	351,113,116	300,261,359
Assets whose use is limited		
Self-insurance funding arrangements	19,640,559	18,714,026
Under regulatory requirements	2,912,455	2,912,455
By board for capital improvements	856,349,684	859,787,462
Total assets whose use is limited, net of current portion	878,902,698	881,413,943
Investments	17,741,189	18,067,783
Temporarily restricted funds	654,010	672,471
Property, plant and equipment, net	615,065,637	605,772,321
Deferred financing expense, net	4,996,857	5,708,931
Deferred compensation fund	3,023,129	3,443,533
Other assets	14,879,319	11,931,603
Total assets	$ 1,886,375,955	$ 1,827,271,944

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

The Reading Hospital and Controlled Entities
Consolidated Balance Sheets
June 30, 2012 and 2011

	2012	2011
Liabilities and Net Assets		
Current		
Current installments of long-term debt	$ 7,680,255	$ 31,810,387
Bonds backed by self-liquidity	-	141,700,000
Accounts payable	43,125,836	24,272,470
Estimated third-party payor settlements	5,659,555	6,565,671
Current portion of estimated self-insurance costs	10,877,737	8,670,086
Accrued expenses	29,659,159	22,800,653
Accrued vacation	20,114,473	18,004,683
Advance from third-party payor	3,832,000	3,832,169
Other current liabilities	7,985,863	10,720,097
Total current liabilities	128,934,878	268,376,216
Long-term debt, net of current portion and unamortized discount	603,758,661	443,328,021
Accrued pension liabilities	200,514,393	99,855,961
Deferred revenue	34,903,416	35,652,680
Deferred compensation	2,999,484	3,443,533
Gift annuities	586,343	652,081
Estimated self-insurance costs, net of current portion	40,574,001	29,389,700
Swap contracts	82,635,153	52,332,357
Total liabilities	1,094,906,329	933,030,549
Commitments and contingencies (Note 13)		
Net assets		
Unrestricted	774,002,732	876,200,090
Temporarily restricted	654,010	672,471
Permanently restricted	16,812,884	17,368,834
Total net assets	791,469,626	894,241,395
Total liabilities and net assets	$ 1,886,375,955	$ 1,827,271,944

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

The Reading Hospital and Controlled Entities
Consolidated Statements of Operations
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted revenues and other support		
Net patient service revenue	$ 874,307,259	$ 826,837,399
Residential revenue	19,875,080	22,619,836
Other revenue	28,536,854	30,352,509
Total revenues and other support	922,719,193	879,809,744
Expenses		
Salaries and benefits	480,444,099	467,196,170
Supplies	111,362,303	97,264,087
Provision for uncollectible accounts	49,489,385	40,579,629
Utilities	12,853,524	14,982,854
Interest	20,443,050	21,022,300
Depreciation and amortization	64,965,124	64,058,459
Purchased services	70,323,048	63,669,198
Repairs and maintenance	19,421,008	17,435,657
Other	58,947,523	46,349,025
Total expenses	888,249,064	832,557,379
Income from operations	34,470,129	47,252,365
Nonoperating gains/(losses)		
Investment income	20,829,827	31,030,024
Gifts and bequests	(164,362)	1,809,342
Other (losses)/gains	(562,805)	901,156
Loss on extinguishment of debt	(5,302,466)	-
Realized and unrealized (losses)/gains on swap contracts	(36,240,771)	548,623
Nonoperating (losses)/gains, net	(21,440,577)	34,289,145
Excess of revenue, gains and other support over expenses	$ 13,029,552	$ 81,541,510

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

The Reading Hospital and Controlled Entities
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted net assets		
Excess of revenues, gains and other support over expenses	$ 13,029,552	$ 81,541,510
Change in unrealized gains/(losses) on investments	(19,373,757)	37,544,646
Change in pension liability	(96,257,226)	24,434,865
Change in deferred compensation	-	(370,088)
Other net assets	404,072	51,983
Increase in unrestricted net assets	(102,197,359)	143,202,916
Temporarily restricted net assets		
Contributions	-	119,178
Net assets released from restrictions - for operations	(18,461)	(7,951)
Increase in temporarily restricted net assets	(18,461)	111,227
Permanently restricted net assets		
Contributions	29,254	-
Change in beneficial interest in trusts	(585,204)	2,278,824
Increase in permanently restricted net assets	(555,950)	2,278,824
Change in net assets	(102,771,770)	145,592,967
Net assets		
Beginning of year	894,241,396	748,648,429
End of year	$ 791,469,626	$ 894,241,396

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

The Reading Hospital and Controlled Entities
Consolidated Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ (102,771,770)	$ 145,592,966
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in unrealized (losses)/gains on investments	19,373,757	(37,544,646)
Change in fair value of swap contracts	30,302,796	548,623
Loss on extinguishment of debt	5,302,466	-
Premium on issuance of bonds	6,882,971	-
Amortization of bond discount	136,815	-
Amortization of deferred financing expense	353,318	377,841
Change in pension liability, net	100,658,432	(24,434,865)
Depreciation	64,965,124	63,680,618
Loss on disposal of fixed assets	605,118	55,096
Provision for uncollectible accounts	49,489,385	40,579,629
Realized gains on investments	(7,440,377)	(19,768,383)
Equity income of affiliates	(185,740)	(1,008,512)
Restricted contributions and investment income received	(29,254)	(120,000)
Change in cash due to changes in operating assets and liabilities		
Receivable from patients and others	(55,449,650)	(34,685,771)
Receivable from affiliates	(194,507)	(644,828)
Inventories	762,708	(7,498,689)
Prepaid expenses and other assets	(8,110,770)	1,133,623
Accounts payable and accrued expenses	26,889,819	5,531,299
Deferred compensation	(23,645)	603,765
Gift annuities	(65,738)	(86,885)
Deferred revenue	(749,264)	171,322
Net cash provided by operating activities	130,701,994	132,482,203
Cash flows from investing activities		
Acquisition of property, plant and equipment	(64,282,208)	(34,755,790)
Proceeds from sale of fixed assets	913	110,380
Distribution from equity investees	1,773,740	-
Purchases and sales of investments and assets whose use is limited, net	(12,959,628)	(35,780,318)
Net cash used in investing activities	(75,467,183)	(70,425,728)
Cash flows from financing activities		
Restricted contributions and investment income received	29,254	120,000
Proceeds from issuance of new debt, net of bond discount	472,471,969	-
Repayment of bonds	(470,215,013)	-
Increase in deferred financing expense	(3,548,378)	-
Payments of long-term debt	(15,970,553)	(13,950,000)
Net cash used in financing activities	(17,232,721)	(13,830,000)
Net increase in cash and cash equivalents	38,002,090	48,226,475
Cash and cash equivalents		
Beginning of year	153,711,135	105,484,660
End of year	$ 191,713,225	$ 153,711,135
Supplemental cash flow information		
Cash paid during the year for interest	$ 21,208,003	$ 21,489,698
Fixed asset additions included in accounts payable	12,627,200	2,044,935

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

1. Organizational Structure and Nature of Operations

The Reading Hospital ("Parent") is a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code The Parent is located in West Reading, Pennsylvania and provides inpatient, outpatient and emergency care for residents of the greater Berks County area. Admitting physicians are primarily practitioners in the local area.

Controlled Entities and Subsidiaries of the Parent Include:

- The Reading Hospital and Medical Center ("Hospital or THRMC"), a tax-exempt not-for-profit acute and post-acute care hospital;

- Reading Professional Services ("RPS"), a tax-exempt entity established for charitable, educational and scientific purposes. RPS recruits physicians, provides physician billing and administrative services for the Hospital, including supervision and instruction for medical students completing their residency training,

- MC Realty, Inc. ("MC Realty"), a wholly owned subsidiary, established to strategically acquire real estate in Berks County and the surrounding areas. MC Realty is consolidated into the Parent;

- The Reading Hospital Medical Group ("TRHMG"), a not-for-profit entity, established on January 1, 2007 to assure access to high quality primary care physicians and specialty physicians in sufficient numbers to meet the community need; and

- The Highlands at Wyomissing ("Highlands"), a not-for-profit corporation is a fully controlled entity of The Reading Hospital The purpose of the Highlands is to operate a continuing care retirement community including residential, recreational, and health care facilities and services specially designed to meet the physical, social, and psychological needs of elderly persons The Highlands facility is located in Wyomissing, Pennsylvania and its residents are principally from the Wyomissing, and Reading, Pennsylvania area. The facility contains 289 residential living units, an 80-bed skilled nursing unit and 70 personal care units. Certain members of the board of directors from the Hospital are also members of the board of directors of the Highlands

Other Noncontrolled Related Entities Include:

- Berkshire Health Partners ("BHP") is licensed by the Commonwealth of PA as a fully integrated, non-risk bearing preferred provider organization A nonprofit corporation in PA, BHP was established by hospitals and physicians and offers a provider network of physicians, hospitals, and ancillary providers and services Certain members of the Hospital's Board of Directors are directors of BHP. In September 2011, BHP entered into a Membership Repurchase Agreement giving the Parent full ownership of the hospital side of BHP. The other 50% is owned by Reading Physicians Organization.

    - Medicus Resource Management ("MRM"), a wholly owned subsidiary of BHP, is a for-profit company for PA tax purposes that coordinates the utilization management process and provides precertification, case management, concurrent reviews and short term disability reviews

- Reading Berks Physical Therapy LLC ("RBPT"), a limited liability corporation established to provide physical therapies at eight locations within the greater Berks County area. The

Hospital maintains a 40% interest in RBPT under the equity method of accounting. This interest is included in other assets on the accompanying balance sheets;

- The Reading Hospital Surgicenter at Springridge, LLC ("Springridge LLC"), a limited liability company was established to provide ambulatory surgery services to the surrounding community The Hospital maintains a 50% ownership under the equity method of accounting. This interest is included in other assets on the accompanying balance sheets,

- The Parent, along with several other acute care service hospitals throughout the central Pennsylvania area, contributed capital to form Central Pennsylvania Alliance Laboratories ("CPAL"), a joint venture to combine laboratory operations. The Parent maintains a 20% ownership interest in CPAL. This interest is recorded under the equity method of accounting and is included in other assets on the accompanying balance sheet;

- Effective January 1, 2012, the Parent's ownership of Central Pennsylvania Homecare, Inc (d.b a Visiting Nurse Association, "VNA") changed from 50% to 44.1% As part of the change, THRMC received the distribution of $1,042,000 Additional owners include Lancaster General with 44 1% and Pinnacle with 11.8% shares VNA provides visiting home nursing services to outpatients of the Hospital and other healthcare providers in the surrounding community This investment is recorded under the equity method of accounting and is included in other assets on the accompanying balance sheets,

- The Parent is a 20% owner, along with Central Pennsylvania Healthcare Alliance ("CPHA") members Ephrata Community Hospital, Lancaster General, Pinnacle Health System, Summit Health Alliance and WellSpan Health, of Quest Behavioral Health, Inc ("Quest") Quest is a not-for-profit corporation providing full service managed behavioral healthcare, with over 1000 network clinicians (behavioral health specialists, psychiatrists, psychologists, clinical social workers, licensed mental health professionals and clinical nurse practitioners) to over 120,000 members in 40 counties in Central Pennsylvania, 7 counties in Northern Maryland and 200 employer groups. This investment is recorded under the equity method of accounting and is included in other assets on the accompanying balance sheets, and

- Horizon, a for-profit limited liability partnership which provides in-home infusion drug therapy to customers in central Pennsylvania was restructured on December 1, 2011 The transaction altered the previous ownership shares of Lancaster General at 60%, The Reading Hospital and Medical Center at 30%, and Pinnacle Health at 10%. The revised ownership structure equals 25% ownership shares for each of four parties, including Lancaster General, The Reading Hospital and Medical Center, Pinnacle Health, and Hershey Medical Center. As part of the restructuring, TRHMC received a distribution of $732,000. The investment is recorded under the equity method of accounting and is included in other assets on the accompanying balance sheets.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The significant accounting policies followed by The Reading Hospital and Controlled Entities ("Company") are as follows:

Principles of Consolidation
The consolidated financial statements of the Company include the accounts of the Parent, the Hospital, RPS, TRHMG, Highlands and MC Realty All significant intercompany balances and transactions have been eliminated

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These significant estimates include the accounts receivable allowance for doubtful accounts, contractual allowances, estimated third-party payor settlements, investments, accrued pension liabilities, accrued retirement costs and accrued insurance costs. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications to amounts previously reported have been made to conform with the current period presentation.

Cash and Cash Equivalents
Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts whose use is limited by board designation, indenture agreements and self-insurance trust agreements

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

Allowance for Doubtful Accounts
Patient receivables are recorded at their estimated net realizable value. The allowance for doubtful accounts is estimated based upon historical collection rates.

Residential Revenue
The Highlands' entrance fees are refundable for a period of time up to 50 months. During this time, for refund purposes only, a resident's entrance fee is amortized at the rate of 2% per month for 50 months beginning on the date of occupancy. Entrance fees which are no longer refundable are recorded as deferred entrance fee revenue Entrance fees are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. For all contracts entered into prior to January 1, 2005, a portion of the entrance fee, referred to as the health fund, equal to 30% of the total entrance fee, is reserved to be accounted for individually for each resident/couple All health funds are refundable to extent not amortized. Amortization of the health fund occurs when a resident utilizes health services (Nursing or Personal Care). The amortization rate is the incremental difference between the daily rate for health services and the monthly fee prorated on a daily basis

Other Revenue
Significant components of other revenue include; rental income on leased properties, tuition revenue for The Reading Hospital and Medical Center School of Health Sciences and cafeteria revenues

Charity Care
The Company provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue

Donor Restricted Gifts
Unconditional promises to give cash and other assets to the Hospital are reported at estimated fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at estimated fair value at the date the gift is received.

Gifts are reported as either temporarily or permanently restricted 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 as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements

Excess of Revenues, Gains and Other Support Over Expenses
The consolidated statements of operations include the excess of revenues, gains and other support over expenses Changes in unrestricted net assets which are excluded from the excess of revenues, gains and other support over expenses, consistent with industry practice, include changes in unrealized gains and losses on investments other than certain not readily marketable investments, adjustments for defined benefit and other post-retirement benefits and contributions of long-lived assets (including assets acquired using contributions which by donor-restriction were to be used for the purposes of acquiring such assets)

Assets Whose Use is Limited
Assets whose use is limited include designated assets set aside by the Board of Directors for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under indenture agreements and self-insurance trust arrangements

The Pennsylvania Continuing Care Provide Registration and Disclosure Act requires a statutory reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loan or 10% of the projected annual operating expenses of the facilities exclusive of depreciation, computed only on the proportional share of financing or operating expenses that is applicable to residents under entrance agreement contracts. For the Reading Hospital and controlled entities this statutory requirement applies only to The Highlands at Wyomissing. This statutory reserve requirement is considered to be fulfilled from board-designated funds included within assets limited as to use.

The calculation of the 10% of the annual operating expenses for 2013 is as follows:

Budgeted operating expenses for 2013	$ 24,396,493
Less: Budgeted depreciation and amortization expense	(3,202,352)
Net budgeted operating expenses for 2013	21,194,141
Required reserve as of July 1, 2012 (10%)	$ 2,119,414

The principal and interest due in the next 12 month period for long-term financing of the Highlands is the greater of the two options and is calculated as follows

Principal due	$ 1,479,658
Interest due	1,432,797
Required reserve as of July 1, 2012	$ 2,912,455

Property, Plant and Equipment
Property, plant and equipment are carried at cost, less accumulated depreciation Depreciation is computed using the straight-line method over the estimated useful lives of each class of depreciable asset Gains and losses resulting from the retirement or sale of property, plant and equipment are included in the consolidated statements of operations Useful lives range as follows·

Land improvements	5-25 years
Buildings and improvements	10-40 years
Fixed equipment	5-10 years
Movable equipment	3-7 years

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

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

Inventories
Inventories are stated at lower of cost (first-in, first-out method) or market. At June 30, 2011, a physical inventory was taken and supplies totaling approximately $7,600,000 were capitalized which resulted in a reduction in operating expenses in the statement of operations. Physical inventories are conducted annually.

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

Under these fair value standards, the Company is required to categorize and disclose certain assets and liabilities, including investments, at fair value, according to three levels of inputs that may be used to measure fair value

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

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

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

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

Where quoted prices are available in an active market, investments are classified in Level 1 of the valuation hierarchy. Investments in Level 1 are cash exchange-trade equity securities, debt securities, and mutual funds with daily NAV Investments in Level 2 include corporate obligations, other fixed income investments, other domestic equity investments, and foreign equity investments If quoted prices are not available, other accepted valuation methodologies, such as quotes for similar securities are used. These valuation services estimate fair values using pricing models and other accepted valuation methodologies, such as quotes for similar securities and observable yield curves and spreads. As part of the Company's overall valuation process, management evaluates these third-party methodologies to ensure that they are representative of exit prices in the Company's principal markets Investments in Level 3 include nonreadily marketable alternative investments and auction rate securities. See Note 5 for additional details related to the Company's investments.

The Company's nonreadily marketable investments include limited partnerships and limited liability corporations that do not price shares on at least a monthly basis or require notice to redeem shares These nonreadily marketable investments invest in securities traded in foreign and domestic markets and are carried in the balance sheet at net asset value as determined by the general partner

The Company has used an investment advisor to assist managing their investment portfolio. The advisor is authorized to execute transactions to the Pension Fund and provides advisory services for the Long Range Capital fund Effective FY 2012 Q4, the Company has engaged an investment consultant and four new investment advisors who will assist in managing the funds A full discretionary investment mandate, guided by the Company's Investment Policy Statement, will be transitioned to the new advisors beginning in FY 2013 Q1.

Deferred Financing Expense
Deferred financing expense is amortized over the period the debt is outstanding using the straight-line method, which approximates the effective interest method

Bond Premiums / (Discounts)
Bond premiums/(discounts) are reported as direct additions/(reductions) of the carrying values of the related debt instruments from which the discounts arose Bond premiums/(discounts) are amortized over the period during which the debt is outstanding using the straight-line method which approximates the effective interest method; with current period adjustments included as a component of interest expense. Prior year amortization of bond discounts were not reclassified to interest expense

Estimated Self-Insurance Costs
The provision for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported The Company self-insures its medical malpractice, general liability, and workers' compensation risks. Reserve estimates are subject to the impact of changes in claim trends as well as prevailing social, economic, and legal conditions The ultimate net cost of settling these liabilities may vary from the estimated amounts. Accordingly, reserve estimates are continually reviewed and updated and any resulting adjustments are reflected in the current financial statements Insurance recoveries are recognized at the same time as related claims liabilities.

Derivative Instruments
The Company accounts for derivative financial instruments in accordance with standards issued by FASB The Company owns free-standing derivatives that are not designated as part of a qualifying hedge relationship As such, the derivatives are recorded at fair value and are marked-to-market through the excess of revenues over expenses.

Income Taxes
The Company is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. On such basis, the exempt entities do not incur liability for federal income taxes, except in the case of unrelated business income.

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

Fair Value of Financial Instruments
Financial instruments include cash and cash equivalents, accounts receivable, investments, interest rate swap agreements and long-term debt The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, investments, interest rate swap agreements and long-term debt approximates its fair value as of June 30, 2012 Private equity investments are carried on the balance sheet at cost.

Deferred Revenue
The Highlands has deferred revenue pertaining to refundable entrance fees of $17,078,000 and $19,533,000 at June 30, 2012 and 2011, respectively, and deferred entrance fee revenue of $16,821,000 and $16,121,000 at June 30, 2012 and 2011, respectively Entrance fees are refundable for a period of time up to 50 months before they are transferred to deferred entrance fee revenue. The deferred entrance fee revenue is amortized to income using the straight-line method over the estimated remaining life expectancy of the resident

Deferred Compensation
The Company was a party to a deferred compensation plan that provided retirement benefits to certain individuals employed by the Company Assets were deposited pursuant to this agreement such that the market value of the assets approximates the related accrued deferred compensation liability. The plan is no longer active No new participants nor any additional contributions are allowed The original contributions were funded entirely by the participating employees through payroll deferral

Accounting for Defined Benefit Plan
Substantially all employees of the Company are covered under a qualified noncontributory defined benefit pension plan. Pension costs are funded as accrued except when not permitted by regulations, such as full funding limitations. Unfunded prior service costs are amortized over an initial term of thirty years

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

Recently Issued Accounting Pronouncements
In January 2010, the FASB issued ASU 2010-06, "Fair Value Measurements and Disclosures about Fair Value Measurements " The new guidance requires that information, such as description of and reasoning for transfers, be disclosed for all transfers to and from Level's 1, 2 and 3 in the fair value hierarchy Another requirement under this guidance is the gross, rather than net, presentation of purchases, sales, issuances and settlements in Level 3 roll-forward tables. The new guidance is effective for fiscal years beginning after December 15, 2009 for transfer disclosures and December 15, 2010 for gross presentation and as such, disclosures pertaining to these topics have be made in accordance with this guidance for consolidated financial statements beginning in Fiscal Year 2011 and Fiscal Year 2012, respectively

In August 2010, the FASB issued ASU 2010-24, "Health Care Entities (Topic 954). Presentation of Insurance Claims and Related Insurance Recoveries," which clarifies that a health care entity should not net insurance recoveries against a related claim liability. The guidance provided is effective for the fiscal years and interim periods within those years beginning after December 15, 2010 The adoption of this pronouncement did not have a material effect on the financial statements

In August 2010, the FASB issued ASU 2010-23, "Health Care Entities (Topic 954): Measuring Charity Care for Disclosure," which prescribes a specific measurement basis of charity care for disclosure The guidance provided in this ASU is effective for fiscal years beginning after December 15, 2010. The amendment to GAAP requires the use of both direct and indirect costs as the measurement basis for charity care disclosures This change does not impact the amounts recorded within the primary financial statements

In July 2011, the FASB issued Accounting Standards Update ("ASU") 2011-07, "Health Care Entities (Topic 954)· Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities," which requires health care entities to change the presentation in their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). For nonpublic entities, the amendments are effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2012, with early adoption permitted While this standard will have no impact on the Hospital's financial position or results of operations, it will require reclassification of the provision for doubtful accounts from operating expenses to a component of net revenues beginning with the first quarter of 2013, with retrospective application required.

3. Charity Care and Community Service

The Company provides services to patients who meet the criteria of its charity service policy without charge or at amounts less than the established rates Criteria for charity care consider the patient's family income, family size, and ability to pay. Individuals who qualify for charity care do not have insurance or other coverage

The Company maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of charges foregone based on established rates for services and supplies furnished under its charity care and community service policies and the estimated cost of those services

Charges foregone for charity service as determined in accordance with the Company's policy approximate $21,168,000 and $19,212,000 in 2012 and 2011, respectively Such amounts have been excluded from revenue. The cost to provide these services was approximately $7,524,000 and $7,225,000 for the years ended 2012 and 2011, respectively. The estimated costs were based on a calculation which multiplied the cost to charge ratio by the gross charges The cost to charge ratio was obtained from our most recent Medicare Cost report.

Additionally, the Company sponsors certain other service programs and charity services which provide substantial benefit to the broader community. Such programs include services to needy populations requiring special services and support, including community service programs and charity services as well as health promotion and education.

The Company's community service includes the Medical Assistance program which makes payment for services provided to families with dependent children, the aged, the blind, and the permanently and totally disabled, whose income and resources are insufficient to meet the costs of necessary medical services. Payments from the Medical Assistance program are generally less than the Company's charge of providing the service

In addition, community service represents the cost to deliver services to the community, net of any payment received for those services Included in these services are the Company's subsidy of outpatient clinics, education of medical professionals who work with various health care providers in the community upon graduation, and community mental health programs. The Company also sponsors health fairs and other wellness programs throughout the community.

4. Net Patient Service Revenue

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

Medicare
Inpatient acute care and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed by Medicare under the Ambulatory Payment Classification System. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with Medicare The Hospital's Medicare cost reports have been closed and settled by the Medicare fiscal intermediary through June 30, 2007

Medicaid
Historically, inpatient and outpatient services rendered to Medicaid program beneficiaries were paid at prospectively determined rates with inpatient services being reimbursed on a rate-per-discharge basis and outpatient services on a predetermined fee schedule basis.

On December 29, 2010, the Pennsylvania Department of Public Welfare ("DPW") received approval from the Centers for Medicare & Medicaid Services for the state plan amendments pursuant to Act 49 of 2010, passed by the Pennsylvania General Assembly on July 3, 2010, that established a new inpatient hospital fee for service payment system, new supplemental payments and the waiver to establish the statewide Quality Care Assessment. DPW also received approval on final language for the DPW contracts with managed care organizations The estimated net impact on the Hospital for the year ended June 30, 2012 was $6,708,000 (based on total payment adjustments of $17,683,000 offset by assessments of $10,974,000).

Capital Blue Cross
Beginning July 1, 2010, inpatient services rendered to Capital Blue Cross subscribers are reimbursed at negotiated case rates and per diem rates Previously, inpatient services had been reimbursed on a negotiated percentage of covered charges The prospectively determined rates are not subject to retroactive adjustment. The Hospital continues to be reimbursed for outpatient services at a negotiated percentage of covered charges.

Workers' Compensation
The payment method by which all employers and/or insurers of workers' compensation policies will pay for the services provided by health care providers to employees covered by workers' compensation is a percentage of the Medicare payment for these services.

Other Contractual Arrangements
The Company has various payment agreements with preferred provider organizations and health maintenance organizations The basis for payment under these agreements includes discounts from established charges

Revenue received under agreements with third-party payors is subject to audit and retroactive adjustment Adjustments related to tentative and final settlements with third-party payors are included in the determination of the excess of revenues, gains and other support over expenses in the year in which such adjustments become known Such adjustments relating to prior years increased net patient service revenues by approximately $7,446,000 in 2012 but reduced 2011 by $964,000.

During fiscal year 2012, the hospital received and recorded a $4,841,000 multi-year settlement (FYE05-FYE11) of the Rural Floor Budget Neutrality group appeal. The Company also recorded litigation and resolution fees of 25% of settlement

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

5. Investments

	2012	2011
Deferred compensation		
Cash and cash equivalents	$ 469	$ 507
Mutual funds	3,022,660	3,443,026
Total deferred compensation	$ 3,023,129	$ 3,443,533

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at June 30, 2012 and 2011, is set forth in the following tables

	2012	2011
Under self-insurance funding arrangements		
Professional liability		
Cash and cash equivalents	$ 9,066,781	$ 8,329,642
U.S. Government securities	7,625,681	6,991,769
Corporate bonds	4,221,267	4,928,840
Mutual funds	78,752	84,586
	20,992,481	20,334,837
Workers' compensation		
Cash and cash equivalents	742,031	427,969
U.S Government securities	4,015,106	3,432,321
Corporate bonds	2,995,656	3,476,579
Mutual funds	1,677,792	1,826,081
	9,430,585	9,162,950
Total assets whose use is limited under self-insurance funding arrangements	$ 30,423,066	$ 29,497,787

	2012	2011
Under revenue bond indenture agreements - held by trustee		
Cash and cash equivalents	$ 7,252,138	$ 299,913
U.S Government securities	-	2,726,595
Total assets whose use is limited under revenue bond indenture agreements	$ 7,252,138	$ 3,026,508
By board for capital improvement		
Cash and cash equivalents	$ 190,763,607	$ 189,089,394
U.S. Government securities	40,404,646	28,923,332
Corporate and foreign bonds	-	6,395,487
Common, preferred and foreign stocks	1,092,580	2,188,389
Mutual funds	136,277,951	161,208,026
Fixed income funds	281,138,349	332,728,555
Hedge funds and private equity funds	209,585,006	142,166,734
Total assets whose use is limited by the board for capital improvements	859,262,139	862,699,917
Temporarily restricted funds		
Cash and cash equivalents	$ 654,010	$ 672,471
Investments		
Beneficial interest in trusts	$ 12,671,566	$ 13,248,118
Cash and equivalents	152,048	124,917
Common, foreign and preferred stock	3,038,983	2,699,556
Mutual funds	-	254,148
Corporate and foreign bonds	563,550	549,998
U S. Government securities	1,315,042	1,191,046
Total assets whose use is permanently restricted as to use	$ 17,741,189	$ 18,067,783

A summary of the Company's total investment return for the years ended June 30, 2012 and 2011 as reflected in the Consolidated Statements of Operations and Changes in Net Assets is as follows:

	2012	2011
Nonoperating gains and losses		
Investment income	$ 20,829,827	$ 31,030,024
Change in unrealized gains/(losses) on investments	(19,373,757)	37,544,646

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

The Company performs an annual impairment analysis, no impairments were identified in 2012 Impairment charges of $1,328,000 were recorded at June 30, 2011.

The following tables represent the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value:

		Fair Value Measurement Using		
	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	$ 208,631,105	$ 208,631,105	$ -	$ -
State and Local Govt Sec	9,639,052	-	-	9,639,052
Corporate and foreign bonds	7,780,474	-	7,780,474	-
Common, preferred and foreign stock	4,131,563	4,131,563	-	-
U.S Government securities	43,721,423	-	43,721,423	-
Mutual funds	141,057,154	75,505,626	65,551,528	-
Fixed income funds	281,138,349	281,138,349	-	-
Beneficial interests in trusts	12,671,566	-	-	12,671,566
Hedge funds	184,726,200	-	-	184,726,200
Total investments	$ 893,496,886	$ 569,406,643	$ 117,053,425	$ 207,036,818
Liabilities				
Swap contracts	$ 82,635,153	$ -	$ 82,635,153	$ -

		Fair Value Measurement Using		
	June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	$ 198,837,156	$ 198,837,156	$ -	$ -
Corporate and foreign bonds	19,578,984	-	9,283,805	10,295,179
Common, preferred and foreign stock	-	-	-	-
U.S. Government securities	4,887,945	4,887,945	-	-
Mutual funds	43,265,063	-	43,265,063	-
Fixed income funds	77,580,968	77,580,968	-	-
Beneficial interests in trusts	332,728,554	332,728,554	-	-
Hedge funds	13,248,119	-	-	13,248,119
Total investments	205,508,553	-	-	205,508,553
Liabilities	$ 895,635,342	$ 614,034,623	$ 52,548,868	$ 229,051,851
Swap contracts	$ 52,332,357	$ -	$ 52,332,357	$ -

The following table represents the nonreadily marketable investments and auction rate securities for which fair value was measured under Level 3

	Hedge Funds	Beneficial Interests in Trusts	State and Local Government Securities
Fair value at July 1, 2011	$ 205,508,553	$ 13,248,119	$ 10,295,179
Purchases	-	-	-
Sales	(11,774,209)	-	(100,000)
Realized gains/(losses)	2,872,165	-	-
Net change in unrealized gains/(losses)	(11,880,309)	(576,553)	(556,127)
Fair value at June 30, 2012	$ 184,726,200	$ 12,671,566	$ 9,639,052

	Hedge Funds	Beneficial Interests in Trusts	State and Local Government Securities
Fair value July 1, 2010	$ 181,027,159	$ 10,989,659	$ 10,265,719
Purchases	-	-	-
Sales	(7,442,510)	-	-
Realized gains/(losses)	-	-	-
Net change in unrealized gains/(losses)	31,923,904	2,258,460	29,460
Fair value June 30, 2011	$ 205,508,553	$ 13,248,119	$ 10,295,179

The corporate and foreign bonds, and hedge funds reflected as being Level 3 were valued by fund managers. Management believes that these values reflect fair value

Hedge Funds
Investments in the Hedge Fund segment of the Fair Value Measurement tables include investments in hedge funds that invest in asset backed securities, long-short equity or fixed-income securities, commodities, long–short real estate and multi-strategies The fair values of other investments in this category have been estimated using the net asset value per share of the investments.

Many of these hedge fund strategies are subject to various liquidity availability or lock-up periods that range from monthly, quarterly, semi-annual, annual and biennial liquidity. The bulk of hedge fund balances are available monthly with only 34% available annually or biennially at specific anniversary dates Normal holdback for liquidation of these funds range between 5% and 10% of balances, paid out after fund final audits.

Private Equity:
Investments in Private Equity include eleven private equity funds placed with six managers who invest primarily in smaller mature secondary interests in high-quality private equity and venture capital partnerships, intellectual properties, and natural gas These are long-term investments that cannot be redeemed. Instead, the nature of the investments in this category is such that distributions are received through the liquidation of the underlying assets within the fund As of June 30, 2012, Total Committed investments funds to the Company's Private Equity portfolio were $65 million Capital Calls and Distributions totaled $40.4 and $12 1 million respectively. Remaining capital commitments total $24 6 million

The Company has investments in limited partnerships that are accounted for at cost of $24,859,000 and $21,665,000 at June 30, 2012 and 2011, respectively

6. Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation at June 30, 2012 and 2011 consist of:

	2012	2011
Land and land improvements	$ 62,907,873	$ 62,713,360
Buildings and improvements	524,663,808	521,470,570
Fixed equipment	266,202,182	260,704,008
Movable equipment	279,426,761	275,323,419
Property, plant, equipment before depreciation and AIP	1,133,200,624	1,120,211,357
Less. Accumulated depreciation	(570,689,459)	(524,712,086)
Property, plant, equipment before AIP, net of depreciation	562,511,165	595,499,271
AIP Non Equipment (EPIC & Construction Projects)	52,554,472	10,273,050
		-
Net property, plant and equipment	$ 615,065,637	$ 605,772,321

Depreciation expense was approximately $64,965,000 and $63,681,000 for the years ended June 30, 2012 and 2011, respectively.

In preparation for the Asset Management Module implementation, a fixed asset physical inventory was conducted by CBIZ in March 2012. As a result of this inventory, equipment with a net book value of $711,000 was written-off, offset by a gain on the disposal of other equipment of $106,000 recognized in prior periods, netting to a loss on the disposal of assets for the year of $605,000

7. Long-Term Debt

Long-term debt at June 30, 2012 and 2011 consist of.

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Berks County Municipal Authority Hospital Revenue Bond Series of 2012, net of unamortized discount and premium	$ 479,354,940	$ 480,768,793	$ -	$ -
Berks County Municipal Authority Hospital Revenue Bond Series of 2009, net of unamortized discount	121,438,220	140,138,046	442,711,083	448,406,439
Berks County Municipal Authority Hospital Revenue Bond Series of 2008,	-	-	100,000,000	103,171,924
Berks County Municipal Authority Hospital Revenue Bond Series of 1999, net of unamortized discount	1,204,746	1,226,344	2,338,954	2,373,795
Berks County Municipal Authority Hospital Revenue Bond Series of 1998, net of unamortized discount	-	-	53,768,060	53,768,060
Dauphin County General Authority Hospital Revenue Bond Series A of 1994,	-	-	6,285,000	6,285,000
Berks County Municipal Authority Hospital Revenue Bond Series of 1993,	6,965,000	7,355,191	9,040,000	9,537,200
Term loans	2,476,010	2,476,010	2,695,311	2,695,311
Total long-term debt	611,438,916	631,964,384	616,838,408	626,237,729
Less Amounts due within one year	7,680,255		31,810,387	
Hospital Revenue Bonds backed by self-liquidity - 2009 A-4 & A-5	-		141,700,000	
Long-term debt, net of current portion	$ 603,758,661		$ 443,328,021	

Under the terms of the various debt agreements, the Company is required to maintain certain deposits with a trustee Such deposits are included with assets whose use is limited in the consolidated financial statements. The various agreements also place limits on the incurrence of additional borrowings and require that the Company satisfy certain measures of financial performance as long as the debt is outstanding The Company was in compliance with these covenants at June 30, 2012 and 2011

Scheduled principal repayments on long-term debt are as follows for the years ending June 30.

2013	$ 7,680,255
2014	6,733,536
2015	7,074,468
2016	5,274,162
2017	5,528,648
Thereafter	574,399,941
Total long-term debt	606,691,010
Plus: Unamortized Net Premium / (Discount)	4,747,906
Long term-debt, net of unamortized discount	$ 611,438,916

Berks County Municipal Authority Hospital Revenue Bond Series of 2012
On June 28, 2012, The Berks County Municipal Authority ("Authority") issued $473,275,000 (notional) of Revenue Bonds in four series, 2012 A, B, C and D.

The Authority issued $160,065,000 of Fixed Rate Serial Revenue Bonds ("2012 A") for the purpose of refunding the Dauphin Country General Authority Hospital Revenue Bond Series 1994A, Berks County Bond Series 1998 and 2008

Mandatory annual principal redemptions by the Company for the 2012 A bonds due November 1, 2039 through November 1, 2044 range from $7,590,000 to $33,555,000 with final maturity on November 1, 2044 Effective interest rate of the bonds range from 4 23% to 4 50%

The Authority issued $91,775,000 of Variable Rate Serial Revenue bonds ("2012 B") for the purpose of refunding the Authority Series 2009 A-5

Mandatory annual principal redemptions by the Company for the 2012 B bonds due November 1, 2035 through November 1, 2039 range from $3,225,000 to $24,955,000 with final maturity on November 1, 2039. Interest on these bonds is calculated on a SIFMA Municipal Index rate plus a fixed spread of 1 50%. The SIFMA rate at June 30, 21012 was 18%

The Authority issued a $47,235,000 Floating Rate Bond (2012 C) used to refund the Series 2009 A-4 and a $174,000,000 Floating Rate Bond ("2012 D") used to Refund the Series 2009 A-1 and A-2 Both Series 2012 C and 2012 D were privately placed with commercial banks

Mandatory monthly principal redemptions by the Company for the 2012 C bonds commence August 1, 2012 through July 1, 2022 and range from $39,363 to $128,823 with final maturity date on July 1, 2022. Interest on these bonds is calculated using a 1 Month Libor Index rate plus a fixed spread of 1 20% times an Applicable Factor of 70 0%. The 1 Month Libor rate at June 30, 2012 was 25%

Mandatory annual principal redemptions by the Company for the 2012 D bonds due November 1, 2022 through November 1, 2035 range from $8,625,000 to $21,120,000 with final maturity on November 1, 2035 Interest on these bonds is calculated on a SIFMA Municipal Index rate plus a fixed spread of .70%. The SIFMA rate at June 30, 21012 was .18%.

Berks County Municipal Authority Hospital Revenue Bond Series of 2009
Series 2009 A-1, A-2, A-4 and A-5 were refunded on June 28, 2012 with the aforementioned Bond Series 2012 The 2009 A-3 bond remains outstanding.

The 2009 A-3 bond was issued on July 15, 2009. The Authority issued $133,665,000 of Fixed Rate Revenue Bonds, Series 2009 A-3 for the primary purpose of redeeming $115,520,000 of 2001 Bonds and $14,965,000 for major renovation projects

The 2009 A-3 bonds are comprised of $44,285,000 of serial bonds and $89,380,000 of term bonds The serial bonds are due in installments payable November 1, 2009 through 2019, with payments ranging from $120,000 to $4,895,000 The term bonds are due on November 1 of 2024, 2031 and 2039, with payments ranging from $820,000 to $9,380,000 The effective interest rate on the serial bonds ranges from 3% to 5% and 5.25% to 5 75% for the term bonds

Berks County Municipal Authority Hospital Revenue Bond Series of 1999
On November 1, 1999, the Authority issued $45,805,000 of Hospital Revenue Bonds, Series 1999 ("1999 Bonds") for the primary purpose of providing funds for the cost of certain capital projects relating to the facilities, buildings, and equipment of the Hospital (the "project") and to pay certain costs incurred with the issuance of the 1999 Bonds The project consists of certain improvements to the Hospital's campus, the construction of new facilities, the renovation of existing facilities, and the acquisition of certain medical equipment The Company granted to the Authority a security interest in certain assets and substantially all revenues as collateral for its obligation under the indenture. The principal amount outstanding was $1,205,000

Berks County Municipal Authority Hospital Revenue Bond Series of 1993
On June 1, 1993, the Authority issued Hospital Revenue Bonds, Series of 1993 ("1993 Bonds") for the primary purpose of providing funds for the advance refunding of the Berks County Municipal Authority Hospital Revenue Bonds Series of 1986 ("1986 Bonds"), the retirement of certain other indebtedness, and the funding of certain medical and computer equipment to be located on Hospital premises

Remaining mandatory annual principal redemptions by the Hospital for the 1993 Bonds are $2,195,000 in 2012, $2,320,000 in 2013 and $2,450,000 in 2014. All mandatory redemptions are at par value. The Hospital granted to the Authority a security interest in certain assets and substantially all revenues as collateral for its obligation under the indenture.

The stated maturity dates and interest rates of the 1993 Bonds at June 30, 2012 are as follows:

Type	Face Amount	Maturity	Interest Rate
Term bonds	$ 6,965,000	2010-2014	5 70 %

Term Loans
Effective retroactive to January 1, 2004, the Hospital replaced NMG Limited Partnership as the borrower on three promissory notes. The Hospital was previously the guarantor for the notes. The original notes were issued as follows· $2,100,000 due March 31, 2020, $2,000,000 due December 31, 2019 and $165,000 due March 31, 2006. In conjunction with the assumption of debt, the Hospital received assets which have been purchased with the proceeds from the debt.

Mandatory annual principal redemptions by the Hospital for the notes for the 2012-2019 period range from $219,000 to $411,000 in 2019. The interest rate is calculated based upon the London Interbank Offered Rate plus1.70% This rate was 1.94% at June 30, 2012.

Line of Credit
At June 30, 2012, the Company had available a line of credit of $10,000,000 with M&T Bank. The amounts outstanding on the available letters of credit at June 30, 2012 and 2011, equaled $1,976,309 and $3,992,459, respectively.

8. Interest Rate Swaps

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

When quoted market prices are not available, the valuation of derivative instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each leg of the derivative This analysis reflects the contractual terms of the derivatives, including interest rate curves and implied volatilities. The estimates of fair value are made by an independent third-party valuation service using a standardized methodology based on observable market inputs. As part of the Company's overall valuation process, management evaluates this third-party methodology to ensure that it is representative of exit prices in the principal markets. These future net cash flows, however, are susceptible to change primarily due to fluctuations in interest rates As a result, the estimated values of these derivatives will change over time as cash is received and paid and also as market conditions. As these changes take place, they may have a positive or negative impact on estimated valuations. Based on the nature and limited purposes of the derivatives that the Company employs, fluctuations in interest rates have had only a modest effect on its results of operations As such, fluctuations are generally expected to be countered by offsetting changes in income, expense, and/or values of assets and liabilities

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

The fair market value of the swap contracts and the related realized and unrealized gains/(losses) were as follows, as of June 30, 2012:

Classification of derivatives in Balance Sheets	Fair market value 2012	2011
Derivatives not designated as hedging instrument:		
2008 Bond Issuance	$ 191,717	$ 4,794,719
2005 Bond Issuance	(7,149,360)	(4,846,052)
2002 Bond Issuance	(31,355,502)	(21,898,577)
2001 Bond Issuance	(41,389,318)	(28,219,095)
1997 Bond Issuance	(623,313)	(624,604)
1992 Bond Issuance	(1,620,320)	(878,307)
Term loans	(689,057)	(660,441)
Total swap contracts	**$ (82,635,153)**	**$ (52,332,357)**

Classification of derivatives gain/(loss) in Statements of Operations	Amount of gain/(loss) recognized in excess of revenue over expenses 2012	2011
Derivatives not designated as hedging instrument.		
Unrealized gain/(loss) on swap contracts	$ (30,302,796)	$ 157,141
Realized gain/(loss) on swap contracts	(5,937,975)	391,482
Realized and unrealized gains (losses) on swap contracts	**$ (36,240,771)**	**$ 548,623**

In connection with the 2008 bond issuance, the Company entered into an interest rate swap agreement with a third party. The swap economically converts the fixed rate obligation of the 2008 bonds from a fixed rate of 7.5% to variable rates which averaged .46% at June 30, 2012 Notional amount of the swap is $100 million

In connection with the 2005 bond issuance, the Company entered into an interest rate swap agreement with a third party The swap economically converts the variable rate obligation of the 2005 bonds to a fixed rate of 3.584% Notional amount of the swap is $42 million

In connection with the 2001 and 2002 bonds issuances, the Company entered into two interest rate swap agreements with a third party. The swaps economically convert the variable rate obligations of the 2001 and 2002 bonds to a fixed rate of 4 30% and 4.69%, respectively. Notional amounts of the swaps are $148 6 million and $77.3 million.

On June 26, 2006, the Company entered into an interest rate swap agreement on the 2001, 2002 and 2005 bond issuances which was effective as of August 4, 2006. The swap has a variable effective interest rate at 68% of the London Inter-bank Offering Rate ("LIBOR").

In connection with the 2002 bond issuance, the Company entered into two interest rate swap agreements The swaps effectively convert the variable rate obligation of the Series A and B Bonds to fixed rates of 4.69% and 6.28%, respectively. Notional amounts of the swaps are $4.7 million and $9 5 million

In connection with the 1997 bond issuance, the Company entered into an interest rate swap agreement which was effective as of May 26, 2005 The swap effectively converts the variable rate obligation of the Bonds to a fixed rate of 3.397%. Notional amount of the swap is $7 million.

In connection with the 1992 bond issuance, the Company entered into an interest rate swap agreement which was effective as of May 26, 2005 The swap effectively converts the variable rate obligation of the Bonds to a fixed rate of 3.607%. Notional amount of the swap is $8 1 million.

In connection with the term loans, the Company assumed two interest rate swap agreements with a third party The swaps effectively convert the variable obligations to fixed rates of 9.13% for the $2,100,000 note and 9.06% for the $2,000,000 note The fair value of the interest rate swap agreements is the amount at which they would be settled based on estimates of market rates, which was a liability of $689,000 at June 30, 2012 and $660,000 at June 30, 2011

The change in the value of the interest rate swap agreements and the interest expense associated with these swaps are recorded in other nonoperating gains/(losses) on the Statements of Operations

9. Pension Plans

The Company participates in The Reading Hospital and Medical Center Pension Plan ("Plan"), a noncontributory defined benefit pension plan covering substantially all employees of the Company. Employees are eligible to join the Plan upon completion of one year of service provided they have attained age 21. Benefits are based upon years of credited service and the employee's highest average monthly compensation The Hospital also sponsors a defined contribution plan which allows employees to defer income for retirement The Hospital also sponsors a supplemental employee retirement plan ("SERP") for certain members of management In 2011, the Company settled "SERP" obligation with participated employee The Hospital's funding policy is to contribute annually amounts required by Section 412(b) of the Internal Revenue Code so that no deficiency exists at the end of any Plan year.

The following table sets forth the Plan's funded status and amounts recognized in the consolidated balance sheets at June 30, 2012 and 2011 and the amounts charged to operations during the years ended June 30, 2012 and 2011:

Obligations and Funded Status at June 30 for the Plan

	2012	2011
Change in projected benefit obligation		
Benefit obligation at beginning of year	$ 378,415,249	$ 372,760,226
Service cost	15,919,894	16,246,275
Interest cost	21,595,137	20,221,240
Actuarial loss/(gain)	73,636,234	(13,018,594)
Benefits paid	(11,513,918)	(17,793,898)
Benefit obligation at end of year	$ 478,052,596	$ 378,415,249
Change in plan assets		
Fair value of plan assets at beginning of year	$ 278,882,822	$ 248,792,934
Actual return on assets	(3,907,167)	24,401,092
Employer contributions	14,400,000	23,482,694
Benefits paid	(11,513,918)	(17,793,898)
Fair value of plan assets at end of year	$ 277,861,737	$ 278,882,822

The accrued liability of the plan at June 30, 2012 and 2011 consists of the following components

	2012	2011
Funded status	$ (200,190,859)	$ (99,532,427)

The accumulated benefit obligations totaled $408,166,000 and $322,148,000 at June 30, 2012 and 2011, respectively, for the Plan

Amounts recognized in the balance sheet consist of

	2012	2011
Accrued pension	$ 200,190,859	$ (99,532,427)
Total accrued liability	$ 200,190,859	$ (99,532,427)
Amounts recognized in net assets consist of		
Net actuarial loss	$ 179,386,937	$ 82,913,748
Prior service cost (benefit)	1,448,866	1,664,829
Pension cost charged to net assets	$ 180,835,803	$ 84,578,577

Net periodic benefit cost components include the following

	2012	2011	
	Plan	Plan	SERP
Service cost - benefits earned during the period	$ 15,919,894	$ 16,143,178	$ 103,097
Interest cost on projected benefit obligation	21,595,137	20,074,172	147,068
Expected return on plan assets	(22,446,051)	(20,499,749)	-
Amortization of prior service cost	215,963	215,963	-
Amortization of net gain	3,516,263	5,181,268	424,663
Settlement charge	-	-	1,695,084
Effect of curtailment	-	-	-
Net periodic pension cost Charged to operations	$ 18,801,206	$ 21,114,832	$ 2,369,912

The amounts expected to be amortized from unrestricted net asset to net periodic pension costs during fiscal year 2013 are a net loss of $10,122,000 and a prior service cost of $216,000

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

	2012	2011
Discount rate	5 00 %	5 78 %
Rate of compensation increase	3.00 %	3 00 %
Measurement date	6/30/2012	6/30/2011

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

	2012	2011	
	Plan	Plan	SERP
Discount rate	5 78 %	5.59 %	5.59%–1.63%
Expected long-term return on plan assets	8 00 %	8.00 %	N/A
Rate of compensation increase	3 00 %	3.00 %	5 00 %

To develop the expected long-term rate of return on assets assumption, the Hospital considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

Plan Assets

The Reading Hospital and Medical Center Pension Plan weighted-average asset allocations at June 30, 2012 and 2011, by asset category are as follows.

	Plan Assets at June 30	
	2012	2011
Asset category		
Cash and cash equivalents	1 7 %	1 2 %
Mutual funds	19 8	21 1
Fixed income	20.4	28 3
Equity investments	3.6	3 5
Alternate investments	54.5	45 9
	100.0 %	100 0 %

The overall investment objective of the Plan is to provide a return on investment consistent with the Plan's spending needs and to prevent erosion of purchasing power by inflation. Achievement of the return will be sought from an investment strategy that provides an opportunity for superior returns within acceptable levels of risk and volatility of returns

The following tables represent the fair value measurement levels for all assets and liabilities, which the Hospital has recorded at fair value

		Fair Value Measurement Using		
	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	$ 4,592,602	$ 4,592,602	$ -	$ -
State and local government securities	9,175,000	-	-	9,175,000
Mutual funds	55,052,978	55,052,978	-	-
Equities	9,941,823	9,941,823	-	-
Fixed income funds	47,585,136	47,585,136	-	-
Hedge funds	149,170,867	-	-	149,170,867
Total investments	$ 275,518,406	$ 117,172,539	$ -	$ 158,345,867

	June 30, 2011	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	$ 3,300,843	$ 3,300,843	$ -	$ -
State and local government securities	9,450,000	-	-	9,450,000
Mutual funds	43,664,161	43,664,161	-	-
Equities	9,626,546	9,626,546	-	-
Fixed income funds	69,391,277	69,391,277	-	-
Hedge funds	142,291,912	-	-	142,291,912
Total investments	$ 277,724,739	$ 125,982,827	$ -	$ 151,741,912

The following table represents the nonreadily marketable investments and auction rate securities for which fair value was measured under Level 3.

	Hedge Funds	State and Local Government Securities
Fair value at July 1, 2011	$ 142,291,912	$ 9,450,000
Purchases	30,002,220	-
Sales	(5,065,469)	(275,000)
Realized gains/(losses)	-	-
Net change in unrealized gains/(losses)	(18,057,796)	-
Fair value at June 30, 2012	$ 149,170,867	$ 9,175,000

	Hedge Funds	State and Local Government Securities
Fair value July 1, 2010	$ 65,010,922	$ 9,700,000
Purchases	85,500,000	-
Sales	(26,666,520)	(250,000)
Realized gains/(losses)	(199,690)	-
Net change in unrealized gains/(losses)	18,647,200	-
Fair value June 30, 2011	$ 142,291,912	$ 9,450,000

The Company had investments in limited partnerships that are accounted for at a cost of $2,343,331 and $1,115,083 at June 30, 2012 and 2011, respectively

Cash Flows
Contributions (Unaudited)
The Reading Hospital and Medical Center expects to contribute the minimum required contribution during the 2013 fiscal year to the Plan, which is estimated to be $14,000,000.

Estimated Future Benefit Payments (Unaudited)
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid

Years Ending June 30,	
2013	$ 11,647,338
2014	12,650,261
2015	13,882,464
2016	15,820,820
2017	18,427,558
2018–2022	125,358,706

10. Related Party Transactions

Other receivables from affiliated organizations at June 30, 2012 and 2011 consist of:

	2012	2011
Springridge, LLC	$ 1,302,269	$ 1,163,630
Berkshire Health Partners	144,255	94,623
Central Pennsylvania Homecare Inc	8,309	2,073
Total receivables from affiliated organizations	$ 1,454,833	$ 1,260,326

These amounts are all noninterest bearing with no stated repayment terms

Included in other assets are the following investments in affiliates at June 30, 2012 and 2011:

	2012	2011
CPAL	$ 350,373	$ 348,736
Quest	13,594	22,855
Springridge, LLC	1,728,372	2,133,518
Reading Berks Physical Therapy	332,774	378,266
Horizon	803,319	1,240,104
VNA Community Care Services	5,653,051	6,447,497
Berks Health Partners	920,400	818,907
Total investments in affiliated organizations	$ 9,801,883	$ 11,389,883

11. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at fair value are available for the following purposes at June 30, 2012 and 2011.

	2012	2011
Various health care services	$ 654,010	$ 672,471

Permanently restricted net assets at fair value at June 30, 2012 and 2011 are restricted to:

	2012	2011
Permanent endowment funds, the interest and dividend income from which is expendable to support health care services	$ 4,127,781	$ 3,920,090
Funds held in trust by others	12,685,103	13,448,744
Total permanently restricted net assets	$ 16,812,884	$ 17,368,834

12. Insurance Arrangements

The Company participates in the Pennsylvania Medical Care Availability and Reduction of Error Fund or Mcare Fund established under the Commonwealth of Pennsylvania The Mcare Fund presently provides coverage excess of up to $500,000 to the Company's primary per occurrence retention (which is currently $500,000) with annual aggregate coverage of $1,500,000.

The Company established a self-insurance trust fund to provide protection against professional liability claims The trust is actuarially funded on an annual basis to provide single limit professional liability coverage of $500,000 per occurrence and $2,500,000 in the annual aggregate for the Hospital and certain employees. For incidents occurring since April 30, 2009, the Company purchased commercial insurance to provide coverage on a claims-made basis in an amount up to $25,000,000 in excess of a total retention of $3,000,000 ($500,000 primary; $500,000 Mcare excess and a $2,000,000 self-insured buffer) The adoption of the ASU 2010-24 pronouncement had no impact on the Company's financial performance or cash flows Claim liabilities are no longer netted by insurance recoveries. Claim liabilities were increased by $5,600,000 during FYE12, and a corresponding insurance receivable was recorded. Funding requirements of the plan are subject to increase depending on the plan's claim experience. Premium Payments for the Mcare Fund are based upon each individually licensed healthcare provider's rating with the Joint Underwriters Association and the amount of the surcharge to be assessed is determined by the Mcare Fund on an annual basis. The Company's annual surcharge premiums for participation in the Mcare Fund were $1,445,000 and $1,510,000 for the years ended June 30, 2012 and 2011, respectively.

Additionally, the Company self-insures its workers' compensation and minor general liability risks. The Company's self-insurance plan has been reviewed and approved by the Commissioner of Insurance of Pennsylvania.

The Company purchases excess workers' compensation insurance for all controlled entites of the hospital with statutory limits over a self-retention of $1,000,000 per occurrence subject to a policy maximum of $1,000,000 for the policy period. The Company has established a trust fund for the payment of workers' compensation benefits

Reserves for self-insurance claims at June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Professional liability claims payable	$ 37,489,000	$ 24,314,786
Workers' compensation	13,962,738	13,745,000
Total self-insurance claims reserve	51,451,738	38,059,786
Less: Current portion	10,877,737	8,670,086
Self-insurance claims reserve, net of current portion	$ 40,574,001	$ 29,389,700

13. Commitment and Contingencies

Operating Leases
The Company leases equipment and facilities under operating leases expiring at various dates through May 2026 Total rental expense under all operating leases was $10,473,000 and $10,760,000 for the years ended June 30, 2012 and 2011, respectively

The following table summarizes future minimum rental commitments under noncancellable operating leases with initial or remaining terms of more than one year

In accordance with ASU 2010-24, an adjustment was made to record insurance recoveries receivable and additional liabilities for Med Malpractice Claims in the amount of $5,600,000

Years Ending June 30,	
2013	$ 6,450,914
2014	5,869,698
2015	4,497,399
2016	3,477,874
2017 and thereafter	10,155,512

SIR Asset Purchase
The Reading Hospital and Medical Center entered into an agreement on May 21, 2012 with the Surgical Institute of Reading, L.P ("SIR") to acquire substantially all of the assets of SIR The purchase price shall be $43,000,000 adjusted by the following: (i) increased by the amount of the Meaningful Use Receivable as a result of the Buyer's right to receive the same; (ii) decreased by the amount of the accrued vacation and other paid time off, and (iii) decreased by the amount, if any, by which Seller's Working Capital as of the Closing Date is less than $2,600,000. This acquisition is currently the subject of reviews by the Federal Trade Commission and the Pennsylvania Attorney General, Antitrust Division, and the timing and certainty of the acquisition cannot be projected at the time

EPIC
On Sept 9, 2011, The Reading Hospital and Medical Center entered into a sale and purchase agreement ("SPA") with EPIC Systems Corporation to purchase, install, and implement EPIC software for a consideration of $22 million As of the date of this report, The Reading Hospital and Medical Center has paid a sum of 6.1 million to EPIC Systems Corporation. Additional services and costs will be incurred toward the entire project scope, expecting to total $130 million in additional capital costs and $23 million in operating costs.

Obligation to Provide Future Services
The Highlands annually calculates the present value of the estimated net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred entrance fee revenue. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue, a liability is recorded with the corresponding charge to income. As of June 30, 2012 and 2011, the estimated present value of the net cost of future services and use of facilities is less than the deferred entrance fee revenue, thus, no liability has been recorded.

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

Regulatory Compliance
Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations through the years ended June 30, 2012 and 2011 Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs

14. Functional Expenses

The Company provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows

	2012	2011
Health care services	$ 735,499,814	$ 668,487,342
General and administrative	152,749,250	164,070,037
Total functional expenses	$ 888,249,064	$ 832,557,379

15. Significant Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short term investments, U.S. Treasury obligations and patient accounts receivable.

The Company typically maintains cash and cash equivalents and short term investments in commercial banks. The short-term investments consist primarily of money market funds, U.S. Government agency notes, U.S. Treasury bills, commercial paper and corporate bonds with maturities ranging from 90 to 180 days. The FDIC insures funds up to $250,000 per depositor.

The fair value of the Company's investments is subject to various market fluctuations which include changes in the interest rate environment and general economic conditions

The Company's operations are located in Reading, Pennsylvania. Its primary service area includes Reading, Pennsylvania and the Greater Berks County community The Company grants credit to its patients and other third-party payors, primarily Medicare, Medical Assistance, Blue Cross and various commercial insurance companies The Company maintains reserves for potential credit losses and such losses have historically been within management's expectations. The mix of receivables from patients and third-party payors at June 30, 2012 and 2011, was as follows:

	2012	2011
Medicare	29%	27%
Medical Assistance	18%	19%
Blue Cross	17%	15%
Commercial insurance	17%	19%
Self-pay	17%	18%
Other	2%	2%
	100%	100%

16. Subsequent Events

The Company has evaluated subsequent events through November 2, 2012. Management reviews and identifies subsequent events through participation at meetings of the Board of Directors and their subcommittees.

Supplementary Consolidating Information

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Report of Independent Auditors on
Supplementary Consolidating Information

The Board of Directors of
The Reading Hospital and Controlled Entities

The report on the audit of the consolidated financial statements of The Reading Hospital and Controlled Entities as of June 30, 2012 and for the year then ended appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the basic financial statements Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

PricewaterhouseCoopers LLP

November 2, 2012

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The Reading Hospital and Controlled Entities
Consolidating Balance Sheet
Year Ended June 30, 2012

Schedule I

	Parent	Hospital	RPS	TRHMG	Highlands	Consolidating and Eliminating Entries	The Reading Hospital and Controlled Entities Consolidated
Current assets							
Cash and cash equivalents	$ -	$ 188,426,785	$ 21,634	$ 401,891	$ 2,862,915	$ -	$ 191,713,225
Patient accounts receivable, less allowance for	-	103,154,469	4,278,803	2,236,303	1,077,561	-	110,747,136
uncollectible accounts of $41,451,392	-	-	-	-	-	-	-
Other receivables	493,377	3,389,109	573,786	59,917	398,277		4,914,466
Receivable from affiliates	3,932,652	4,137,839	-	-	-	(6,615,658)	1,454,833
Inventories	-	11,856,590	-	-	319,325	-	12,175,915
Prepaid expenses and other current assets	-	11,154,575	-	730,391	187,930	-	12,072,896
Assets whose use is limited - required	-	-	-	-	-	-	-
for current liabilities	-	-	-	-	-	-	-
Self-insurance funding arrangements	-	10,637,798	-	-	144,709	-	10,782,507
Revenue bond indentures - debt service	3,948,043	3,304,095	-	-	-	-	7,252,138
Total current assets	8,374,072	336,061,260	4,874,223	3,428,502	4,990,717	(6,615,658)	351,113,116
Assets whose use is limited							
Self-insurance funding arrangements	-	19,640,559	-	-	-	-	19,640,559
Under regulatory requirements	-	-	-	-	2,912,455	-	2,912,455
By board for capital improvements	811,763,338	9,032,819	-	-	35,553,527	-	856,349,684
Total assets whose use is limited, net of current portion	811,763,338	28,673,378	-	-	38,465,982	-	878,902,698
Investments	-	17,741,189	-	-	-	-	17,741,189
Temporarily restricted funds	-	630,552	(258)	-	23,716	-	654,010
Long-term receivables from affiliates	527,080,429	-	-	-	-	(527,080,429)	-
Property, plant and equipment, net	38,140,876	521,743,728	-	8,366,976	46,814,057	-	615,065,637
Deferred financing expense, net	4,996,857	-	-	-	-	-	4,996,857
Deferred compensation fund	-	3,023,129	-	-	-	-	3,023,129
Other assets	7,740,737	7,162,040	258	-	(23,716)	-	14,879,319
Total assets	$ 1,398,096,309	$ 915,035,276	$ 4,874,223	$ 11,795,478	$ 90,270,756	$ (533,696,087)	$ 1,886,375,955

The Reading Hospital and Controlled Entities
Consolidating Balance Sheet
Year Ended June 30, 2012

Schedule I

	Parent	Hospital	RPS	TRHMG	Highlands	Consolidating and Eliminating Entries	The Reading Hospital and Controlled Entities Consolidated
Current liabilities							
Current installments of long-term debt	$ 5,250,000	$ 2,430,255	$ -	$ -	$ -	$ -	$ 7,680,255
Bonds backed by self-liquidity							-
Current installments of long-term affiliated payables	-	3,896,204	5,767	-	2,713,687	(6,615,658)	-
Current portion of estimated self-insurance costs	-	10,688,000	-	-	189,737	-	10,877,737
Accounts payable	40,704	41,017,925	170,376	1,240,282	656,549	-	43,125,836
Estimated third-party payor settlements	-	5,659,555	-	-	-	-	5,659,555
Accrued expenses	2,387,045	17,869,221	5,254,505	2,948,349	1,200,039	-	29,659,159
Accrued vacation	-	15,953,675	3,210,557	950,241	-	-	20,114,473
Advance from third-party payor	-	3,832,000	-	-	-	-	3,832,000
Other current liabilities	-	7,366,727	-	3,411	615,725	-	7,985,863
Total current liabilities	7,677,749	108,713,562	8,641,205	5,142,283	5,375,737	(6,615,658)	128,934,878
Long-term debt, net of current portion and unamortized discount	596,747,906	7,010,755	-	-	-	-	603,758,661
Long-term affiliates payables, net of current portion	-	489,110,113	-	-	37,970,317	(527,080,429)	-
Accrued pension costs, net of current portion	-	200,190,859	-	-	323,534	-	200,514,393
Deferred revenue	-	1,003,962	-	-	33,899,454	-	34,903,416
Deferred compensation	-	2,999,484	-	-	-	-	2,999,484
Gift annuities	-	-	-	-	586,343	-	586,343
Estimated self-insurance costs, net of current portion	-	40,574,001	-	-	-	-	40,574,001
Swap contracts	81,946,097	689,056	-	-	-	-	82,635,153
Total liabilities	686,371,752	850,291,792	8,641,205	5,142,283	78,155,385	(533,696,087)	1,094,906,330
Net assets							
Unrestricted	711,724,557	47,300,049	(3,766,724)	6,653,195	12,091,655	-	774,002,732
Temporarily restricted	-	630,552	(258)	-	23,716	-	654,010
Permanently restricted	-	16,812,884	-	-	-	-	16,812,884
Total net assets	711,724,557	64,743,485	(3,766,982)	6,653,195	12,115,371	-	791,469,626
Total liabilities and net assets	$ 1,398,096,309	$ 915,035,276	$ 4,874,223	$ 11,795,478	$ 90,270,756	$ (533,696,087)	$ 1,886,375,955

The Reading Hospital and Controlled Entities
Consolidating Statement of Operations
Year Ended June 30, 2012

Schedule I

	Parent	Hospital	RPS	TRHMG	Highlands	Consolidating and Eliminating Entries	The Reading Hospital and Controlled Entities Consolidated
Unrestricted revenues							
Net patient service revenue	$ -	$ 785,135,456	$ 39,778,396	$ 45,374,874	$ 4,018,533	$ -	$ 874,307,259
Residential revenue					$ 19,875,080		19,875,080
Other revenue	936,378	25,185,363	2,906,151	473,933	749,355	(1,714,326)	28,536,854
Total revenues and other support	936,378	810,320,819	42,684,547	45,848,807	24,642,968	(1,714,326)	922,719,193
Expenses							
Salaries and benefits	-	364,864,497	52,373,602	50,053,394	13,152,606	-	480,444,099
Supplies	-	106,263,167	1,017,851	2,924,947	1,156,338	-	111,362,303
Provision for uncollectible accounts	-	47,316,507	1,853,853	319,025	-	-	49,489,385
Utilities	-	10,853,175	97,355	953,669	949,325	-	12,853,524
Interest	-	18,726,091	-	-	1,716,959	-	20,443,050
Depreciation	-	60,115,079	360,515	1,512,445	2,977,085	-	64,965,124
Purchased services	900,000	58,712,337	6,811,979	3,898,732		-	70,323,048
Repairs and maintenance	-	18,331,020	177,126	718,233	194,629	-	19,421,008
Other	1,100	46,502,353	4,454,090	6,487,571	3,216,735	(1,714,326)	58,947,523
Total expenses	901,100	731,684,226	67,146,371	66,868,016	23,363,677	(1,714,326)	888,249,064
Income (loss) from operations	35,278	78,636,593	(24,461,824)	(21,019,209)	1,279,291	-	34,470,129
Nonoperating gains/(losses)							
Investment income	17,711,615	2,178,337	-	-	939,875	-	20,829,827
Gifts and bequests	-	(277,194)	-	-	112,832	-	(164,362)
Other gains/(losses)	-	(580,012)	-	-	17,207	-	(562,805)
Loss on extinguishment of debt	(3,863,963)	(1,438,503)	-	-	-	-	(5,302,466)
Realized and unrealized loss on interest rate swaps	(36,037,476)	(203,295)	-	-	-	-	(36,240,771)
Nonoperating gains, net	(22,189,824)	(320,667)	-	-	1,069,914	-	(21,440,577)
Excess (deficiency) of revenue, gains and other support over expenses	$ (22,154,546)	$ 78,315,926	$ (24,461,824)	$ (21,019,209)	$ 2,349,205	$ -	$ 13,029,552

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
BUREAU OF CORPORATIONS AND CHARITABLE ORGANIZATIONS
401 NORTH STREET, ROOM 206
P.O. BOX 8722
HARRISBURG, PA 17105-8722
WWW.CORPORATIONS.STATE.PA.US/CORP

Reading Hospital

THE CORPORATION BUREAU IS HAPPY TO SEND YOU YOUR FILED DOCUMENT. THE CORPORATION BUREAU IS HERE TO SERVE YOU AND WANTS TO THANK YOU FOR DOING BUSINESS IN PENNSYLVANIA.

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ENTITY NUMBER: 605659

Stevens & Lee PC
PO Box 11670
Harrisburg, PA 17108

Entity #: 605659
Date Filed: 10/16/2012
Carol Aichele
Secretary of the Commonwealth

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU

Articles of Amendment-Domestic Corporation
(15 Pa.C.S.)

Entity Number
605659

___ Business Corporation (§ 1915)
_X_ Nonprofit Corporation (§ 5915)

Name
Melissa Zeiders (counter pickup)
Address
c/o Stevens & Lee, P. C., 17 N 2nd St
City | State | Zip Code
Harrisburg | PA | 17101

Document will be returned to the name and address you enter to the left. ⇐

Fee: $70

Commonwealth of Pennsylvania
ARTICLES OF AMENDMENT-NONPROFIT 3 Page(s)
T1229267002

In compliance with the requirements of the applicable provisions (relating to articles of amendment), the undersigned, desiring to amend its articles, hereby states that:

1. The name of the corporation is:
The Reading Hospital and Medical Center

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) Number and Street | City | State | Zip | County
6th Avenue and Spruce Street, P.O. Box 16052, | Reading | Pennsylvania | 19612 | Berks

(b) Name of Commercial Registered Office Provider | County
c/o

3. The statute by or under which it was incorporated: Pa Nonprofit Corporation Law

4. The date of its incorporation: 4/17/1869

5. *Check, and if appropriate complete, one of the following:*

___ The amendment shall be effective upon filing these Articles of Amendment in the Department of State.

_X_ The amendment shall be effective on: November 14, 2012.
Date

2012 OCT 16 AM 11: 13
PA DEPT OF STATE

SLI 1197061v1 006375.00900

6. *Check one of the following:*

X The amendment was adopted by the shareholders or members pursuant to 15 Pa.C.S. § 1914(a) and (b) or § 5914(a).

___ The amendment was adopted by the board of directors pursuant to 15 Pa. C.S. § 1914(c) or § 5914(b).

7. *Check, and if appropriate, complete one of the following:*

X The amendment adopted by the corporation, set forth in full, is as follows:

The name shall be: **Reading Hospital**

___ The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

8. *Check if the amendment restates the Articles:*

___ The restated Articles of Incorporation supersede the original articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this 16 day of October, 2012.

Officer Name: Kathleen S. Wetzel
Title: Secretary

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
BUREAU OF CORPORATIONS AND CHARITABLE ORGANIZATIONS
401 NORTH STREET, ROOM 206
P.O. BOX 8722
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Reading Health System

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ENTITY NUMBER: 757967

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