See a Social Security Number? Say Something!
Report Privacy Problems to https://public.resource.org/privacy
Or call the IRS Identity Theft Hotline at 1-800-908-4490

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

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 07-01-2011 and ending 06-30-2012

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

C Name of organization
Lehigh Valley Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2100 Mack Blvd

City or town, state or country, and ZIP + 4
Allentown, PA 181035622

D Employer identification number
23-1689692

E Telephone number
(484) 884-0130

G Gross receipts $ 1,687,330,111

F Name and address of principal officer
Ronald W Swinfard
2100 Mack Blvd
Allentown, PA 181035622

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www lvhn org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1971 | **M** State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Our mission is to heal, comfort and care for the people of our community by providing advanced and compassionate health care of superior quality and value, supported by education and research

2 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**	9
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	6
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	7,204
6	Total number of volunteers (estimate if necessary)	**6**	893
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	6,670,831
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	1,367,926

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	18,821,114	20,190,637
9	Program service revenue (Part VIII, line 2g)	967,379,218	1,056,508,268
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	14,121,867	42,741,574
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	23,386,299	27,756,109
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,023,708,498	1,147,196,588
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	247,489	386,971
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)	380,431,474	404,632,987
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶1,976,704		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	568,525,912	634,130,436
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	949,204,875	1,039,150,394
19	Revenue less expenses Subtract line 18 from line 12	74,503,623	108,046,194
Net Assets or Fund Balances		**Beginning of Current Year**	**End of Year**
20	Total assets (Part X, line 16)	1,336,010,242	1,410,048,439
21	Total liabilities (Part X, line 26)	645,026,959	770,209,921
22	Net assets or fund balances Subtract line 21 from line 20	690,983,283	639,838,518

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

****** | 2013-05-10
Signature of officer | Date

Edward F O'Dea Sr VP Finance and CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ▶☐ | Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ | EIN ▶ | Phone no ▶

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the 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 $ 1,002,503,352 including grants of $) (Revenue $ 1,109,270,650)

LVH offers a continuum of health care promotion, prevention, diagnosis, treatment and rehabilitation to the community Extensive outpatient and educational services are provided at locations throughout the region and are a part of a healthcare network established by LVH to meet the medical, surgical and educational needs of the residents of the Lehigh Valley and beyond The following summary reflects the general classification of acute care beds as of June 30, 2012 Medical/Surgical-380, Obstetrics/Gynecology-37, Medical/Surgical Intensive Care Unit-32, Cardiac Intensive Care Unit-12, Neonatal Intensive Care Unit-32, Pediatric Intensive Care Unit-8, Open Heart Unit-9, Burn Unit-18, Trauma/Neuro Intensive Care Unit-14, Neuroscience Intensive Care Unit-14, Transitional Trauma Unit-30, Pediatric Unit-28, Psychiatry (Adult)-52, Psychiatry (Adolescent)-13, Transitional Open Heart Unit-30, Progressive Coronary Care Unit-32, Total-741 In addition, LVH operates 27 bassinets in its Nursery LVH serves as a referral center for approximately two million residents of surrounding counties in eastern Pennsylvania, with a special focus in the following key areas Cardiovascular ServicesLVH is one of the largest cardiovascular programs in the Commonwealth of Pennsylvania LVH performed 821 open-heart surgeries and 10,837 cardiac catheterization and electrophysiology procedures during the fiscal year ended June 30, 2012 It consistently ranks in the top 1% in the nation for heart attack survival It received five of a possible eight "lower than expected" mortality ratings for coronary artery bypass graft and valve procedures in the Cardiac Surgery in Pennsylvania 2008-2009 report published by the Pennsylvania Health Care Cost Containment Council In addition to operating one of the most experienced cardiac programs in the country, LVH's heart and heart surgery program was cited as a "high performer" in US News and World Report in their Best Hospitals national rankings LVH's Regional Heart Center provides disease prevention, acute care and rehabilitation services, including but not limited to Medical Cardiology, Interventional Cardiology (Diagnostic, Therapeutic, Peripheral Vascular), Electrophysiology (Diagnostic, Therapeutic), Open Heart Surgery (Complex Heart Valve Surgery, Transaortic Valve Replacement, Ventricular Assist Device), Vascular Surgery (Acute Aortic Treatment, Peripheral Arterial Disease, Carotid Stenting), Cardiac Rehabilitation, Specialized Programs-Cardiovascular Prevention Program, Woman's Heart Program, Heart Disease and Pregnancy,MI Alert Program,Therapeutic Hypothermia, Sports Cardiology,Hypertrophic Cardiomyopathy,Arrhythmia Care,Pacer/ICD Lead Removal Neurosciences ServicesLVH provides treatment for stroke, brain tumors, aneurysms, back problems and other neurological disorders that accounted for 7,030 admissions during the fiscal year ended June 30, 2012 in the following areas Neurosurgery, Pain Management, Neurology, Neuropsychology, Neuro-Imaging, Neuro-Oncology, Neuro-Interventional Radiology LVH provides stroke services through its Regional Comprehensive Stroke Program which began operations in July, 2002 Since that time, the Stroke Center has treated 11,859 patients from northeastern Pennsylvania and western New Jersey In addition, LVH was the first primary stroke center in the Lehigh Valley certified by the Joint Commission and was the first stroke program to be surveyed for Comprehensive Stroke Center status in Pennsylvania Orthopedic ServicesThe Division of Orthopedic Surgery treats musculoskeletal disorders of the upper and lower extremities as well as the spine Subspecialists with fellowship credentials provide the following services Joint replacement, spinal disorders, sports medicine, hand and wrist surgery, foot and ankle surgery, orthopedic trauma and pediatric orthopedics In the fiscal year ended June 30, 2012, there were 7,758 total orthopedic cases of which 4,163 were inpatient and 3,595 were outpatient In 2012, the LVH Orthopedic program was recognized by US News and World Report for being in the top 50 orthopedic programs in the country Behavioral Health ServicesLVH operates inpatient behavioral health programs for adolescents and adults The combined programs rank first in total beds in use, admissions, patient days and occupancy rate in Lehigh, Northampton, Carbon, Monroe, Schuylkill, and Berks counties Clinical programs include psychiatric, psychological, nursing, dual diagnosis, psychiatric rehabilitation, social work and discharge planning services LVH also provides ambulatory behavioral healthcare, including Psychiatric Evaluation Service program in all three hospital emergency departments Three Partial Hospital programs for adults and adolescents Several large outpatient group practices providing multidisciplinary short-term treatment to children, adolescents, adults and geriatric patients Two outpatient mental health clinics for seriously and persistently mentally ill adults Two residential treatment sites, supporting and educating adults in independent living skills Both these sites and the clinics are funded in part, under a contract with Lehigh County Department of Human Services through funds provided by County of Lehigh and the Pennsylvania Department of Public Welfare Psychiatric Home Care servicesConsultation /Liaison Psychiatry, Education and Research and service offerings to schools, nursing homes and other community agencies round out LVH's contribution to the health and well-being of the region Trauma and Burn ServicesIn 1981, LVH became the first hospital in Pennsylvania to be designated as a Level I Trauma Center and is currently the second largest trauma program in Pennsylvania, admitting 3,635 patients in the fiscal year ended June 30, 2012 This program provides comprehensive trauma care and serves as a major regional resource covering a ten county area and a patient base of more than two million LVH is also one of four Level I trauma programs in the state with additional qualifications in pediatric trauma The Lehigh Valley Hospital Trauma Program provides a continuum of care for the trauma patient with one of eight trauma surgeons in-house 24 hours a day covering a 14 bed Trauma/Neuro Intensive Care unit as well as a 28 bed Transitional Trauma unit A trauma rehabilitation team completes this continuum of trauma care LVH also provides a Regional Burn Center operating 18 beds serving northeastern Pennsylvania, western New Jersey and parts of New York The Regional Burn Center is the largest burn program in Pennsylvania, admitting 687 patients in fiscal year 2012 and has received certification from the American Burn Association and the American College of Surgeons to provide comprehensive inpatient and outpatient care for both adult and pediatric patients Since 2008, the Regional Burn Center has implemented a TeleBurn service, which provides rapid access to our comprehensive burn care to more than 45 hospitals in Pennsylvania and New Jersey In addition, LVH coordinates pre-hospital emergency medical services and provides a 24 hour-a-day air ambulance service operating four helicopters covering eastern Pennsylvania and western New Jersey Lehigh Valley Hospital MedEvac performs over 1,500 flights annually, including both on-scene and inter-facility patient transports Magnet Status for Nursing ExcellenceIn August 2002, the American Nurses Credentialing Center (ANCC) granted Magnet designation to LVH and LVH-Muhlenberg, the first full-service hospitals in Pennsylvania to receive the recognition Developed by the ANCC in 1994, the Magnet designation is the American Nurses Association's highest honor for excellence in nursing and recognizes both hospitals as national leaders in nursing education, research, patient satisfaction, quality care, job retention and the central role of nursing in the organization Magnet designation is for a period of four years, at which time an organization must reapply The reapplication process is intense, necessitating that hospitals demonstrate increasingly higher standards than previous applications In 2006 and 2011, LVHN hospitals were redesignated as Magnet hospitals, continuing to demonstrate the required evidence of a practice environment in which professional nurses and interdisciplinary colleagues deliver the highest standards of quality care

4b (Code) (Expenses $ including grants of $) (Revenue $)

Continued from 4(a)-Cancer ServicesThe John and Dorothy Morgan Cancer Center offers a range of cancer services in two convenient, patient-focused locations, one at the Cedar Crest Site and another in Bethlehem at the Muhlenberg campus The program is a selected member of the prestigious National Community Cancer Centers Program (NCCCP) administered by the National Cancer Institute(NCI) Cancer care programs include prevention, detection, diagnosis, and all forms of therapy, plus clinical trials, rehabilitation and the evaluation of cancer-related care The Cancer Center is a partner with H Lee Moffitt Cancer Center of Tampa, Florida and the Wistar Scientific and Biology Institute of Philadelphia, PA both of who are NCI designated cancer centers Cancer Center facilities include physicians' offices, conference rooms, private education and counseling areas, multi-purpose treatment area for infusions, procedure room and radiation oncology facilities including Linear accelerators (6),CT Simulators,Stereotaxic Body Radiosurgery Therapy,Brachytherapy-high and low dose rate,Gamma Knife,3-D treatment planning,Intensity Modulated Radiation Therapy,Image Guided Radiation Therapy The faculty of the Cancer Center is composed of physicians who are cancer care specialists and board-certified in all fields of cancer therapy and evaluation In addition, LVH participates in the 1-800-PA-CANCER telephone line, the Pennsylvania Department of Health's toll-free cancer information and resource phone number Specially trained nurses from LVH provide callers with information about institutions, agencies, services and programs in the caller's communities that meet their cancer-related needs In calendar year 2011, the Cancer Center saw over 3,117 new cancer patients, making the Center the fourth largest in Pennsylvania An analysis of the Pennsylvania State Tumor Registry data shows that LVH has 12% of the estimated cancer market share in LVH's nine-county market, including 62% in Lehigh County, 30% in Northampton County and 30% in Carbon County Inpatient oncology admissions were 3,904 in the fiscal year ended June 30, 2012 and outpatient volumes were 86,208 radiation treatments, 64,397 infusion treatments and 51,872 breast procedures Women's ServicesLVH offers programs and services designed to provide complete care for women in the Lehigh Valley LVH delivered 4,153 babies during the fiscal year ended June 30, 2012 LVH maintains a special focus on prenatal care as a component of its comprehensive obstetric and gynecology services The department of Obstetrics and Gynecology at LVH provides a variety of services to the women in the Greater Lehigh Valley and surrounding communities within Northeastern Pennsylvania The Obstetrical portion of the department provides a vast array of services for both routine and high risk, complex obstetrical patients Obstetrics - Physicians and Certified midwives provide general obstetrical care within LVH Midwives offer their patients a family centered approach to low risk prenatal and general delivery care They are independent allied health professionals who enjoy staff privileges and work under a collaborative agreement with designated physicians General Obstetrics provide care to low to medium risk pregnancies and handle most deliveries at LVH Maternal Fetal Medicine - These physicians have specialized training and are available to provide complex, high risk prenatal care which includes genetic counseling, amniocentesis, chorionic villus sampling and ultrasound They currently reside on the Labor and Delivery and Perinatal Units to provide direct patient care, supervision and assist to ensure patients receive quality care Gynecology - LVH maintains a special focus on procedural and technological gynecological interventions (Gyn minimally invasive surgery), laparoscopic surgery, preoperative consultation and evaluation of pre-invasive and invasive gynecologic malignancies (cancer care), pelvic floor disorders (Urogynecology) and Reproductive Endocrinology & Infertility Women's services offers preventative care programs in a variety of lecture based series covering issues addressing young, middle and older females related to wellness and prevention These include diverse support groups, community health fairs related to women, bilingual prenatal education, childbirth classes, lactation consultation and postpartum depression "Our First" program is designed to address the needs of first time parents in addition to the Healthy Beginnings Plus programs for the underserved, uninsured and under insured patients of the community Children's Hospital at Lehigh Valley HospitalChildren's Hospital at Lehigh Valley Hospital, introduced in May 2012, offers the most wide-ranging, specialized health care services of any facility in the region It is the region's only Children's ER, Pediatric Intensive Care Unit and the only associate member of the Children's Hospital Association, the organization that recognizes children's hospitals in the U S LVHN completed a "children's care checklist" made by the late Forrest Moyer, MD, the Lehigh Valley's father of pediatrics LVHN recently accomplished the last two goals on the list for the community by opening the Children's emergency room in 2011 and establishing a pediatric residency program LVHN's board-certified physicians provide children's care in 28 specialties including critical care, burn care, cancer, pulmonology, neurology, endocrinology including diabetes and gastroenterology There are also 71 general pediatricians and 81 pediatric specialists on staff Inpatient pediatric services include 111 licensed beds for general pediatrics, pediatric intensive care, neonatal intensive care and adolescent psychiatry Children can receive care as an outpatient in the Children's ER at the Cedar Crest Site and the sleep center at the 17th & Chew Site Other pediatric services included within the health network are the pediatric ambulatory surgery center and the outpatient infusion area at LVH-Muhlenberg in Bethlehem Pharmacy ServicesHealth Spectrum Pharmacy Services offers a range of pharmacy services in three convenient, patient focused locations one at the Cedar Crest Site, one at the 17th & Chew Site and one at LVH-Muhlenberg A fourth pharmacy located near the Cedar Crest Site provides home infusion services to residents of surrounding counties in eastern Pennsylvania Pharmacy services include prescriptions, compounding, specialty medications, over-the-counter, herbal/alternative medications, personal care products, first aid, wound care, ostomy, knee braces, orthotics, vascular garments, post-mastectomy, breast prostheses, diabetic supplies, and home infusion The retail pharmacies are accredited by The Board of Certification/Accreditation International and the home infusion pharmacy is accredited by Community Health Accreditation Program The retail pharmacies are equipped with workflow, counting cell, and bar code scanning technology Pills in a Pouch compliance packaging is also offered In fiscal year 2012 354,036 prescriptions were filled and 3,187 infusion patients were serviced The Lehigh Valley Health Network inpatient pharmacy services are nationally recognized for efforts in medications safety and advances in technology In 2003, the Institute for Safe Medication Practices recognized LVHN with in annual Cheers Award for safety The department utilizes advances medications safety technologies including CPOE, Bedside Barcoding Medication verification, two medication dispensing robots, automated dispensing cabinets, and smart IV pump technologies The staff has board certified clinical pharmacy specialists in the areas of Oncology, Trauma, Burn, Pediatrics, Cardiology, and General Medicine and uses a unit based model to provide pharmacy services at the point of care The department leaders hold national and regional board level and fellowship positions to provide state of the art leadership in pharmacy practice

4c (Code) (Expenses $ including grants of $) (Revenue $)

Continued from 4(b)-Estimated Value of Free Care, Community Service,Charitable Contributions, and Professional and Community Education - Medicare Shortfall 67,475,118, Medical Assistance Shortfall 31,613,830, Uncompensated Charity Care 16,276,000, Bad Debt 15,405,798, Clinics Subsidy 14,926,290, TRICARE (CHAMPUS) Shortfall 341,591, Blue Cross Special Care & CHIP Shortfall 412,861, Real Estate Taxes Paid on Owned and Leased Property 1,514,458, Salisbury Township School District Agreement (includes 50% add-on value for voluntary agreements) 172,223, Stipend to Salisbury Township 127,000, Financial Support to City of Allentown 190,000, Free Pap Tests, Mammograms & Ultrasounds-City of Allentown 177,396, Laboratory Tests & Consultative Services - City of Allentown 13,683, Physical Examinations - Firefighters & HazMat Personnel 61,841, Contribution to Western Salisbury Volunteer Fire Company 15,000, School Health 150,546, Communities in Schools 5,148, Fleetwood Area Weight Management & Healthy Lifestyles 11,739, Value of Volunteer Assistance 1,743,774, Neighborhood Health Centers of the Lehigh Valley 458,601, Transitional Living Centers 395,951, Community Health & Health Studies Department 1,340,427, AIDS Activities Office 394,518, Healthy You Programs 168,303, Lehigh Valley Hospital Cancer Center (includes Patient Support & Education, Community Education & Screening Programs) 553,149, George E Moerkirk Emergency Medicine Institute 441,256, Pastoral Care 677,704, Patient Representative -Press, Ganey Patient Survey 183,063, Foreign Language & Sign Language Interpreting Service 718,024, Public Affairs Activities Community Health Education Programs 328,141, Patient Education Publications 255,660, Materials to Promote Health-Related Activities 238,503, Physician Referral & Health Information Line 448,069, Community Outreach in-kind, Voluntarism in-kind, Contributions 216,570, Free Oral Trauma Surgery Care 389,074, Ambulance Transport Costs 131,637, Transportation For Discharged Patients 40,949, Pharmaceuticals For Discharged Patients 408,620, Pharmacy Financial Coordinator 43,435, Infection Control Community Service (Includes free flu vaccine) 188,093, Moselem Springs Seniors Event 1,504, LVHN Couriers Free Transportation Services 113,500, Crucial Conversations Training - Children's Advocacy Center 2,646, Dental Screenings & Free Procedures in-kind, Division of Education - Office of Student Affairs in-kind, Helwig Diabetes Center Education & Outreach Programs in-kind, Chairman, Department of Pediatrics Community Service in-kind, Library Services to the Community in-kind, Dept of OB/GYN - Community Research Education Week in-kind, Stroke Center Community Education Programs in-kind, Comprehensive Wound, Skin & Ostomy Services Community Education in-kind, Sleep Disorders Center Community Education in-kind, Patient Care Services - Community Service (includes classes, support groups, and Professional Excellence Council activities) in-kind, Trauma Division - Injury Prevention Programs in-kind, Tobacco Treatment Program in-kind Subtotal $158,771,693 Medical Education 7,826,310 Patient Education 302,788 Nursing Education 11,939,550 Research Activities net of Grant Funding 2,762,470 Subtotal $22,831,118 Total $181,602,811

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

4e **Total program service expenses** ▶ $ 1,002,503,352

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17	Yes	
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18	Yes	
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	469		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	7,204			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	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**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**	Yes	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**	Yes	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**	Yes	
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

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

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

☑ Own website ☑ Another's website ☑ Upon request

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

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

The Organization
2100 Mack Blvd
Allentown, PA 181035622
(484) 884-0130

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

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

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

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

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

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

☐ Check this box if neither the organization nor any related organizations compensated any current or former 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) Richard Fleming Honorary Trustee	1 00	X						0	0	0
(2) William F Hecht Trustee	1 00	X						0	0	0
(3) Matthew M McCambridge MD Trustee	1 00	X						45,000	0	0
(4) Stephen K Klasko MD Trustee	1 00	X						0	0	0
(5) Ronald W Swinfard MD Trustee/CEO	60 00	X		X				1,383,034	0	30,230
(6) Kathryn P Taylor Chair	1 00	X						0	0	0
(7) Martin K Till Vice Chair	1 00	X						0	0	0
(8) Daniel H Weiss Trustee	1 00	X						0	0	0
(9) Robert J Motley MD Trustee	1 00	X						15,000	0	0
(10) John D Stanley Trustee	1 00	X						0	0	0
(11) Keith Weinhold Sr Vice-President-Operations	60 00					X		299,353	0	30,230
(12) James Geiger Sr Vice-President-Operations	60 00					X		299,759	0	30,230
(13) Debby Patrick Vice-President Human Resources	60 00					X		297,726	0	30,230
(14) Scott Lipkin Chief, Nori	60 00					X		248,266	0	30,230
(15) Edward Dougherty Senior VP, Business and Network Dev	60 00					X		243,922	0	30,123
(16) Elliot J Sussman MD Former Trustee/CEO	0 00						X	2,112,251	0	0
(17) Joseph G Felkner Former Treasurer	0 00						X	931,418	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			
(18) Mary Kay Grim Former Sr Vice-President-Human Resources	0 00						X	242,316	0	0
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								6,118,045	0	181,273

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 200

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Pulmonary Associates PC 1210 S Cedar Crest Blvd Suite 23 Allentown, PA 18103	Physician Services	3,481,084
VSAS Orthopaedics 1250 S Cedar Crest Blvd Suite 11 Allentown, PA 18103	Physician Services	2,305,350
Lehigh Area Medical Associates 1255 S Cedar Crest Blvd Suite 22 Allentown, PA 18103	Physician Services	2,033,851
Post & Schell PC Four Penn Center 1600 John F Kenn Philadelphia, PA 19103	Attorneys	1,533,555
Norris McLaughlin & Marcus PA 1611 Pond Road Suite 300 Allentown, PA 181042221	Attorneys	958,154

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 ▶ 48

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	6,348,605			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	13,842,032			
	g	Noncash contributions included in lines 1a-1f $ 182,761					
	h	**Total.** Add lines 1a-1f		20,190,637			
Program Service Revenue			Business Code				
	2a	Inpatient Revenue	624100	655,241,094	655,241,094		
	b	Outpatient Revenue	624100	400,313,573	394,652,980	5,660,593	
	c	Physician Fee Revenue	624100	953,601	953,601		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		1,056,508,268			
	3	Investment income (including dividends, interest and other similar amounts)		9,441,360			9,441,360
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	6,436,192				
	b	Less rental expenses	5,470,763				
	c	Rental income or (loss)	965,429				
	d	Net rental income or (loss)		965,429			965,429
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	567,404,524	101,717			
	b	Less cost or other basis and sales expenses	534,122,801	83,226			
	c	Gain or (loss)	33,281,723	18,491			
	d	Net gain or (loss)		33,300,214	33,300,214		
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a 1,114,414				
	b	Less direct expenses	b 456,733				
	c	Net income or (loss) from fundraising events		657,681			657,681
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	Health Network Labs	621500	13,465,937	12,576,270	889,667	
	b	Research & Misc Incom	900099	12,013,182	11,892,611	120,571	
	c	Lehigh Valley PHO	900003	653,880	653,880		
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		26,132,999			
	12	**Total revenue.** See Instructions		1,147,196,588	1,109,270,650	6,670,831	11,064,470

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22	386,971	386,971		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	10,047,999	10,047,999		
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	314,257,021	298,344,149	14,662,763	1,250,109
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	22,932,752	21,871,245	977,964	83,543
9	Other employee benefits	34,211,715	32,887,536	1,227,764	96,415
10	Payroll taxes	23,183,500	21,972,460	1,115,339	95,701
11	Fees for services (non-employees)				
a	Management				
b	Legal	2,429,072	2,429,072		
c	Accounting	344,576	344,576		
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	106,066,840	96,409,884	9,598,713	58,243
12	Advertising and promotion	5,791,092	4,304,438	1,486,654	
13	Office expenses	2,730,225	2,588,262	128,983	12,980
14	Information technology	12,496,064	12,423,128	68,354	4,582
15	Royalties . .				
16	Occupancy	27,092,493	26,570,284	478,909	43,300
17	Travel	1,376,120	1,290,885	76,442	8,793
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	1,750,117	1,639,403	75,735	34,979
20	Interest	16,087,125	16,087,125		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	64,030,015	63,912,317	115,911	1,787
23	Insurance	6,225,463	6,225,463		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	176,799,561	176,798,045	1,516	
b	PURCHASED SERVICES	107,378,707	105,120,141	2,099,311	159,255
c	BAD DEBTS EXPENSE	66,764,137	66,764,137		
d	OTHER SUPPLIES	4,043,508	4,022,589	30,709	-9,790
e					
f	All other expenses	32,725,321	30,063,244	2,525,270	136,807
25	**Total functional expenses.** Add lines 1 through 24f	1,039,150,394	1,002,503,352	34,670,337	1,976,704
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing	10,853	1	13,515
	2	Savings and temporary cash investments	3,528,591	2	2,920,440
	3	Pledges and grants receivable, net	7,152,180	3	11,268,693
	4	Accounts receivable, net	124,382,143	4	201,194,989
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L	0	5	90,000
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net	1,123,621	7	2,238,618
	8	Inventories for sale or use	7,833,516	8	13,133,075
	9	Prepaid expenses and deferred charges	15,094,205	9	15,764,871
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 1,032,736,708			
	b	Less accumulated depreciation — 10b: 588,417,428	438,799,210	10c	444,319,280
	11	Investments—publicly traded securities	639,808,126	11	613,111,767
	12	Investments—other securities See Part IV, line 11	0	12	0
	13	Investments—program-related See Part IV, line 11	89,606,426	13	102,113,760
	14	Intangible assets		14	
	15	Other assets See Part IV, line 11	8,671,371	15	3,879,431
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	1,336,010,242	16	1,410,048,439
Liabilities	17	Accounts payable and accrued expenses	82,631,847	17	89,089,187
	18	Grants payable		18	
	19	Deferred revenue	2,394,848	19	2,707,670
	20	Tax-exempt bond liabilities	351,205,810	20	342,411,615
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		22	
	23	Secured mortgages and notes payable to unrelated third parties	34,362,783	23	34,605,371
	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	174,431,671	25	301,396,078
	26	**Total liabilities.** Add lines 17 through 25	645,026,959	26	770,209,921
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	551,790,038	27	502,217,281
	28	Temporarily restricted net assets	97,224,615	28	91,734,168
	29	Permanently restricted net assets	41,968,630	29	45,887,069
		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	690,983,283	33	639,838,518
	34	Total liabilities and net assets/fund balances	1,336,010,242	34	1,410,048,439

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	1,147,196,588
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,039,150,394
3	Revenue less expenses Subtract line 2 from line 1	3	108,046,194
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	690,983,283
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-159,190,959
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	639,838,518

Part XII Financial Statements and Reporting

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

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

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

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

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

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

_____

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

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

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

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

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

10 ☐ An organization organized and operated exclusively to test for public safety 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 the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

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

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

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

Section A. Public Support

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

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

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

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

b **33 1/3% support test—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

17a **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

b **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

Facts And Circumstances Test

Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

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

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

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ☐ if the filing organization belongs to an affiliated group (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 non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

		(a) 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?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?	Yes		0
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		76,084
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		24,000
j	Total lines 1c through 1i			100,084
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	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	2d

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b If "Yes," explain the arrangement in Part 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	105,775,895	89,400,969	78,716,975	96,684,736	
b	Contributions	4,304,716	1,438,232	3,372,844	362,255	
c	Investment earnings or losses	2,562,031	16,891,409	9,223,571	-16,234,043	
d	Grants or scholarships	363,340	246,433	285,893	650,019	
e	Other expenditures for facilities and programs	1,892,924	1,708,282	1,625,502	1,445,904	
f	Administrative expenses					
g	End of year balance	110,386,378	105,775,895	89,401,995	78,717,025	

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

- a Board designated or quasi-endowment ▶ 0 %
- b Permanent endowment ▶ 36 000 %
- c Term endowment ▶ 64 000 %

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

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

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

Part VI 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		5,024,338		5,024,338
b Buildings		631,014,641	337,043,266	293,971,375
c Leasehold improvements		19,867,370	7,742,404	12,124,966
d Equipment		258,166,637	181,482,234	76,684,403
e Other		118,663,722	62,149,524	56,514,198
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				444,319,280

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

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

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Investment-Lehigh Valley Physician Hospital Org - 42 7%	8,246,346	C
(2) Investment-Health Network Laboratories-83 24%	89,425,459	C
(3) Quakertown Health Venture - 50%	3,058,726	C
(4) Investment - Careworks Allentown	53,000	C
(5) Investment - Careworks Schnecksville	46,000	C
(6) Investment - Fairgrounds Medical Center	477,513	C
(7) Investment - GV - LVHS	806,716	C
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	102,113,760	

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Cost Settlement Reserves with Third Parties	-1,610,874
Deferred Compensation Plan	3,613,492
Pension Liability	245,195,631
Workers Compensation	1,979,411
Professional Insurance Liability Reserves	28,112,435
Asset Retirement Obligation	4,142,709
Unrealized Loss on Interest Rate Swap	19,023,168
Other	940,106
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	301,396,078

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 (ASC740)

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

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

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	The endowment funds are used for continuing education, scholarships, research, clinical equipment, and nursing awards
Description of Uncertain Tax Positions Under FIN 48	Part X	In 2008, the Organization adopted Financial Accounting Standards Board (FASB) Interpretation No 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48") FIN 48 has become part of ASC 740 FIN 48/ASC 740 establishes that the financial statement effects of a tax position taken or expected to be taken are to be recognized in the financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon IRS examination FIN 48 became effective for fiscal year 2008 for the Organization The Organization has analyzed tax positions taken on federal income tax returns for all open tax years for the taxable entities and has determined that as of June 30, 2012, there are no uncertain tax positions taken or expected to be taken that would require recognition in the financial statements The Organization has analyzed specific criteria regarding the exempt 501(c) 3 status for the tax exempt entities and has determined that as of June 30, 2012 the Organization is compliant with the qualifications for exemption from Federal income tax

Additional Data

Software ID:
Software Version:
EIN: 23-1689692
Name: Lehigh Valley Hospital

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

1 **(a)** Description of Liability	**(b)** Amount
Cost Settlement Reserves with Third Parties	-1,610,874
Deferred Compensation Plan	3,613,492
Pension Liability	245,195,631
Workers Compensation	1,979,411
Professional Insurance Liability Reserves	28,112,435
Asset Retirement Obligation	4,142,709
Unrealized Loss on Interest Rate Swap	19,023,168
Other	940,106

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

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

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

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

(i) Name and address of individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions? Yes	**(iii)** No	**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
Harris Connect 1511 Route 22 - Suite C-25 Brewster, NY 10509	Phone/Mail Solicitation		No	79,253	208,548	-129,295
Total . . . . . ▶				79,253	208,548	-129,295

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

AL, AK, AZ, AR, CA, CO, CT, FL, GA, HI, IL, KS, KY, LA, ME, MA, MD, MI, MN, MS, MO, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, TN, UT, VA, WA, WV, MI, DC

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

		(a) Event #1 Nite Lites (event type)	(b) Event #2 (event type)	(c) Other Events (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1 Gross receipts	1,114,414			1,114,414
	2 Less Charitable contributions	0			
	3 Gross income (line 1 minus line 2)	1,114,414			1,114,414
Direct Expenses	4 Cash prizes	0			
	5 Non-cash prizes	0			
	6 Rent/facility costs	0			
	7 Food and beverages	0			
	8 Entertainment	0			
	9 Other direct expenses	456,733			456,733
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				(456,733)
	11 Net income summary Combine lines 3 and 10 in column (d) ▶				657,681

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

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

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

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

b If "No," Explain _____

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

b If "Yes," Explain _____

11 Does the organization operate gaming activities with nonmembers? . . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

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

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

Name ▶ ----------

Address ▶ ----------

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . ☐ Yes ☐ No

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

c If "Yes," enter name and address

Name ▶ ----------

Address ▶ ----------

16 Gaming manager information

Name ▶ ----------

Gaming manager compensation ▶ $ ----------

Description of services provided ▶ ----------

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . ☐ Yes ☐ No

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

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

Identifier	ReturnReference	Explanation
Explanation of Fundraising Payments	Schedule G, Part I, Line 2b, Column (v)	The vendor provides donor acquisition services that provide multi-year benefits The current financial information does not reflect the long-term cost/benefit of this program

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

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
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Charity Care and Certain Other Community Benefits at Cost

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

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			16,276,000		16,276,000	1 670 %
b Medicaid (from Worksheet 3, column a)			126,032,126	94,418,296	31,613,830	3 250 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			142,308,126	94,418,296	47,889,830	4 920 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			6,304,469		6,304,469	0 650 %
f Health professions education (from Worksheet 5)			13,317,798	5,491,488	7,826,310	0 800 %
g Subsidized health services (from Worksheet 6)			18,253,430	1,607,340	16,646,090	1 710 %
h Research (from Worksheet 7)			5,470,062	2,707,592	2,762,470	0 280 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			216,570		216,570	0 020 %
j **Total** Other Benefits			43,562,329	9,806,420	33,755,909	3 460 %
k **Total.** Add lines 7d and 7j			185,870,455	104,224,716	81,645,739	8 380 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support			5,148		5,148	0 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy			613,297		613,297	0 060 %
8 Workforce development						
9 Other						
10 **Total**			618,445		618,445	0 060 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense	2	15,405,798		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	10,963,927		
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	238,153,460		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	234,599,809		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	3,553,651		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1	1 LVHN Reciprocal Risk Retention Group	Malpractice Insurance	16 670 %	0 %	0 %
2	2 Health Network Laboratories LLC	Laboratory Services	85 000 %	0 %	0 %
3	3 Health Network Laboratories LP	Laboratory Services	81 670 %	0 %	0 %
4	4 Lehigh Valley Physician Hospital Organization Inc	Health Care Services	45 000 %	0 %	0 %
5					
6					
7					
8					
9					
10					
11					
12					
13					

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? 2

	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	Lehigh Valley Hospital - Cedar Crest 1200 S Cedar Crest Blvd Allentown, PA 18103	X	X	X	X		X	X		
2	Lehigh Valley Hospital - 17th Street 17th Chew Streets Allentown, PA 18103	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: Lehigh Valley Hospital - Cedar Crest

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		No
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 those 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 ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in 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 CHNA			
g ☐ Prioritization of health needs in the 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 together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
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	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☐ Asset level			
	c ☑ Medical indigency			
	d ☐ Insurance status			
	e ☑ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ 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	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	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		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon 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**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 it's 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**		No
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 services provided to that patient?	**21**	Yes	
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Lehigh Valley Hospital - 17th Street

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		No
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 those 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 ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in 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 CHNA			
g ☐ Prioritization of health needs in the 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 together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
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	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☐ Asset level			
	c ☑ Medical indigency			
	d ☐ Insurance status			
	e ☑ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ 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	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	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		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon 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**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 it's 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**		No
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 services provided to that patient?	**21**	Yes	
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

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

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		Part I, Line 7g CLINICS SUBSIDYThe clinics subsidy of $14,926,290 is the difference between clinic payments and clinic costs The clinics subsidy includes the operations of the Medical and Surgical Clinics, Children's Clinic, the Dental Clinic, the Center for Women's Medicine, the Family Health Center, Geriatrics, Maternal Fetal Medicine, and the Mental Health Clinic TRANSITIONAL LIVING CENTERSLehigh Valley Health Network administers two Residential Aftercare Programs as a contracted provider for the Lehigh County Department of Human Services These programs include the Transitional Living Center-Full Care and the Transitional Living Center-Moderate Care Although the programs receive revenue from clients and reimbursements from Lehigh County, these funds do not fully reimburse program operating expenditures In FY'12, program operating expenditures exceeded program revenues and reimbursements by $395,951 The Transitional Living Centers serve residents of Lehigh County age 18 and over who have been treated for mental illness and would benefit from a structured residential program The Full Care site is supervised 24 hours per day and teaches the activities of daily living as designated by the Pa Department of Welfare to those residents who demonstrate the need for ongoing intensified supervision due to their mental illness The Moderate Care site is supervised 10 hours per day and is designed to teach activities of daily living to those individuals who demonstrate the need for community reentry support in a less-intensified structure AIDS ACTIVITIES OFFICEEstablished in 1989, Lehigh Valley Hospital's AIDS Activities Office (AAO) provides clinical and social services to children, adolescents and adults infected and affected by HIV/AIDS and HCV (hepatitis C) In FY'12, the AIDS Activities Office's active patients received one or more of the following services HIV testing and counseling (A free service open to the public as a state-designated Department of Health lab site) Prevention counseling Initial and ongoing medical care (including laboratory evaluation, coordination and referral to diagnostic and specialty service, and pharmaceutical treatment regimens) provided by a physician board-certified in infectious diseases and specializing in HIV care Coordination and monitoring of clinical therapies, and education provided by registered nurses Nutritional assessments and interventions Adherence counseling Case management to insure coverage of basic and social service needs, including housing, employment, outpatient substance abuse treatment, mental health counseling, etc , and providing linkages to care and coordination of specialty treatments HIV outreach, prevention education, and testing in network community settings Hepatitis C treatment provided by a physician board-certified in internal medicine and specializing in HCV care Hepatitis C education by nurses specially educated in the disease as well as prevention and adherence counseling Support groups for HIV Mental health counseling by a licensed clinical social worker specializing in people living with HIV and HCV The AAO Food Bank, supported by private donations HepA, HepB, & Hep A/B vaccines Funded originally by the Dorothy Rider Pool Health Care Trust and Lehigh Valley Hospital (LVH), the AIDS Activities Office is currently primarily supported by LVH, Early Intervention Funding (Title III) from the Ryan White Care Act (Human Resources and Services Administration) and AIDSNET (Ryan White Title II funding) and the PA Department of Health LVH's contribution to the operations of the AIDS Activities Office in FY'12 was $394,518, net of payments FREE ORAL TRAUMA SURGERY CAREIn FY'12, Lehigh Valley Hospital paid $389,074 to private oral surgery practices to provide oral trauma surgery care to hospital patients AMBULANCE TRANSPORT COSTSLehigh Valley Hospital incurred total ambulance costs of $131,637 to transport patients to other non-LVHN facilities PHARMACEUTICALS FOR DISCHARGED PATIENTSPharmaceuticals appropriate to the course of treatment are often provided at no charge to indigent patients upon discharge The cost of these medications in FY'12 was $408,620

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

Identifier	ReturnReference	Explanation
		Part II Community Building Activities are conducted on behalf of Lehigh Valley Health Network, which is the governing entity for Lehigh Valley Hospital and Lehigh Valley Hospital - Muhlenberg Our Community Partners include School HealthLehigh Valley Hospital's outpatient pediatric department provides free on-site clinical services and health exams for Central Elementary School's student population The net cost of direct services provided at the school in FY'12 was $150,546 NEIGHBORHOOD HEALTH CENTERS OF THE LEHIGH VALLEYThe hospital's cost to provide Family Health Services at The Caring Place "New Life" Clinic and Casa Guadalupe "Vida Nueva" Clinic was $458,601 in FY'12 MOSELEM SPRINGS SENIORS EVENTThe Health Center at Moselem Springs conducted a Seniors Event in August 2011 A group of seniors was transported by bus from Hamburg, PA and given a health presentation and tour of the Health Center Lunch was provided Staff costs, transportation and other expenses, excluding donated physician time, was $1,504 CRUCIAL CONVERSATIONS TRAINING - CHILDREN'S ADVOCACY CENTEROrganizational Development and Clinical Staff Development staff provided Crucial Conversations Training to Lehigh County employees who are part of the Children's Advocacy Center Training materials were supplied through a grant from VitalSmarts, the parent company of Crucial Conversations Unreimbursed staff costs and other expenses to provide the training were $2,646 Communities in SchoolsCommunities in Schools of the Lehigh Valley, Inc , is a non-profit partnership supported by local businesses, human services, government and volunteers who strive to reduce the number of school dropouts To support this program, classroom, auditorium, and office space, and mailroom services are provided at Lehigh Valley Hospital - 17th and Chew The value of below market building rental and services provided to the program in FY'12 was $5,148

Identifier	ReturnReference	Explanation
		Part III, Line 4 BAD DEBTS-In instances where the Organization believes a patient has the ability to pay for services and, after appropriate collection effort, payment is not made, the amount of services not paid is written-off, at charges, as bad debts Amounts recorded as bad debts expense do not include charity The amount of bad debts expense for the years ended June 30, 2012 and 2011, at charges, was $66,745,000 and $56,427,000 respectively, and is reported as Bad debts expense on the Combined Statements of Operations

Identifier	ReturnReference	Explanation
		Part III, Line 8 The source of the Medicare allowable costs relating to revenue received from Medicare is the FY '12 Medicare Cost Report

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

Identifier	ReturnReference	Explanation
Lehigh Valley Hospital - Cedar Crest		Part V, Section B, Line 15e Collection activities are limited to hospital sending 3 statements requesting payment If payment is not made, the account is turned over to a primary collection agency for 6 months If payment is not received after 6 months, the account is turned over to a secondary agency for 3 months If these collection efforts do not result in payment, the account is written off as a bad debt

Identifier	ReturnReference	Explanation
Lehigh Valley Hospital - 17th Street		Part V, Section B, Line 15e Collection activities are limited to hospital sending 3 statements requesting payment If payment is not made, the account is turned over to a primary collection agency for 6 months If payment is not received after 6 months, the account is turned over to a secondary agency for 3 months If these collection efforts do not result in payment, the account is written off as a bad debt

Identifier	ReturnReference	Explanation
Lehigh Valley Hospital - Cedar Crest		Part V, Section B, Line 21 All patients receive the same charge for the same service The expected collection amount for the uninsured is the average payment of non-government payers Further reductions are based on the patient income and federal poverty guidelines

Identifier	ReturnReference	Explanation
Lehigh Valley Hospital - 17th Street		Part V, Section B, Line 21 All patients receive the same charge for the same service The expected collection amount for the uninsured is the average payment of non-government payers Further reductions are based on the patient income and federal poverty guidelines

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Community Health Needs AssessmentThe Health Care Council of the Lehigh Valley (HCCLV) is a newly formed not-for-profit group with representation from Lehigh Valley Health Network, the Dorothy Rider Pool Health Care Trust, St Luke's University Health Network, Sacred Heart Health Care System, and Good Shepherd Rehabilitation Hospital The HCCLV is developing a comprehensive regional Community Health Needs Assessment (CHNA) designed to identify the strengths and needs of our community, establish health priorities, and encourage collaborations within the community to take action on health issues, all in an effort to improve the health of residents in our region Members of the CHHS team have provided leadership in developing the HCCLV group, designing the CHNA, and collecting and analyzing key community health information

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

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Lehigh Valley Hospital, Inc (LVH) is a Pennsylvania not-for-profit membership corporation exempt from federal income taxes as a corporation described in Section 501(c)(3) of the Internal Revenue Code As of June 30, 2012, LVH operates hospital facilities at three primary locations 17th and Chew Streets in Allentown, Lehigh County, Pennsylvania where 11 acute care beds, 52 skilled nursing beds and 10 inpatient hospice beds are operated, Cedar Crest Boulevard and Interstate 78 in Salisbury Township, Lehigh County, Pennsylvania where 665 acute care beds are operated, LVH also operates 65 psychiatry beds on the LVH-Muhlenberg campus The primary service area of LVH consists of Lehigh, Northampton and Carbon counties Based on information available from the U S Census Bureau for the year 2010 census, the population of the primary service area was approximately 712,261 people and was estimated to be 726,443 at the end of calendar year 2012 During fiscal year 2012, 73% of the discharges from LVH were residents of the primary service area The secondary service area consists of Monroe, Berks, Schuylkill and Luzerne counties as well as northern portions of Bucks and Montgomery counties The 2010 population of the secondary service area was approximately 1,375,956 During fiscal year 2012, 22% of the discharges from LVH were residents of the secondary service area Based on U S Census Bureau data, the current population of the combined primary and secondary LVH service area is projected by Claritas Demographics to increase approximately 5% by the year 2017 During fiscal year 2012, 5% of the discharges from LVH were residents outside the primary and secondary service areas

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

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**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ▶ ☐

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

2 Enter total number of section 501(c)(3) and government organizations 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. Use Schedule I-1 (Form 990) if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) Nursing Scholarships	115	386,371	0	Book	
(2) Jirolano Tuition Aide Scholarship	1	600	0	Book	

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Scholarships are awarded to senior nursing students in a Bachelor of Nursing program and 2nd year nursing students in an Associate Degree program, as well as employees who currently possess a Registered nurse continuing their education towards either a Bachelor's Degree or Master's Degree Criteria for scholarships to students in a Graduate Nurse program are submit 2 letters of recommendation from clinical instructors, an official copy of their most current transcript demonstrating a 3 0 GPA or higher, a one page essay describing why they deserve the scholarship and a completed assessment survey If above information is considered favorable, two interviews are scheduled with selection committee members If considered favorable after all interviews have been conducted, a scholarship award is offered If candidate accepts and signs a contract,their commitment back to the hospital is for 2080 hours of employment as a Registered Nurse after successfully completing an internship If candidate does not fulfill their commitment, the scholarship dollars are pro-rated and repayment is due back For current employees, an application is completed along with a letter of recommendation from their direct supervisor, a copy of most recent performance evaluation noting an evaluation score of 3 0 or better, and the must be currently enrolled in a nursing program

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

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, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Ronald W Swinfard MD	(i)	834,231	283,500	265,303	0	30,230	1,413,264	0
	(ii)	0	0	0	0	0	0	0
(2) Keith Weinhold	(i)	241,120	48,148	10,085	0	30,230	329,583	0
	(ii)	0	0	0	0	0	0	0
(3) James Geiger	(i)	238,799	50,000	10,960	0	30,230	329,989	0
	(ii)	0	0	0	0	0	0	0
(4) Debby Patrick	(i)	237,957	61,672	-1,903	0	30,230	327,956	0
	(ii)	0	0	0	0	0	0	0
(5) Scott Lipkin	(i)	216,669	18,888	12,709	0	30,230	278,496	0
	(ii)	0	0	0	0	0	0	0
(6) Edward Dougherty	(i)	208,536	37,840	-2,454	0	30,123	274,045	0
	(ii)	0	0	0	0	0	0	0
(7) Elliot J Sussman MD	(i)	145,093	135,892	1,831,266	0	0	2,112,251	0
	(ii)	0	0	0	0	0	0	0
(8) Joseph G Felkner	(i)	335,279	108,533	487,606	0	0	931,418	0
	(ii)	0	0	0	0	0	0	0
(9) Mary Kay Grim	(i)	163,675	61,900	16,741	0	0	242,316	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	Travel expenses for companion is paid by Lehigh Valley Hospital for one professional meeting per year for the President/CEO
	Part I, Lines 4a-b	Elliot J Sussman, MD 635,131 Ronald W Swinfard, MD 264,046 Keith Weinhold 16,599 Mary Kay Grim 15,444 James Geiger 15,613 Scott Lipkin 12,202 Edward Dougherty 3,670 Joseph Felkner 98,628 These amounts are accruals to a nonqualified supplemental executive retirement plan

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Lehigh County General Purpose Authority	91-1886539	5248053F3	09-15-2005	81,000,000	construct, renovate & equip facilities		X		X		X
B	Lehigh County General Purpose Authority	91-1886539	52480GAY0	06-04-2008	53,725,184	construct, renovate & equip facilities		X		X		X
C	Lehigh County General Purpose Authority	91-1886539	52480GBG8	04-01-2011	115,096,730	refund 9/12/96 & 4/21/99 A issues,reissuance of 7/7/05 and 6/5/08 issues		X		X		X
D	Lehigh County General Purpose Authority	91-1886539	NoneAvail	02-15-2012	18,665,000	refund 4/15/04 & 10/17/01 issues		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired		2,612,200	4,530,790	
2	Amount of bonds defeased				
3	Total proceeds of issue	82,955,467	53,885,593	115,096,730	18,665,000
4	Gross proceeds in reserve funds	5,000,000			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow			114,976,250	18,330,782
7	Issuance costs from proceeds	908,575	704,637	120,480	334,218
8	Credit enhancement from proceeds	2,341,645	1,323,209		
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	71,505,488	51,857,747		
11	Other spent proceeds	3,199,759			
12	Other unspent proceeds				
13	Year of substantial completion	2007	2010	2011	2012

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X		X		
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X			

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		X
2	Is the bond issue a variable rate issue?		X		X	X		X	
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X	X		X	
b	Name of provider					Merrill Lynch & Goldman Sachs			
c	Term of hedge					20 000000000000		10 400000000000	
d	Was the hedge superintegrated?						X		X
e	Was a hedge terminated?						X		X
4a	Were gross proceeds invested in a GIC?	X			X		X		X
b	Name of provider	MBIA							
c	Term of GIC	3 300000000000							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
6	Did the bond issue qualify for an exception to rebate?	X		X		X		X	

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Lehigh County General Purpose Authority	91-1886539	NoneAvail	06-01-2012	59,745,000	reissuance of 6/6/08 issue		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	955,000			
2	Amount of bonds defeased				
3	Total proceeds of issue	59,745,000			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow	59,745,000			
7	Issuance costs from proceeds				
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds				
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2012			

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

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

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

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

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $ 0

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $ 0

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) No
(1) Harry Lukens Financial hardship		X	90,000	90,000		No		No	Yes	
Total . . . . . ▶ $				90,000						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV **Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Kathryn P Taylor-Trustee	Board Member of Capital Blue Cross - Trustee of LVHN/LVH/LVHM	98,658,402	Capital BlueCross is a third party insurer doing business with LVHN		No

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Types of Property

		(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining contribution amounts
1	Art—Works of art	X	9	77,710	Fair Market Value
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications	X		6,757	Fair Market Value
5	Clothing and household goods	X		1,752	Fair Market Value
6	Cars and other vehicles	X	1	18,200	Fair Market Value
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded				
10	Securities—Closely held stock				
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial				
17	Real estate—Other				
18	Collectibles				
19	Food inventory	X	15	1,569	Fair Market Value
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶ (Jewelry)	X	5	2,131	Fair Market Value
26	Other ▶ (IPads, DVD players)	X	3	2,725	Fair Market Value
27	Other ▶ (Epson Projector)	X	1	640	Fair Market Value
28	Other ▶ (Digital Camera)	X	1	200	Fair Market Value
	Other ▶ (Science Program)	X	1	200	Fair Market Value

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

			Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		No
b	If "Yes," describe the arrangement in Part II			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31	Yes	
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?	32a		No
b	If "Yes," describe in Part II			
33	If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II			

Part II

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

Identifier	Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The Executive Compensation Committee of the Board of Trustees of Lehigh Valley Health Netw ork is authorized to perform its functions for and on behalf of LVHN Committee Organizati on 1 The Committee shall be composed of at least four (4) members of the Board of Truste es, one of w hom shall serve as Chair of the Committee The Committee shall be composed ent irely of Trustees w ho are entirely disinterested members of the Board The Trustees w ill h ave no material relationship to LVHN and/or its Senior Management Council members that may limit their disinterestedness in this role, including that the Trustees (i) must not have any personal interest in the compensation arrangement, (ii) must not be related to or und er the control of the person w hose compensation is being evaluated, and (iii) must have no material business relationship w ith LVHN If a proposed member of the Committee has ident ified a potential conflict of interest, the issue shall be reviewed by the disinterested m embers of the Audit Committee w hich shall report its findings to the Chair of the Executiv e Compensation Committee Based on that review , the Chair and the Committee, absent the me mber w ith a potential conflict, w ill make the final determination as to the disinterestedn ess of the Trustee and the appropriateness of service From time to time, there may be spe cific situations w hich pose a potential conflict of interest In such instances, the Commi ttee w ill make the appropriate determination The Committee may also establish such other procedures as it may deem appropriate w ith respect to the disinterested status of its memb ers, subject to Board approval 2 The members and the Chair of the Committee shall be app ointed each year by the Board of Trustees in accordance w ith its policies, and shall serve at the pleasure of the Board of Trustees for such term or terms as the Board of Trustees may determine The Committee shall conduct its activities in conformity w ith the requireme nts of the LVHN By-Laws and the requirements of the Internal Revenue Code of 1986, and Reg ulations promulgated thereunder, together w ith any further obligations or requirements as directed by the Board 3 Each Committee Member shall have the follow ing qualifications A bility to critically review performance and market practice data and apply relevant inform ation fairly, w hile properly balancing the competing needs of LVHN's stakeholders Ability to consider the objectives of linking compensation to performance and retaining high-perf orming personnel, all in the best interests of LVHN and in accordance w ith its charitable mission An understanding of the market place regarding the attraction and retention of Se nior Management Council employees and other key personnel Functions, Duties and Authoriti es The Committee on an annual basis shall Assess the performance of the Chief Executive Officer, determine the Chief Executive Officer's compensation, discuss the appraisal w ith the CEO and report its determination generally to the full Board Review the performance o f all other members of the Senior Management Council and approve their compensation consid ering the recommendations of the Chief Executive Officer, and report its determinations ge nerally to the full Board Review the performance of disqualified persons and other indivi duals in key leadership positions as determined by the Committee Review the succession pl an and professional and career development of senior management in the organization Revie w the compensation plan for selected physicians, including LVPG Assure that any applicabl e compensation arrangement is reviewed by the Committee in accordance w ith all applicable rules and regulations, including Section 4958 of the Internal Revenue Code or its successo r In particular, the Committee intends that its determinations qualify for the "Rebuttabl e Presumption of Reasonableness" and thus it w ill ensure that A compensation arrangement is approved in advance only by Committee members w ho do not have a conflict of interest w ith respect to the arrangement, It relies upon appropriate, independent comparability data prior to making its determination, and The basis for the determination is adequately docum ented concurrent w ith the Committee's approval Adequate documentation requires (i) the te rms of compensation, (ii) date of approval, (iii) members present, (iv) the source of comp arability information and the data, (v) rationale for compensation levels that fall at the upper end of the comparability data, and (vi) any actions taken w ith respect to conflicts of interest of any member of the Committee The documentation must be prepared by the lat er of the next meeting of the Committee or 60 days after final action and approved w ithin a reasonable time thereafter The Committee, w ith respect to the administration of the Ret irement Plan shall Appoint the Plan Administrator Delegate the day-to-day functions of Pl an administration to the Plan Administrator Speci

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	fically these delegated duties shall include convening a pension administration committee , compliance with ERISA and IRS documentation and reporting requirements, oversight and ma nagement of the benefit claims appeal process, and preparation and distribution of disclos ures to Plan participants, make recommendations to the LVHN Board regarding Retirement Pla n design Specific responsibilities shall include reviewing and making recommendations on benefit structure, the Plan Document or the Trust Agreement, reviewing and recommending a dditions or deletions of organizational divisions covered by the Plan The Committee shall also Consider and make recommendations to the Board regarding the compensation philosoph y for the Senior Management Council Annually evaluate the performance and function of the Committee, including a review of its compliance with this Charter Direct the establishme nt of a process that ensures compensation information is fully and fairly disclosed on the Form 990 Discharge such additional duties and responsibilities as the Board of Trustees may from time to time assign to it

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

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

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -47,284,439 Unfunded Pension Liability -148,920,436 Equity Transfer from LVHS, Inc 44,734,479 Equity transfer to LVPG -6,148,555 Temporarily restricted cash -1,572,008 Total to Form 990, Part XI, Line 5 -159,190,959

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

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

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493130014023

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
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Lehigh Valley Health Network 1200 S Cedar Crest Blvd Allentown, PA 18103 22-2458317	Parent Company	PA	501(c)(3)	509(a)(3) III-FI	N/A		No
(2) Lehigh Valley Hospital - Muhlenberg 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2367707	Health Care Organization	PA	501(c)(3)	170(b)(1) (A)(iii)	Lehigh Valley Health Network		No
(3) Lehigh Valley Physician Group 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2700908	Physician Practice Organization	PA	501(c)(3)	Line 9	Lehigh Valley Health Network		No
(4) Muhlenberg Realty Corporation 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2245513	Real Estate Rentals	PA	501(c)(3)	509(a)(3) III-FI	Lehigh Valley Health Network		No
(5) Lehigh Valley Health Network Realty Holding Co 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2586770	Real Estate Holding Co	PA	501(c)(2)	N/A	Lehigh Valley Health Network		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? 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) LVHN Reciprocal Risk Retention Group 151 Meeting Street Ste 301 Charleston, SC 29401 20-0037118	Insurance	PA	Lehigh Valley Health Network	Related		1,464,566		No			No	
(2) Health Network Laboratories LLC 2024 Lehigh Street Allentown, PA 18103 23-2932802	Laboratory Services	PA	Lehigh Valley Hospital	Related		828,750		No			No	
(3) Health Network Laboratories LP 2024 Lehigh Street Allentown, PA 18103 23-2948774	Laboratory Services	PA	Lehigh Valley Hospital	Related	14,172,643	96,089,525		No			No	
(4) Lehigh Magnetic Imaging Center 1230 S Cedar Crest Blvd Allentown, PA 18103 23-2429077	Imaging Center	PA	N/A									

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Lehigh Valley Health Services Inc 2100 Mack Blvd Allentown, PA 181035622 23-2263665	Health Care Related Services	PA	N/A	C			
(2) Lehigh Valley Anesthesia Services PC 2100 Mack Blvd Allentown, PA 181035622 23-3096124	Anesthesia Services	PA	N/A	C			
(3) Westgate Professional Center Inc 2100 Mack Blvd Allentown, PA 181035622 23-1657333	Real Estate Rentals	PA	N/A	C			
(4) Lehigh Valley Physician Hospital Organization Inc 2100 Mack Blvd Allentown, PA 181035622 23-2750430	Health Care Related Services	PA	N/A	C			

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

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

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

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

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

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

LEHIGH VALLEY HEALTH NETWORK
AND COMPONENT ENTITIES

Combined Financial Statements
for the Years Ended June 30, 2012 and 2011
and Independent Auditors' Report

Deloitte.

Deloitte & Touche LLP
1700 Market Street
Philadelphia, PA 19103-3984
USA

Tel +1 215 246 2300
Fax +1 215 569 2441
www deloitte com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lehigh Valley Health Network
Allentown, Pennsylvania

We have audited the accompanying combined statements of financial position of Lehigh Valley Health Network and Component Entities (the "Organization") as of June 30, 2012 and 2011, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of the Organization's management Our responsibility is to express an opinion on these financial statements based on our audits

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

In our opinion, such combined financial statements present fairly, in all material respects, the combined financial position of Lehigh Valley Health Network and Component Entities as of June 30, 2012 and 2011, and the combined results of their operations, changes in their combined net assets, and their combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Deloitte & Touche LLP

October 3, 2012

Lehigh Valley Health Network and Component Entities
Combined Statements of Financial Position
June 30, 2012 and 2011
(In Thousands)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$26,062	$29,795
Patient accounts receivable, net	209,002	183,142
Other accounts receivable	19,697	9,044
Inventories	16,983	15,950
Prepaids	12,487	12,377
Assets limited under bond debt service fund - current portion	14,984	17,353
Assets limited under primary professional liability arrangements - current portion	4,790	3,066
Total current assets	304,005	270,727
Noncurrent assets:		
Assets whose use is limited or restricted		
Assets limited by board of trustees for capital improvements	716,810	720,568
Assets limited by board of trustees for retained excess professional liability arrangements	17,755	16,290
Assets limited under primary professional liability arrangements	42,637	40,270
Assets limited by management	30,632	29,924
Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements - held by trustee	11,084	11,077
Assets restricted by donors	139,693	141,390
Assets limited to fund deferred compensation and other liabilities	39,874	39,873
Property and equipment, net	620,635	601,997
Partnership investments	10,665	15,283
Deferred financing costs, net and other noncurrent assets	35,501	22,972
Total noncurrent assets	1,665,286	1,639,644
Total assets	$1,969,291	$1,910,371
Liabilities and net assets		
Current liabilities:		
Accounts payable	$60,178	$42,757
Accrual for estimated third-party payer settlements	3,475	2,598
Accrued compensation	53,282	66,418
Other accrued expenses	34,562	35,310
Pension	3,154	2,944
Professional liability	4,790	3,066
Current portion of long-term debt	11,530	11,218
Total current liabilities	170,971	164,311
Noncurrent liabilities:		
Long-term debt, net of current portion	502,276	513,537
Deferred compensation and other liabilities funded with matching assets	39,874	39,873
Pension	267,849	155,126
Professional liability	54,177	49,598
Other liabilities	37,443	27,531
Total noncurrent liabilities	901,619	785,665
Total liabilities	1,072,590	949,976
Net assets:		
Unrestricted		
Lehigh Valley Health Network and component entities	737,944	805,276
Noncontrolling interests in subsidiaries	19,064	13,729
Total unrestricted net assets	757,008	819,005
Temporarily restricted	93,252	98,868
Permanently restricted	46,441	42,522
Total net assets	896,701	960,395
Total liabilities and net assets	$1,969,291	$1,910,371

See notes to combined financial statements

Lehigh Valley Health Network and Component Entities
Combined Statements of Operations
Years Ended June 30, 2012 and 2011
(In Thousands)

	2012	2011
Patient services and supporting operations		
Revenues		
Net patient service revenue	$1,579,506	$1,482,711
Other supporting operations revenue	36,941	35,949
Net assets released from restrictions used for operations	4,083	5,861
Total revenues	1,620,530	1,524,521
Expenses		
Salaries and wages	688,013	619,504
Benefits	129,552	139,748
Supplies	259,176	245,112
Purchased services	148,084	142,080
Other	100,355	96,123
Depreciation and amortization	83,867	85,095
Bad debts	106,247	93,133
Interest expense	22,318	23,357
Total expenses	1,537,612	1,444,152
Operating income	82,918	80,369
Other nonoperating gains and losses		
Realized investment earnings	64,500	24,355
Change in net unrealized (losses) gains on swaps	(11,459)	3,005
Loss on refinancing of debt	(309)	(605)
Nonoperating gains (losses), net	212	(952)
Other nonoperating gains and losses, net	52,944	25,803
Revenues and gains in excess of expenses and losses before income taxes	135,862	106,172
Provision for income taxes	(3,430)	(3,889)
Revenues and gains in excess of expenses and losses attributed to Lehigh Valley Health Network and component entities	132,432	102,283
Net assets released from restrictions - capital acquisitions	3,270	3,277
Contribution of long lived assets	2,114	0
Adjustment to funded status of pension plan	(148,920)	93,652
Change in noncontrolling interests	5,335	9,088
Change in net unrealized (losses) on swaps	(170)	0
Change in net unrealized (losses) gains on investments	(56,058)	83,516
(Decrease) increase in unrestricted net assets	($61,997)	$291,816

See notes to combined financial statements

Lehigh Valley Health Network and Component Entities
Combined Statements of Changes in Net Assets
Years Ended June 30, 2012 and 2011
(In Thousands)

	2012	2011
Unrestricted net assets		
Revenues and gains in excess of expenses and losses attributed to Lehigh Valley Health Network and component entities	$132,432	$102,283
Net assets released from restrictions - capital acquisitions	3,270	3,277
Contribution of long lived assets	2,114	0
Adjustment to funded status of pension plans	(148,920)	93,652
Change in noncontrolling interests	5,335	9,088
Change in net unrealized (losses) on swaps	(170)	0
Change in net unrealized (losses) gains on investments	(56,058)	83,516
(Decrease) increase in unrestricted net assets	(61,997)	291,816
Temporarily restricted net assets		
Contributions	1,977	8,409
Reclassification from permanently restricted net assets	464	0
Increase in assets temporarily held in trust	2	260
Realized and unrealized investment gains, net	1,408	20,656
Net assets released from restrictions	(9,467)	(9,138)
(Decrease) increase in temporarily restricted net assets	(5,616)	20,187
Permanently restricted net assets		
Contributions	4,193	451
Reclassification from temporarily restricted & unrestricted net assets	185	0
(Decrease) increase in beneficial interest in perpetual trusts	(459)	1,710
Increase in permanently restricted net assets	3,919	2,161
(Decrease) increase in net assets	(63,694)	314,164
Net assets, beginning of year	960,395	646,231
Net assets, end of period	$896,701	$960,395

See notes to combined financial statements

Lehigh Valley Health Network and Component Entities
Combined Statements of Cash Flows
Years Ended June 30, 2012 and 2011
(In Thousands)

	2012	2011
Cash flows from operating activities:		
(Decrease) increase in net assets	($63,694)	$314,164
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	83,867	85,095
Loss on refinancing of debt	309	605
Net realized and unrealized losses (gains) on unrestricted investments	7,277	(94,738)
Restricted contributions received for capital and endowments and related investment (gains)	(4,810)	(20,374)
Adjustment to funded status of pension plans	148,920	(93,652)
Increase in capital leases obligation	242	271
Change in net unrealized loss (gain) on swaps	11,629	(3,005)
Provision for bad debts	106,247	93,133
Adjustment to noncontrolling interests due to a change in control of equity investee	(3,420)	(7,932)
Changes in assets and liabilities		
Increase in patient accounts receivable, net	(130,124)	(97,529)
Increase in prepaids, inventories and other current assets	(11,595)	(1,320)
(Increase) decrease in other noncurrent assets	(7,023)	1,468
(Increase) decrease in interest earned but not received on assets whose use is limited or restricted	(147)	30
Increase (decrease) in accounts payable	10,586	(4,184)
(Decrease) increase in other accrued expenses	(748)	6,566
Decrease in accrual for estimated third party payer settlements	877	(14,933)
Decrease) increase in accrued compensation	(13,136)	4,615
(Decrease) increase in pension liability	(35,987)	19,993
Increase in professional liability	6,303	4,262
Increase in deferred compensation and other liabilities funded with matching assets, and other liabilities	1,746	10,849
Net cash provided by operating activities	107,319	203,384
Cash flows from investing activities:		
Purchases of property and equipment	(84,509)	(72,158)
Acquisition of investment in partnerships	(9,813)	0
Purchases of investments	(1,169,232)	(1,402,470)
Proceeds from sales of investments	1,162,630	1,278,985
Net cash used in investing activities	(100,924)	(195,643)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	7,512	27,720
Payment of financing costs	(274)	(400)
Repayment of debt	(18,762)	(37,796)
Proceeds from restricted contributions for capital and endowments	1,396	900
Net cash used in financing activities	(10,128)	(9,576)
Net decrease in cash and cash equivalents	(3,733)	(1,835)
Cash and cash equivalents, beginning of year	29,795	31,630
Cash and cash equivalents, end of year	$26,062	$29,795
Supplemental cash flow information:		
Cash paid for interest	$20,070	$21,520
Cash paid for income taxes	$1,408	$2,741
Non-cash increase in capital lease obligation	$242	$271
Amounts accrued for purchase of property and equipment in excess of amounts paid	$8,476	$2,440

See notes to combined financial statements

LEHIGH VALLEY HEALTH NETWORK AND COMPONENT ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011 (AMOUNTS IN THOUSANDS OF DOLLARS)

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lehigh Valley Health Network ("LVHN") is a not-for-profit 501(c)(3) corporation that controls related organizations in a health care delivery network providing a wide array of health care services and products to the Lehigh Valley and surrounding communities in Pennsylvania. The combined financial statements of Lehigh Valley Health Network and Component Entities (the "Organization") at June 30, 2012 and 2011 include the accounts of the following entities:

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

All significant intercompany balances and transactions have been eliminated. The Organization owned 77% of Fairgrounds Surgical Center at June 30, 2011. Fairgrounds Surgical Center became 100% owned by Lehigh Valley Hospital effective November 1, 2011.

On April 3, 2012 the Organization acquired an additional 33.18% of limited partnership interest in Lehigh Magnetic Imaging Center ("LMIC"), giving the Organization a total of 76.51% ownership interest in the entity. The acquisition was accounted for as a business combination. The allocation of the purchase price to the assets acquired was based on their fair values as of the acquisition date, with the amount of $7,092 exceeding fair value recorded as goodwill. Goodwill largely represents synergies resulting from the business combination and has been recorded in the Combined Statements of Financial Position in other noncurrent assets. The Organization has recorded in the Combined Statements of Financial Position, the fair value as of the acquisition date for property and equipment of $10,656, other assets of $4,702, and current liabilities of $799. The fair value of plant and equipment was quantified primarily using a market approach, by analyzing recent sales or offerings of comparable property consistent with assumptions market participants would use.

Prior to the acquisition date, the Organization accounted for its 43.33%interest in LMIC as an equity method investment. The acquisition date fair value of the previously held equity interest was valued at $6,308. A gain of $2,064 has been recorded as a result of revaluing the previously held equity interest to fair value as of the acquisition date. This gain is recorded in the Combined Statements of Operations in Nonoperating gains (losses), net.

Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Entities*, and other pronouncements applicable to not-for-profit healthcare organizations. The Organization evaluated subsequent events through October 3, 2012, the date the financial statements were issued, and determined there were no subsequent events requiring disclosure.

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates
The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates Significant estimates include the bad debts reserve, contractual allowances, estimated amounts due to third party payers, professional liabilities, liabilities for pension and other benefits, swaps, alternative investments, and asset retirement obligations

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

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid investments purchased with an initial maturity of three months or less, excluding amounts included in assets whose use is limited or restricted At June 30, 2012 and 2011, the Organization had cash balances at financial institutions that exceeded federal depository insurance limits Management believes that credit risk related to these deposits is minimal Cash and Cash equivalents are carried at cost, which approximate fair value

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

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

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

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

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

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

Assets under capital lease are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets Such amortization is included in depreciation and amortization in the Combined Statements of Operations Interest costs, net of related interest earnings, incurred on related funds acquired through the issuance of tax-exempt bonds is capitalized during the period of construction of capital assets as a component of the cost of acquiring those assets No interest costs were capitalized for the years ended June 30, 2012 and 2011 Leasehold improvements and software licenses are amortized over the shorter of their useful lives or the term of the lease using the

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (continued)
straight-line method The cost of assets and the related accumulated depreciation are removed from the records upon retirement or other disposition and any gain or loss is included in the Combined Statements of Operations

Asset Retirement Obligations
The Organization recognizes the fair value of a liability for legal obligations associated with conditional asset retirement obligations ("ARO's") in the period in which the liability is incurred ARO's are accreted to their present value at the end of each reporting period The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life ARO's are adjusted each year for any liabilities incurred or settled during the period, accretion expense, and any revisions made to the estimated cash flows The Organization has identified ARO's related to the legally required remediation of asbestos existing within the Organization's facilities While all hazardous materials within the Organization's facilities are currently contained and meet existing safety standards, the capitalized asset and liability recorded relate to the eventual remediation and removal that is legally required upon the ultimate repair, renovation, or demolition of facilities containing the hazardous materials ARO liabilities recorded at June 30, 2012 and 2011 were $4,975 and $4,946, respectively

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

Deferred Financing Costs
Deferred financing costs, principally legal fees and bond issuance costs, are amortized over the period of financing Gross deferred financing costs June 30, 2012 and 2011 were $15,346 and $16,132 respectively Accumulated amortization of deferred financing costs was $3,944 and $3,905 at June 30, 2012 and 2011, respectively

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

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

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

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

Combined Statements of Operations
For purposes of display, transactions deemed to be ongoing, major or central to the provision of health care services are reported as revenue and expenses from Patient services and supporting operations Peripheral or incidental transactions are reported as Other nonoperating gains and losses

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

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Performance Indicator

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

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered or when known by the Organization and adjusted in future periods as final settlements are determined Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term Changes in prior year estimates increased net patient service revenue by $13,484 and $14,424 in the fiscal years ended June 30, 2012 and 2011, respectively

Other Supporting Operations Revenue

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

Patient Accounts Receivable

Patient Accounts receivable for which the Organization receives payment under cost reimbursement, prospective payment formulas or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payers, which are generally less than the established billing rates of the Organization Patient accounts receivable is reported at its net realizable value and includes reserves for bad debts of $135,085 and $112,924 at June 30, 2012 and 2011, respectively Bad debts reserves are estimated based on the Organization's belief that a patient has the ability to pay for services but payment is not expected to be received The reserve for bad debts is based on management's assessment of historical and expected collections, business economic conditions, trends in health care coverage, and other collection indicators Accounts receivable are written off against the reserve for bad debts when management determines that recovery is unlikely and the Organization ceases collection efforts

Concentrations of Credit Risk

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

	2012	2011
Medicare	19%	20%
Blue Cross/Blue Shield	18%	18%
Independence Blue Cross & Valley Preferred	15%	17%
Commercial, Auto & Workers Compensation	12%	12%
Medicare & Medicaid Managed Care	12%	13%
Medicaid	10%	11%
Self Pay	14%	9%
Total	100%	100%

Estimated Medical Malpractice Costs

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

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Medical Malpractice Costs (continued)
The June 30, 2012 and 2011 financial statements include actuarially determined self-insured medical malpractice expenses of $8,757 and $9,503, respectively, and are reported as Other expense in the Combined Statements of Operations Corresponding reserves are reported as current and non-current Professional liability in the Combined Statements of Financial Position Commercial excess insurance expense and MCARE assessments were $4,726 and $5,431 as of June 30, 2012 and 2011, respectively, and were recorded in Other expense in the Combined Statements of Operations

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

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

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

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

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

2 ASSETS WHOSE USE IS LIMITED OR RESTRICTED AND PARTNERSHIP INVESTMENTS

Investments carried primarily at fair value and other assets carried at cost at June 30, 2012 and 2011 are summarized as follows

	Short-term investments	U S government agencies and authorities	Corporate bonds	Marketable equity securities (C)	Equity investments in partnerships	Pledges receivable perpetual trust & other investments (A)	Accrued interest	Total
2012								
Assets limited under bond debt service fund-current portion	$14,984	$0	$0	$0	$0	$0	$0	$14,984
Assets limited under primary professional liability arrangements - current portion	327	1,833	1,198	1,417	0	0	15	4,790
Assets limited by board of trustees for capital improvements	64,713	205,025	124,107	321,410	0	0	1,555	716,810
Assets limited by board of trustees for retained excess professional liability arrangements	1,640	4,865	3,150	8,061	0	0	39	17,755
Assets limited under primary professional liability arrangements	2,996	15,912	10,401	13,200	0	0	128	42,637
Assets limited by management (B)	1,755	3,269	2,155	14,950	0	8,477	26	30,632
Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements - held by trustee	11,084	0	0	0	0	0	0	11,084
Assets restricted by donors	9,952	16,740	11,980	85,301	0	15,586	134	139,693
Partnership investments	0	0	0	0	10,665	0	0	10,665
Assets limited to fund deferred compensation and other liabilities	3,499	6,626	5,592	21,615	0	2,478	64	39,874
Total Investments	$110,950	$254,270	$158,583	$465,954	$10,665	$26,541	$1,961	$1,028,924
2011								
Assets limited under bond debt service fund-current portion	$17,353	$0	$0	$0	$0	$0	$0	$17,353
Assets limited under primary professional liability arrangements - current portion	238	1,253	727	837	0	0	11	3,066
Assets limited by board of trustees for capital improvements	64,714	154,210	101,050	399,224	0	0	1,370	720,568
Assets limited by board of trustees for retained excess professional liability arrangements	1,489	3,288	2,345	9,136	0	0	32	16,290
Assets limited under primary professional liability arrangements	3,292	13,994	8,437	14,424	0	0	123	40,270
Assets limited by management (B)	1,722	3,092	1,843	14,763	0	8,477	27	29,924
Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements - held by trustee	11,077	0	0	0	0	0	0	11,077
Assets restricted by donors	11,676	22,982	14,457	77,911	0	14,167	197	141,390
Partnership investments	0	0	0	0	15,283	0	0	15,283
Assets limited to fund deferred compensation and other liabilities	3,048	5,143	4,597	24,839	0	2,192	54	39,873
Total Investments	$114,609	$203,962	$133,456	$541,134	$15,283	$24,836	$1,814	$1,035,094

(A) Includes $6,655 and $7,114 representing the Organization's interest in certain perpetual trusts stated at net present value at June 30, 2012 and 2011, respectively (see Note 1) Includes $6,456 and $4,588 of pledges receivable at June 30, 2012 and 2011, respectively (see Note 14) Includes other investments, primarily cash surrender value of life insurance, of $4,130 and $3,834 at June 30, 2012 and 2011, respectively, Includes an unrestricted gift of land valued at $8,250 at June 30, 2012 and 2011 Includes $1,050 representing LVH's remaining interest in the Elsa K Farr Trust at June 30, 2012 and 2011, respectively

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

(C) Includes $89,694 and $90,497 in alternative investments at June 30, 2012 and 2011, respectively Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market existed, and such differences could be material (see Note 13)

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

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

	2012	2011
Income		
Interest and dividend income	$17,887	$15,122
Net realized gains on investments	56,367	14,537
Net unrealized (losses) gains on investments	(64,404)	98,868
Total	$9,850	$128,527
Reported as follows		
Combined Statements of Operations		
Other nonoperating gains and losses - Realized investment earnings	$64,500	$24,355
Change in net unrealized (losses) gains on investments	(56,058)	83,516
Combined Statements of Changes in Net Assets		
Temporarily restricted net assets - Realized and unrealized investment gains, net	1,408	20,656
Total	$9,850	$128,527

Other Than Temporary Impairment

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

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

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

During fiscal years 2012 and 2011, assessments of other than temporary impairment were performed on each security held by the Organization Factors considered in determining whether an other than temporary impairment existed included the financial condition, business prospects and creditworthiness of the issuer, and the length of time and extent to which fair value had been less than cost for equity securities or amortized cost for fixed income securities

The other-than-temporary impairment losses recorded as of June 30, 2012 and 2011 were $4,787 and $3,143, respectively These losses are reported in Realized investment earnings in the Combined Statements of Operations

In addition to the above, certain other investments had fair values below cost at June 30, 2012 and 2011 but were determined to not be other-than-temporarily impaired due to the Organization's ability and intent to hold the securities until recovery of fair value The following table presents the unrealized losses and fair value of these investments, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized loss	Fair Value	Unrealized loss	Fair Value	Unrealized loss
2012						
Marketable equity securities	$25,338	($3,890)	$103,266	($15,855)	$128,604	($19,745)
2011						
Marketable equity securities	$25,001	($254)	$96,540	($981)	$121,541	($1,235)

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

Other Than Temporary Impairment (continued)

The unrealized losses on investments in marketable equity securities were caused by a combination of economic, industry, and company factors The Organization's marketable equity securities portfolios are diversified The nature of a diversified portfolio is that at any point in time some holdings are reasonably expected to reflect market losses Since the declines in market value of equity securities are not considered severe in nature on a security by security basis, the financial condition and near term prospects of the issuer are not in question, and the Organization has the ability and intent to hold to recovery, the Organization does not consider those investments to be other than temporarily impaired at June 30, 2012 and 2011

3 LONG-TERM DEBT

Long-term debt consists of the following at June 30	2012	2011
Hospital Revenue Bonds, Series of 1994 (net of unamortized bond discount of $4 and $5 at June 30, 2012 and June 30, 2011, respectively) at a fixed rate of 7 000% due in various amounts through July 1, 2016	$6,206	$7,214
Hospital Revenue Bonds, Series A of 2001 (net of unamortized bond discount of $0 and $23 at June 30, 2012 and June 30, 2011, respectively) at fixed rates ranging from 4 800% to 5 00% due in various amounts through July 1, 2015 These bonds were refinanced with the issuance of the Hospital Revenue Bonds, Series A of 2012 (see below)	0	8,842
Hospital Revenue Bonds, Series B of 2001 (net of unamortized bond discount of $153 and $161 at June 30, 2012 and June 30, 2011, respectively) at fixed rates ranging from 4 250% to 5 375% due in various amounts through July 1, 2031 Subsequent to June 30, 2012, a portion of these bonds were refinanced with the issuance of the Hospital Revenue Bonds, Series A of 2012 (see below)	27,242	28,029
Hospital Revenue Bonds, Series A of 2003 (net of unamortized bond discount of $445 and $466 at June 30, 2012 and June 30, 2011, respectively) at fixed rates ranging from 5 000% to 5 250% due in various amounts through July 1, 2033	60,380	60,359
Hospital Revenue Bonds, Series A of 2005 At variable rates of interest (0 167% at June 30, 2012) due in various amounts through July 1, 2025 These bonds are privately held and the interest rate is indexed and resets on a monthly basis See Page 14 "Swap Agreements"	49,850	51,250
Hospital Revenue Bonds, Series B of 2005 At a fixed rate of 5 000% due in various amounts through July 1, 2035	81,000	81,000
Hospital Revenue Bonds, Series A of 2008 (net of unamortized bond premium of $304 and $315 at June 30, 2012 and June 30, 2011, respectively) at fixed rates ranging from 4 000% to 5 000% due in various amounts through July 1, 2038	69,024	70,261
Hospital Revenue Bonds, Series B of 2008 At variable rates of interest (0 167% at June 30, 2012) due in various amounts through July 1, 2028 These bonds are privately held and the interest rate is indexed and resets on a monthly basis See Page 14 "Swap Agreements"	88,235	90,775
Hospital Revenue Bonds, Series C of 2008 At variable rates of interest (0 176% at June 30, 2012) due in various amounts through July 1, 2029 These bonds reprice daily	58,790	59,030
Hospital Revenue Bonds, Series A of 2011 At variable rates of interest (0 167% at June 30, 2012) due in various amounts through July 1, 2029 These bonds reprice daily	25,755	27,720
Hospital Revenue Bonds, Series A of 2012 At variable rates of interest (0 185% at June 30, 2012) due in various amounts through July 1, 2021 These bonds are privately held and the interest rate is indexed and resets on a monthly basis See Page 14 "Swap Agreements"	7,512	0

3 LONG-TERM DEBT (continued)

	2012	2011
Capital Lease Liability on parking deck and The Center for Advanced Health Care MOB located on LVH campus at Cedar Crest & I 78 Payable in monthly installments through February 2027 with subsequent renewal options	34,605	34,363
Mortgage liability to Firstrust Bank on property located at 2649 Schoenersville Rd , Bethlehem, PA containing a medical office building on the LVHM campus At a fixed rate of 5 5% with monthly payments of $37 through March 2016	$5,189	$5,337
Other long-term debt	18	575
Subtotal (net of unamortized bond discount of $298 and $340 at June 30, 2012 and June 30, 2011, respectively)	513,806	524,755
Less current maturities	(11,530)	(11,218)
Total long-term debt	$502,276	$513,537

Maturities of Long-Term Debt

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

2013	$11,530
2014	12,226
2015	12,680
2016	17,721
2017	13,595
Thereafter	411,747
Total principal for long-term debt	$479,499

Long-Term Debt – Authority Bond Issues

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

Swap Agreements

The Organization has hedged its long term exposure to rising interest rates on portions of its variable rate debt through the participation in interest rate swaps As of June 30, 2012, interest rate swap agreements with external counter parties were in place on the Series A of 2005 Bonds (the "2005 Swap"), the Series B of 2008 Bonds (the "2006 Swaps"), and Series A of 2012 (the "2012 Swap") bonds These interest rate swaps effectively convert these variable rate bonds to a fixed rate The swaps carry a fair value based on long term interest rates and are further described in the table below

		Liability Derivatives	
		Fair Value	
Derivatives not designated as hedging instruments	Combined Statements of Financial Position - location	2012	2011
Interest rate contracts - 2005 Swap	Other liabilities	$9,280	$5,103
Interest rate contracts - 2006 Swaps	Other liabilities	17,358	10,076
Total derivatives not designated as hedging instruments		$26,638	$15,179
Derivatives designated as hedging instruments			
Interest rate contracts - 2012 Swaps	Other liabilities	$170	$0
Total derivatives		$26,808	$15,179

For the years ended June 30, 2012 and 2011, the 2005 and 2006 Swaps were determined to be ineffective hedges for accounting purposes and as a result did not qualify for hedge accounting treatment Consequently, changes in the swaps fair values are reported as a component of Other nonoperating gains and losses The 2012 Swaps are considered to be effective hedges and qualify for hedge accounting treatment where all changes in the swaps' fair values are reported below Revenues and gains in excess of expenses and losses

3 LONG-TERM DEBT (continued)

Swap Agreements (continued)

The below table presents the unrealized gains and losses on the 2005, 2006, and 2012 swap derivatives within the Combined Statements of Operations as of June 30, 2012 and 2011, respectively

Derivatives not designated as hedging instruments	Location of losses on ineffective portion	Amount of unrealized (losses) gains recognized in 2012	2011
Interest rate contracts - 2005 Swap	Other nonoperating gains and losses - Change in net unrealized (losses) gains on swaps	($4,177)	$1,056
Interest rate contracts - 2006 Swaps	Other nonoperating gains and losses - Change in net unrealized (losses) gains on swaps	(7,282)	1,949
Total derivatives not designated as hedging instruments		($11,459)	$3,005
Derivatives designated as hedging instruments	Location of losses on effective portion		
Interest rate contracts - 2012 Swaps	Change in net unrealized losses on swaps	($170)	$0
Total derivatives		($11,629)	$3,005

In addition to the above, the 2005, 2006, and 2012 interest rate swaps also impose collateralization requirements on both parties if certain conditions occur Collateralization for the 2005, 2006, or 2012 swaps was not required as of June 30, 2012 and 2011

For the 2005 and 2006 swaps where Merrill Lynch is the counter party no collateralization is required as long as LVHN maintains its current credit rating of A1 (Moody's) and A+ (S & P), regardless of the market value of the swaps In addition, a change in the credit ratings of LVHN will trigger increasing or decreasing alternate collateral thresholds For example, if LVHN's credit rating drops one notch to A2/A, a combined threshold of negative $15 million would activate Should the combined market value of both swaps drop below the combined threshold, the difference between the market value and threshold would need to be established as collateral

For the 2006 swap where Goldman Sachs is the counter party a $10 million collateral threshold is in place as long as LVHN maintains its current credit rating of A1 (Moody's) and A+ (S & P) Should the market value of the swap drop below negative $10 million, the difference between the market value and threshold would need to be established as collateral In addition, a change in the credit ratings of LVHN will trigger alternate collateral thresholds For example a credit rating drop to A2/A lowers the collateral threshold to $7M for which a swap market value less than the $7 million would require collateralization by the difference between the market value and the threshold

For the 2012 A and B swaps where JPMorgan is the counter party a combined $5 million collateral threshold is in place as long as LVHN maintains its current credit rating of A1 (Moody's) and A+ (S & P) Should the combined market value of the 2012 A and B swaps drop below negative $5 million the difference between the individual market values and corresponding thresholds would need to be established as collateral In addition, a change in the credit ratings of LVHN will trigger increasing or decreasing alternate collateral thresholds

As of June 30, 2012 the 2005 and 2006 swaps where Merrill Lynch is the counter party had negative market values of $9 2 million and $8 7 million respectively, and the 2006 swap where Goldman Sachs is the counter party had a market value of negative $8 7 million, and the 2012 Swaps where JPMorgan is the counterpart had negative market values of $46 and $124 for the 2012A and 2012B, respectively Accordingly collateralization for the 2005, 2006, and 2012 swaps was not required as of June 30, 2012

Issuance of Tax exempt Bonds – Series A of 2011

In April 2011, the Obligated Group issued $27,720 in variable rate Hospital Revenue Bonds, Series A of 2011 to refinance $9,240 in fixed rate Hospital Revenue Bonds Series A of 1996, and $18,240 in fixed rate Hospital Revenue Bonds Series A of 1999, and to pay costs of issuance of $240 In accordance with accounting standards for modification or extinguishment of debt the refinancing was determined to represent an extinguishment of the 1996 and 1999 Series A Bonds A loss on refinancing of $605 was recorded and is reported as "Loss on refinancing of debt" within Other nonoperating gains and losses in 2011

3 LONG-TERM DEBT (continued)

Restructure of Tax-Exempt Bonds – Series A of 2005
In April 2011, the Obligated Group restructured $51,250 in variable rate Hospital Revenue Bonds, Series A of 2005 by converting the interest mode from variable rate demand bonds to variable index rate bonds In accordance with accounting standards for modification or extinguishment of debt the refinancing was determined to represent a modification of the debt instrument and therefore no loss on refinancing was recorded

Restructure of Tax-Exempt Bonds – Series B of 2008
In April 2011, the Obligated Group restructured $90,775 in variable rate Hospital Revenue Bonds, Series B of 2008 by converting the interest mode from variable rate demand bonds to variable index rate bonds In accordance with accounting standards for modification or extinguishment of debt the refinancing was determined to represent a modification of the debt instrument and therefore no loss on refinancing was recorded

Issuance of Tax-Exempt Bonds – Series A of 2012
In February 2012, the Obligated Group issued $7,512 in variable rate Hospital Revenue Bonds, Series A of 2012 to refinance $7,255 of fixed rate Hospital Revenue Bonds, Series 01A and pay for cost of issuance fees of $334 A loss on refinancing of $309 was recorded and is reported as "Loss on refinancing of debt" within Other nonoperating gains and losses in 2012 The Obligated Group issued an additional $10,905 in variable rate Hospital Revenue Bonds, Series A of 2012, on July 2, 2012 to refinance $10,905 of fixed rate Hospital Revenue Bonds, Series 01B A loss on refinancing of $547 will be recorded in FY13

Issuance of Tax-Exempt Bonds – Series C of 2008
In June 2012, the Obligated Group restructured $58,790 in variable rate Hospital Revenue Bonds, Series C of 2008 by converting the interest mode from variable rate demand bonds to variable index rate bonds In accordance with accounting standards for modification or extinguishment of debt the refinancing was determined to represent a modification of the debt instrument and therefore no loss on refinancing was recorded

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

Lease payments are approximately $2,271 to $2,472 annually over the next five years and are subject to annual adjustments Interest expense related to this financing is recorded throughout the life of the financing

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

	Principal	Interest	Scheduled Payments
2013	$0	$2,271	$2,271
2014	0	2,319	2,319
2015	0	2,369	2,369
2016	0	2,420	2,420
2017	0	2,472	2,472
Thereafter	34,605	52,933	87,538
Totals for capital lease	$34,605	$64,784	$99,389

Lines of Credit
LVHN and LVH have a combined line of credit, expiring January 31, 2013, available which provided for borrowings and letters of credit up to an aggregate of $19,000 at June 30, 2012 Although no borrowings were outstanding against this line of credit at June 30, 2012, a total of $5,714 in the form of letters of credit was committed and is described further in the table below The remaining amount available under the line of credit at June 30, 2012 was $13,286 At June 30, 2011, LVHN and LVH had a combined line of credit available which provided for borrowings and letters of credit up to an aggregate of $19,000 Although no borrowings were outstanding against this line of credit at June 30, 2011, a total of $5,714 in the form of letters of credit was committed The remaining amount available under the line of credit at June 30, 2011 was $13,286

3 LONG-TERM DEBT (continued)

Lines of Credit (continued)
The following schedule summarizes the letters of credit commitments outstanding at June 30

Beneficiary	Purpose	2012	2011
South Carolina Dept Of Insurance	RRG capitalization collateral	$4,980	$4,980
Commonwealth of PA	LVH Cedar Crest highway expansion collateral	648	648
City of Bethlehem, PA	LVHM North Campus expansion collateral	35	35
Township of Salisbury	LVH Cedar Crest Family Lodging Center collateral	51	51
Total letters of credit commitments outstanding		$5,714	$5,714

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

The 2001 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25 and (b) maintain Days Cash on Hand of at least 60 days If the preceding covenants are not met, the engagement of a consultant is required Also, failure to maintain a Debt Service Coverage ratio of at least 1 75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account for the 2001 Series B bonds in the amount of $2 2 million

The 2003 Series A bonds include requirements to maintain a Debt Service Coverage Ratio of 1 25 If this ratio is not met the engagement of a consultant is required In addition, failure to maintain a Debt Service Coverage ratio of at least 1 00 is an event of default Also, the 2003 bonds include a requirement to maintain Days Cash on Hand of at least 50 days If this covenant is not met the engagement of a consultant is required Upon issuance the 2003 Series A bonds required the establishment of a Debt Service Reserve account in the amount of $6 1 million which remained in place at June 30, 2012 and 2011 This debt service account is reported under Noncurrent assets "Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements – held by trustee"

The 2005 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3% However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, Wells Fargo has the right to accelerate the bonds, at which time LVHN would have at least 30 days to repurchase some or all of the bonds from the bank or remarket the bonds Failure to maintain a Debt Service Coverage Ratio of 1 25, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 0 67 to 1 requires the engagement of a consultant Also, failure to maintain a Debt Service Coverage ratio of at least 1 75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of $5 9 million

The 2005 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an Indebtedness Ratio not to exceed 0 67 to 1 If any of the preceding covenants are not met, the engagement of a consultant is required Also, failure to maintain a Debt Service Coverage ratio of at least 1 75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of $8 1 million Upon issuance the 2005 Series B bonds required the establishment of a Debt Service Reserve account in the amount of $5 0 million which remained in place at June 30, 2012 and 2011 If additional funding of the Series B Debt Service Reserve is required as described above, the amount of funding required will be reduced by the current $5 0 million Series 2005 B Debt Service Reserve, resulting in an additional funding requirement of $3 1 million This debt service account is reported under Noncurrent assets "Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements – held by trustee"

3 LONG-TERM DEBT (continued)

Restrictive Covenants (continued)

The 2008 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an Indebtedness Ratio not to exceed 0 67 to 1 If any of the preceding covenants are not met the engagement of a consultant is required Also, failure to maintain a Debt Service Coverage ratio of at least 1 75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of $4 7 million

The 2008 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3% However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, Wells Fargo has the right to accelerate the bonds, at which time LVHN would have at least 30 days to repurchase some or all of the bonds from the bank or remarket the bonds Failure to maintain a Debt Service Coverage Ratio of 1 25, Days Cash on Hand of at least 65 days or an Indebtedness Ratio of not greater than 0 67 to 1 requires the engagement of a consultant Also, failure to maintain a Debt Service Coverage ratio of at least 1 75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of $8 8 million

The 2008 Series C bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 70% However, failure to maintain the Debt Service Coverage or Days Cash on Hand covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, JPMorgan Chase has the right to accelerate the bonds, at which time LVHN would have to repurchase some or all of the bonds from the bank or remarket the bonds

The 2011 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3% However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have at least 30 days to repurchase some or all of the bonds from the bank or remarket the bonds

The 2012 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 70% However, failure to maintain the Debt Service Coverage or Days Cash on Hand covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have to repurchase some or all of the bonds from the bank or remarket the bonds

For the years ended June 30, 2012 and 2011, the financial covenants noted above were met and the Obligated Group was not aware of any instances of non-compliance with its other covenants

4 PROPERTY AND EQUIPMENT, NET

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

	2012	2011
Land and land improvements	$66,332	$65,282
Buildings and building equipment	819,061	783,464
Fixed and major movable equipment	418,621	372,705
Assets under capital lease	32,188	32,188
Construction in progress	31,681	23,984
Total original cost	1,367,883	1,277,623
Accumulated depreciation	(747,248)	(675,626)
Property and equipment, net	$620,635	$601,997

Depreciation expense for the years ended June 30, 2012 and 2011 was $82,498 and $83,271, respectively Depreciation of assets under capital lease included in depreciation expense was $1,414 at June 30, 2012 and 2011 Accumulated depreciation relating to the assets under capital lease was $7,768 and $6,354 at June 30, 2012 and 2011, respectively, and is included in accumulated depreciation

5 FUNCTIONAL EXPENSES

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

	2012	%	2011	%
Health care services	$1,448,658	94%	$1,373,673	95%
General and administrative	92,384	6%	74,368	5%
Total	$1,541,042	100%	$1,448,041	100%

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

6 FUNDS HELD BY FIDUCIARY

LVH is the primary beneficiary of the Dorothy Rider Pool Health Care Trust (the "Pool Trust") which was established through the estate of a former director of LVH The fair value of the Pool Trust at June 30, 2012 and 2011 was $76,336 and $72,991, respectively The assets of the Pool Trust are not included in the accompanying combined financial statements Under the general provisions of the Trust, distributions from the Pool Trust are to be made to or for the benefit of LVH to supplement, not replace, LVH's ordinary operating expenses, so that LVH can be operated and managed in a manner that will improve its medical standards, knowledge and procedures, and sustain at the highest level of quality the health maintenance and hospital care it provides to members of the community it serves Under certain circumstances, distributions from the Pool Trust may be made to other designated health care related organizations Distributions to LVH from the Pool Trust were $3,531 and $4,127 during the years ended June 30, 2012 and 2011, respectively, and are reported as a component of Other supporting operations revenue

7 CHARITY CARE

As a community organization, all revenues and gains in excess of expenses and losses of the Organization are, or will be, used for the repayment of debt, acquisition of equipment and facilities, and to provide for the present and future health care needs of the patients and communities it serves The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates regardless of their ability to pay Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenues As required, the Organization adopted ASU 2010-23 (See Note 15) for 2012 The amount of charity care to patients for the years ended June 30, 2012 and 2011, at cost, was $23,903 and $17,130 respectively Costs of these services were estimated by calculating a ratio of overall cost to gross charges for all patients and then applying this ratio to gross charges for patients receiving charity care Prior to 2012, this footnote disclosed charity care at charges There was no impact to the Organization's financial statements

8 BAD DEBTS

In instances where the Organization believes a patient has the ability to pay for services and, after appropriate collection effort, payment is not made, the amount of services not paid is written-off, at charges, as bad debts Amounts recorded as bad debts expense do not include charity care The amount of bad debts expense for the years ended June 30, 2012 and 2011, at charges, was $106,247 and $93,133, respectively, and is reported as Bad debts expense on the Combined Statements of Operations

9 RETIREMENT PLAN

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

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

Information for the noncontributory defined benefit option regarding funded status, net periodic pension cost, benefit obligation, assumptions, etc , as of June 30, 2012 and 2011, is presented below and on the following pages and includes the impact of employee selection of pension benefit options The Plan's assets described below and on the following pages are not included in the combined financial statements of the Organization

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

Plan Assets
Asset allocation targets, which are permitted to be +/- 3-5%, approved by the Finance Committee of the LVHN Board of Trustees, and the Plan's actual asset allocation, by investment category, at June 30 were

	2012		2011	
Investment category	Actual	Target	Actual	Target
Domestic equity	33 0%	30 0%	40 5%	35 0%
International equity	20 5%	20 0%	17 4%	15 0%
Private equity	2 5%	5 0%	3 0%	5 0%
Hedge funds	4 4%	5 0%	5 0%	5 0%
Real estate securities	5 1%	5 0%	2 9%	5 0%
Commodities contracts	5 1%	5 0%	5 4%	5 0%
Fixed income	29 4%	30 0%	25 8%	30 0%
Total	100 0%	100 0%	100 0%	100 0%

Determination of Expected Return on Plan Assets
To develop the expected return on Plan assets assumption reported below, the Organization considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each class The expected return for each asset class was weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 7 0% return on plan assets assumptions for 2012 and 2011

9 RETIREMENT PLAN (continued)

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

2012 Type of Investment	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$0	$16,370	$0	$16,370
Equity securities				
Domestic equity	171,275	0	0	171,275
International equity	106,290	0	0	106,290
Real estate equity	26,100	0	0	26,100
Fixed income				
U S Treasury securities and obligations of U S Government agencies	85,947	14,961	0	100,908
Corporate bonds	0	39,759	0	39,759
Asset-backed securities	0	0	0	0
Collateralized mortgage obligations	0	288	0	288
Hedge funds (multi-strategy)	0	0	21,926	21,926
Commodities contracts	0	23,098	0	23,098
Private equity	0	0	13,602	13,602
Total assets at fair value	$389,612	$94,476	$35,528	$519,616

2011 Type of Investment	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$0	$5,678	$0	$5,678
Equity securities				
Domestic equity	171,284	0	0	171,284
International equity	73,447	0	0	73,447
Real estate equity	12,077	0	0	12,077
Fixed income				
U S Treasury securities and obligations of U S Government agencies	62,014	11,261	0	73,275
Corporate bonds	0	29,898	0	29,898
Asset-backed securities	0	3	0	3
Collateralized mortgage obligations	0	585	0	585
Hedge funds (multi-strategy)	0	0	20,971	20,971
Commodities contracts	0	22,794	0	22,794
Private equity	0	0	13,058	13,058
Total assets at fair value	$318,822	$70,219	$34,029	$423,070

The Plan's use of Level 3 unobservable inputs as of June 30, 2012 and 2011 accounted for 6 8% and 8 0%, respectively, of the total fair value of investments The following table summarizes changes in Level 3 assets measured at fair value at June 30

2012	Private equity	Hedge funds	Total
Beginning balance at July 1, 2011	$13,058	$20,971	$34,029
Net appreciation in market value of investments	1,484	(395)	1,089
Purchases	576	1,350	1,926
Sales	(1,516)	0	(1,516)
Ending balance at June 30, 2012	$13,602	$21,926	$35,528

9 RETIREMENT PLAN (continued)

2011	Private equity	Hedge funds	Total
Beginning balance at July 1, 2010	$10,227	$15,518	$25,745
Net appreciation in market value of investments	2,958	1,395	4,353
Purchases	824	4,058	4,882
Sales	(951)	0	(951)
Ending balance at June 30, 2011	$13,058	$20,971	$34,029

Additional Pension Information

The Organization uses a June 30 measurement date for the plan The following tables set forth the Plan's funded status at June 30, benefits paid, and employer contributions made during the fiscal years ended June 30, 2012 and 2011 and certain other information and amounts recognized in the financial statements at June 30

	2012	2011
Change in benefit obligation		
Projected benefit obligation at beginning of year	$578,196	$575,571
Service cost	21,097	22,892
Interest cost	35,281	33,884
Curtailment gain	0	(21,201)
Actuarial loss (gain)	164,411	(22,924)
Benefits paid	(11,520)	(10,026)
Projected benefit obligation at end of year	$787,465	$578,196
Change in plan assets		
Fair value of plan assets at beginning of year	$423,070	$346,398
Actual return on plan assets	46,732	66,804
Employer contributions	61,334	19,894
Benefits paid	(11,520)	(10,026)
Fair value of plan assets at end of year	$519,616	$423,070
Funded status at end of year	($267,849)	($155,126)
Amounts recognized in the statements of financial position consists of		
Accrued pension liability - current portion	$0	$0
Accrued pension liability - noncurrent portion	(267,849)	(155,126)
Net amount recognized	($267,849)	($155,126)
Amounts recognized in unrestricted net assets but not yet recognized in net periodic benefit cost		
Prior service costs	$14	$23
Net loss	205,993	57,177
Total amount recognized in unrestricted net assets	$206,007	$57,200
Components of net periodic benefit cost (NPBC)		
Service cost	$21,097	$22,892
Interest cost	35,281	33,884
Expected return on plan assets	(31,786)	(24,546)
Amortization of prior service cost	9	25
Recognized actuarial loss	649	7,200
Curtailment loss recognized	0	43
Net periodic benefit cost (pension expense)	$25,250	$39,498
Other changes in plan assets and benefit obligation recognized in unrestricted net assets		
Net actuarial loss (gain)	$149,465	($86,383)
Amortization of loss	(649)	(7,200)
Amortization of prior service cost	(9)	(25)
Curtailment loss recognized	0	(43)
Total loss (gain) recognized in unrestricted net assets	$148,807	($93,651)

9 RETIREMENT PLAN (continued)

Additional Pension Information (continued)

	2012	2011
Reconciliation of accrued pension cost		
Balance at beginning of year	($155,126)	($229,173)
Annual pension expense	(25,250)	(39,498)
Adjustments to funded status of pension plan	(148,807)	93,651
Annual contributions	61,334	19,894
Balance at end of year	($267,849)	($155,126)
Accumulated benefit obligation at year end	$699,551	$511,470
Weighted - average assumptions used to determine projected benefit obligation		
Discount rate	4 69%	6 08%
Rate of compensation increase	3 50%	4 00% *
* (used 4% for 2 years, 3 5% thereafter)		
Weighted - average assumptions used for NPBC development		
Discount rate	6 08%	6 01%
Expected return on plan assets	7 00%	7 00%
Rate of compensation increase	4 00% *	4 00%
* (used 4% for 2 years, 3 5% thereafter)		

The actuarial net loss and prior service cost that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $10,720 and $0, respectively

Estimated Future Benefit Payments

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

Estimated benefit payments	
Fiscal 2013	$16,161
Fiscal 2014	18,649
Fiscal 2015	21,571
Fiscal 2016	24,774
Fiscal 2017	28,125
Fiscal 2018-2022	202,430
Total	$311,710

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

Fiscal Year 2012 Activity

During the years ended June 30, 2012 and 2011, the Organization made contributions of $10 5 million and $8 6 million, respectively, to the defined contribution component of the Plan and recorded $11 0 million and $9 0 million, respectively, in related pension expense The liability recognized under the Current portion "Pension" in the Combined Statements of Financial Position at June 30, 2012 and 2011 for the defined contribution component of the Plan was $3 1 million and $2 6 million, respectively Total expected contributions to the defined contribution component of the Plan in fiscal year 2013 are $12 7 million

During the years ended June 30, 2012 and 2011, the Organization made contributions of $6 1 million and $5 1 million, respectively, to the matched savings benefit component of the Plan and recorded $5 8 million and $5 1 million, respectively, in related pension expense The liability recognized under the Current portion "Pension" in the Combined Statements of Financial Position at June 30, 2012 and 2011 for the matched savings benefit component of the Plan was $0 1 million and $0 4 million, respectively Total expected contributions to the matched savings component of the Plan in fiscal year 2013 are $5 1 million

10 COMMITMENTS AND CONTINGENCIES

Operating Leases

Rental expense reported on the Other expense line of the Combined Statements of Operations for the years ended June 30, 2012 and 2011 was $23,784 and $21,347, respectively

Minimum future rentals under non-cancelable operating leases with terms in excess of one year as of June 30, 2012 are as follows

Fiscal Year	Real Estate	Vehicles	Equipment	Total
2013	$12,171	$285	$162	$12,618
2014	11,450	201	114	11,765
2015	9,325	61	66	9,452
2016	8,265	13	12	8,290
2017	6,652	1	0	6,653
Thereafter	45,412	0	0	45,412

Litigation

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

11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2012	2011
Purchase of capital assets	$244	$266
Specific health care services and education	93,008	98,602
Total temporarily restricted net assets	$93,252	$98,868

Permanently restricted net assets, which total $46,441 and $42,522 at June 30, 2012 and 2011, respectively, are required to be held in perpetuity with the expendable income earned thereon to be used to support health care services and education

12 ENDOWMENT FUNDS

Endowment funds are defined as funds established by donors or the Board of Trustees to provide the Organization with either a permanent source of income or a source of income for a specified period of time The Organization's endowment funds consist of 108 and 103 individual donor-restricted funds at June 30, 2012 and 2011, respectively, established for a variety of purposes hereinafter referred to as the "LVHN Endowment Fund" The Organization does not have Board Designated endowment funds or unrestricted endowment funds

Interpretation of Relevant Law

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

12 ENDOWMENT FUNDS (continued)

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

The net asset composition of the LVHN Endowment Fund at June 30, 2012 and 2011 was as follows

	Temporarily restricted	Permanently restricted	Total
2012			
Donor restricted endowment funds	$71,329	$39,786	$111,115
2011			
Donor restricted endowment funds	$71,088	$35,408	$106,496

Changes in the LVHN Endowment Fund Net Assets at June 30, 2012 and 2011 were as follows

2012	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$71,088	$35,408	$106,496
Investment Return			
Investment income	2,026	0	2,026
Net appreciation (realized and unrealized)	553	0	553
Total investment return	2,579	0	2,579
Contributions	113	4,193	4,306
Reclassification from permanently restricted to temporarily restricted and unrestricted net assets - other supporting operations revenue	(37)	185	148
Appropriation of endowment assets for expenditures (expense)	(2,414)	0	(2,414)
Endowment net assets, end of year	$71,329	$39,786	$111,115

2011	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$55,104	$34,956	$90,060
Investment Return			
Investment income	1,986	0	1,986
Net depreciation (realized and unrealized)	14,970	0	14,970
Total investment return	16,956	0	16,956
Contributions	990	452	1,442
Appropriation of endowment assets for expenditures (expense)	(1,962)	0	(1,962)
Endowment net assets, end of year	$71,088	$35,408	$106,496

12 ENDOWMENT FUNDS (continued)

Investment Return Objectives

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity and assets with donor specified annual spending limitations and in some cases purpose restrictions applicable for a specified period of time after which any remaining assets become unrestricted Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a diversified manner that is intended to produce results that over the long term will average 3 to 4 percentage points above the consumer price index while assuming a moderate level of investment risk Actual returns in any given year may vary from this amount

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) The actual and target investment allocations were as follows for the LVHN Endowment Fund Assets as of June, 30, 2012

LVHN Endowment assets	Actual %	Target %
Domestic equity	34%	34%
International equity	23%	23%
Real estate	6%	6%
Fixed income	25%	25%
Hedge funds	6%	6%
Commodities	6%	6%
Total	100%	100%

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The availability of observable inputs for valuation of investments varies and is affected by a wide variety of factors When the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment The degree of judgment exercised by management in determining fair

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

value is greatest for investments categorized as Level 3 For investments in this category, the Organization considers prices and inputs that are current as of the measurement date In periods of market dislocation the observability of prices and inputs may be reduced

Level 1 – Valuations based on quoted prices in active markets for *identical* assets or liabilities that the organization has the ability to access Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products do not entail a significant degree of judgment Level 1 primarily includes those investments traded on active exchanges or markets

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

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement These are generally organization or individual investment manager generated inputs and are not observable market based inputs Material assumptions and factors considered in the valuation may include, but are not limited to, operational activity of private equity holdings, reliance on third party estimates, share valuations, and appraisals Level 3 investments include investments in hedge funds The Organization based the fair value of Hedge funds, a fund of funds investment of $89,694 and $90,497 at June 30, 2012 and 2011, respectively, on the fair value of the underlying reported net asset values of each fund held

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

2012				
Type of Investment	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$1,700	$41,517	$0	$43,217
Equity securities				
Domestic equity	200,376	0	0	200,376
International equity	129,444	0	0	129,444
Real estate equity	45,352	0	0	45,352
Fixed income				
U S Treasury securities and obligations of U S Government agencies	127,668	60,463	0	188,131
Corporate bonds	13,354	114,345	0	127,699
Asset-backed securities	0	86,863	0	86,863
Collateralized mortgage obligations	0	40,751	0	40,751
Hedge funds (multi-strategy)	0	0	89,694	89,694
Commodities contracts	0	40,256	0	40,256
Perpetual trust	0	6,655	0	6,655
Other	0	3,903	0	3,903
Total assets at fair value	$517,894	$394,753	$89,694	$1,002,341
Liabilities at Fair Value				
Deferred compensation and other liabilities funded with matching assets	$24,803	$15,071	$0	$39,874
Other liabilities - swap liabilities	0	26,808	0	26,808
Total liabilities at fair value	$24,803	$41,879	$0	$66,682

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

The Organization's use of Level 3 unobservable inputs at June 30, 2012 and 2011 accounted for 8 95% and 9 0%, respectively, of the total fair value of investments The following tables summarize changes in Level 3 assets measured at fair value at June 30, 2012 and 2011

2012	Hedge Funds
Balance at July 1, 2011	$90,497
Included in Change in net unrealized gains on investments	(1,803)
Purchases	1,000
Balance at June 30, 2012	$89,694

2011	Hedge Funds
Balance at July 1, 2010	$61,832
Included in Change in net unrealized gains on investments	5,813
Purchases	22,852
Balance at June 30, 2011	$90,497

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of long-term debt, which was estimated at $525,208 and $523,657 at June 30, 2012 and 2011 respectively, was determined using the Organization's current borrowing rates for similar types of borrowing arrangements The recorded value of long-term debt reported in the combined Statements of Financial Position at June 30, 2012 and 2011 was $513,806 and $524,755, respectively The excess of recorded value over fair value for long-term debt at June 30, 2012 and 2011 indicates market interest rates for debt of similar term and quality were higher than the weighted average interest rates of the Organization's outstanding debt The excess of fair value over recorded value for long-term debt at June 30, 2012 and 2011 indicates market interest rates for debt of similar term and quality were lower than the weighted average interest rates of the Organization's outstanding debt

14 PLEDGES RECEIVABLE

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

	2012	2011
Pledges receivable within next fiscal year	$3,125	$2,942
Pledges receivable in future periods beyond next fiscal year	3,943	2,262
Total pledges receivable before unamortized discount and allowance for uncollectible pledges	7,068	5,204
Less unamortized discount	(360)	(411)
Less allowance for uncollectible pledges	(252)	(205)
Net pledges receivable	$6,456	$4,588
Amounts due in		
Less than one year	$3,125	$2,942
One to five years	3,204	2,262
More than five years	739	0
Total	$7,068	$5,204

Cash payments received applicable to prior pledges were $2,825 and $2,723 for the years ended June 30, 2012 and 2011, respectively Pledges written off as uncollectible were $31 and $239 for the years ended June 30, 2012 and 2011, respectively The Organization's policy regarding the recording of pledges receivable in the financial statements requires pledges to be in writing, signed by the donor, and to indicate the specific amount of the pledge and expected timing the pledge payment will be received LVHN does not record pledges based on bequests or life insurance The Organization's historical write off of pledges receivable has been in the 1-5% range The allowance for uncollectible pledges as of June 30, 2012 and 2011 was $252 (4%) and $205 (4%), respectively

15 RECENT ACCOUNTING PRONOUNCEMENTS

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

15 RECENT ACCOUNTING PRONOUNCEMENTS (continued)

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

In January 2010, the Financial Accounting Standards Board ("FASB") issued ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements " This ASU amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements The ASU also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value Further, the ASU amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets The new disclosures and clarifications to existing disclosures were effective for annual reporting periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements Those disclosures are effective for annual reporting periods beginning after December 15, 2010 The Organization has adopted this ASU and has included the enhanced disclosures in Notes 9 and 13

In August 2010, the FASB issued ASU 2010-23, "Health Care Entities (Topic 954) Measure Charity Care for Disclosure " This ASU requires a Healthcare Organization ("HCO") to disclose its policy for providing charity care and the amount of charity care provided In addition, the ASU requires that the amount of charity care be based on the direct and indirect costs of providing charity care, eliminating the other measurement attributes available under ASC 954-605-50-3, and also requires disclosure of cost reimbursements associated with providing charity care This guidance is effective for annual reporting periods beginning after December 15, 2010, and must be applied retrospectively On July 1, 2011, the Organization adopted this guidance and has included the enhanced disclosures in Note 7

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

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements " This ASU amended ASC 820 to change the wording used to describe many of the requirements for measuring fair value and for disclosing information about fair value measurements The adoption of ASU 2011-04 is effective for fiscal years beginning after December 15, 2011 The Organization has adopted this guidance and has included the enhanced disclosures in Note 9 and 13

In July 2011, the FASB issued ASU 2011-07, "Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities This ASU requires a HCO to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) Additionally, a HCO is required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts The ASU also requires disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts This guidance is effective for annual reporting periods ending after December 15, 2012 The Organization is currently assessing the impact of adopting this guidance on its combined financial statements