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Form **990**  
 Department of the Treasury  
 Internal Revenue Service

**Return of Organization Exempt From Income Tax**  
**Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)**  
 The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047  
**2011**  
**Open to Public Inspection**

**A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012**

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

**C** Name of organization  
 CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite  
 801 OSTRUM STREET

City or town, state or country, and ZIP + 4  
 BETHLEHEM, PA 180151000

**D** Employer identification number  
 25-1550350

**E** Telephone number  
 (484) 526-4000

**G** Gross receipts \$ 41,173,967

**F** Name and address of principal officer  
 THOMAS P LICHTENWALNER  
 801 OSTRUM STREET  
 BETHLEHEM, PA 180151000

**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.SLHN.ORG

**K** Form of organization  Corporation  Trust  Association  Other **L** Year of formation 1987 **M** State of legal domicile PA

**Part I Summary**

<b>Activities &amp; Governance</b>	<b>1</b> Briefly describe the organization's mission or most significant activities TO PROVIDE COMPASSIONATE, EXCELLENT QUALITY AND COST EFFECTIVE HEALTHCARE TO THE RESIDENTS OF THE COMMUNITIES WE SERVE REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	10
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	10
	<b>5</b> Total number of individuals employed in calendar year 2011 (Part V, line 2a)	<b>5</b>	418
	<b>6</b> Total number of volunteers (estimate if necessary)	<b>6</b>	20
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	0
	<b>b</b> Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>	0
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h)	<b>Prior Year</b>	<b>Current Year</b>
	<b>9</b> Program service revenue (Part VIII, line 2g)	1,310,500	486,656
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	42,931,950	40,674,966
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,355	-1,342
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	15,738	13,687
		44,261,543	41,173,967
<b>Expenses</b>	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0	17,000
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	21,833,505	22,616,414
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) <sup>0</sup>		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	19,297,366	16,730,264
	<b>18</b> Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	41,130,871	39,363,678
<b>19</b> Revenue less expenses Subtract line 18 from line 12	3,130,672	1,810,289	
<b>Net Assets or Fund Balances</b>		<b>Beginning of Current Year</b>	<b>End of Year</b>
	<b>20</b> Total assets (Part X, line 16)	25,689,879	28,229,328
	<b>21</b> Total liabilities (Part X, line 26)	13,189,782	14,652,308
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20	12,500,097	13,577,020

**Part II Signature Block**

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

**Sign Here**

Signature of officer: \*\*\*\*\*  
 Date: 2013-05-06

THOMAS P LICHTENWALNER VP FINANCE/CFO  
 Type or print name and title

**Paid Preparer's Use Only**

Preparer's signature: \_\_\_\_\_ Date: \_\_\_\_\_ Check if self-employed

Firm's name (or yours if self-employed), address, and ZIP + 4: WithumSmithBrown PC  
 465 South St Ste 200  
 Morristown, NJ 079606497

Preparer's taxpayer identification number (see instructions): \_\_\_\_\_  
 EIN: \_\_\_\_\_  
 Phone no: (973) 898-9494

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

**Part III Statement of Program Service Accomplishments**

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

**1** Briefly describe the organization's mission

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

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

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

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

If "Yes," describe these changes on Schedule O

**4** Describe the 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 \$ 4,778,410 including grants of \$ 0 ) (Revenue \$ 5,450,293 )

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

**4b** (Code ) (Expenses \$ 4,681,098 including grants of \$ 0 ) (Revenue \$ 2,683,233 )

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

**4c** (Code ) (Expenses \$ 2,036,914 including grants of \$ 0 ) (Revenue \$ 2,090,756 )

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

**4d** Other program services (Describe in Schedule O )  
(Expenses \$ 23,932,588 including grants of \$ 17,000 ) (Revenue \$ 30,450,684 )

**4e Total program service expenses** \$ 35,429,010

**Part IV Checklist of Required Schedules**

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

**Part IV Checklist of Required Schedules** (continued)

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

Table with columns for question number, question text, sub-column (e.g., 1a, 1b), and Yes/No columns. Includes questions 1a-14a regarding Form 1096, W-2G, Form W-3, and various organizational requirements.

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

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

		Yes	No
<b>10a</b>	Did the organization have local chapters, branches, or affiliates? . . . . .		No
<b>10b</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? . . . . .		
<b>11a</b>	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	Yes	
<b>11b</b>	Describe in Schedule O the process, if any, used by the organization to review the Form 990 . . . . .		
<b>12a</b>	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	Yes	
<b>12b</b>	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	Yes	
<b>12c</b>	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	Yes	
<b>13</b>	Did the organization have a written whistleblower policy? . . . . .	Yes	
<b>14</b>	Did the organization have a written document retention and destruction policy? . . . . .	Yes	
<b>15</b>	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?		
<b>15a</b>	The organization's CEO, Executive Director, or top management official . . . . .	Yes	
<b>15b</b>	Other officers or key employees of the organization . . . . .	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
<b>16a</b>	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .		No
<b>16b</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? . . . . .		

**Section C. Disclosure**

- 17** List the States with which a copy of this Form 990 is required to be filed  \_\_\_\_\_
- 18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you 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   
 THOMAS P LICHTENWALNER  
 801 OSTRUM STREET  
 BETHLEHEM, PA 180151000  
 (484) 526-4000

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

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

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

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

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid

• List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

• List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

• List all of the organization's **former** officers, key employees, 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) CRAIG A ZURN CHAIRMAN - DIRECTOR	1 0	X		X				0	0	0
(2) JAMES D BOHRI MD VICE CHAIRMAN - DIRECTOR	1 0	X		X				0	0	0
(3) JOHN HART SECRETARY/TREASURER - DIRECTOR	1 0	X		X				0	0	0
(4) MAUREEN DONOVAN DIRECTOR	1 0	X						0	0	0
(5) MARK KENDER MD DIRECTOR	1 0	X						0	0	0
(6) JOHN P KWEDER JR DIRECTOR	1 0	X						0	0	0
(7) SMITA MODY MD DIRECTOR	1 0	X						0	0	0
(8) JOHN F PATTON DIRECTOR	1 0	X						0	0	0
(9) JOSEPH D PERILLI ESQ DIRECTOR	1 0	X						0	0	0
(10) MICHAEL SABOL DO DIRECTOR	1 0	X						0	0	0
(11) WILLIAM E MOYER PRESIDENT	55 0			X				0	281,810	60,475
(12) THOMAS P LICHTENWALNER SVP FINANCE/CFO	55 0			X				0	588,212	162,754
(13) MELISSA A HARTMAN PHARMACY MANAGER	55 0					X		126,930	0	29,956
(14) KIMBERLY B SARGENT VP PATIENT CARE	55 0					X		102,850		31,819
(15) KIMBERLY A OTTO NURSE PRACTITIONER	55 0					X		100,104	0	22,023
(16) WILLIAM J CROSSIN FORMER OFFICER	0 0						X	0	189,911	32,569



**Part VIII Statement of Revenue**

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b>	Federated campaigns . . . . . <b>1a</b>					
	<b>b</b>	Membership dues . . . . . <b>1b</b>					
	<b>c</b>	Fundraising events . . . . . <b>1c</b>					
	<b>d</b>	Related organizations . . . . . <b>1d</b>					
	<b>e</b>	Government grants (contributions) <b>1e</b>	238,398				
	<b>f</b>	All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>	248,258				
	<b>g</b>	Noncash contributions included in lines 1a-1f \$ _____					
	<b>h</b>	<b>Total.</b> Add lines 1a-1f . . . . . ▶	486,656				
<b>Program Service Revenue</b>	<b>2a</b>	NET PATIENT SERVICE REVENUE	541900	40,565,933	40,565,933		
	<b>b</b>	OTHER HEALTHCARE RELATED REVENUE	541900	109,033	109,033		
	<b>c</b>						
	<b>d</b>						
	<b>e</b>						
	<b>f</b>	All other program service revenue					
	<b>g</b>	<b>Total.</b> Add lines 2a-2f . . . . . ▶		40,674,966			
<b>Other Revenue</b>	<b>3</b>	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		-1,342		-1,342	
	<b>4</b>	Income from investment of tax-exempt bond proceeds . . ▶		0			
	<b>5</b>	Royalties . . . . . ▶		0			
	<b>6a</b>		(i) Real				
			(ii) Personal				
		<b>b</b>	Gross rents	7,586			
		<b>c</b>	Less rental expenses				
	<b>d</b>	Net rental income or (loss) . . . . . ▶		7,586		7,586	
	<b>7a</b>		(i) Securities				
			(ii) Other				
		<b>b</b>	Gross amount from sales of assets other than inventory				
		<b>c</b>	Less cost or other basis and sales expenses				
	<b>d</b>	Net gain or (loss) . . . . . ▶		0			
	<b>8a</b>	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . . <b>a</b>					
	<b>b</b>	Less direct expenses . . . . . <b>b</b>					
<b>c</b>	Net income or (loss) from fundraising events . . ▶		0				
<b>9a</b>	Gross income from gaming activities See Part IV, line 19 . . . . . <b>a</b>						
<b>b</b>	Less direct expenses . . . . . <b>b</b>						
<b>c</b>	Net income or (loss) from gaming activities . . ▶		0				
<b>10a</b>	Gross sales of inventory, less returns and allowances . . . . . <b>a</b>						
<b>b</b>	Less cost of goods sold . . . . . <b>b</b>						
<b>c</b>	Net income or (loss) from sales of inventory . . ▶		0				
	Miscellaneous Revenue	Business Code					
<b>11a</b>	VENDING REVENUE	722210	6,101		6,101		
<b>b</b>							
<b>c</b>							
<b>d</b>	All other revenue . . . . .						
<b>e</b>	<b>Total.</b> Add lines 11a-11d . . . . . ▶		6,101				
<b>12</b>	<b>Total revenue.</b> See Instructions . . . . . ▶		41,173,967	40,674,966	0	12,345	

**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

<b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>		<b>(A)</b> Total expenses	<b>(B)</b> Program service expenses	<b>(C)</b> Management and general expenses	<b>(D)</b> Fundraising expenses
<b>1</b>	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	17,000	17,000		
<b>2</b>	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
<b>4</b>	Benefits paid to or for members	0			
<b>5</b>	Compensation of current officers, directors, trustees, and key employees	0			
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
<b>7</b>	Other salaries and wages	17,585,670	15,827,103	1,758,567	
<b>8</b>	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	410,644	369,579	41,065	
<b>9</b>	Other employee benefits	3,321,413	2,989,272	332,141	
<b>10</b>	Payroll taxes	1,298,687	1,168,818	129,869	
<b>11</b>	Fees for services (non-employees)				
<b>a</b>	Management	0			
<b>b</b>	Legal	86,766	78,089	8,677	
<b>c</b>	Accounting	0			
<b>d</b>	Lobbying	0			
<b>e</b>	Professional fundraising See Part IV, line 17	0			
<b>f</b>	Investment management fees	0			
<b>g</b>	Other	127,402	114,662	12,740	
<b>12</b>	Advertising and promotion	19,902	17,912	1,990	
<b>13</b>	Office expenses	1,929,038	1,736,134	192,904	
<b>14</b>	Information technology	36,702	33,032	3,670	
<b>15</b>	Royalties	0			
<b>16</b>	Occupancy	167,946	151,151	16,795	
<b>17</b>	Travel	114,454	103,009	11,445	
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
<b>19</b>	Conferences, conventions, and meetings	0			
<b>20</b>	Interest	0			
<b>21</b>	Payments to affiliates	0			
<b>22</b>	Depreciation, depletion, and amortization	2,462,335	2,216,101	246,234	
<b>23</b>	Insurance	462,063	415,857	46,206	
<b>24</b>	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 )				
<b>a</b>	MEDICAL SUPPLIES	3,776,117	3,398,505	377,612	0
<b>b</b>	PURCHASED SERVICES	3,485,884	3,137,296	348,588	0
<b>c</b>	UTILITIES	913,737	822,363	91,374	0
<b>d</b>	OTHER SERVICES/SUPPORT	828,600	745,740	82,860	0
<b>e</b>					
<b>f</b>	All other expenses	2,319,318	2,087,387	231,931	
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24f	39,363,678	35,429,010	3,934,668	0
<b>26</b>	<b>Joint costs.</b> Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

**Part X Balance Sheet**

		(A)		(B)
		Beginning of year		End of year
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .	1,690	<b>1</b>	1,690
	<b>2</b> Savings and temporary cash investments . . . . .	2,124,459	<b>2</b>	3,137,528
	<b>3</b> Pledges and grants receivable, net . . . . .	437,279	<b>3</b>	212,078
	<b>4</b> Accounts receivable, net . . . . .	4,380,932	<b>4</b>	5,594,783
	<b>5</b> Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .	0	<b>5</b>	0
	<b>6</b> 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 . . . . .	0	<b>6</b>	0
	<b>7</b> Notes and loans receivable, net . . . . .	0	<b>7</b>	0
	<b>8</b> Inventories for sale or use . . . . .	770,358	<b>8</b>	780,093
	<b>9</b> Prepaid expenses and deferred charges . . . . .	364,017	<b>9</b>	302,958
	<b>10a</b> Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	44,277,441		
	<b>b</b> Less accumulated depreciation . . . . .	26,894,414		
	<b>11</b> Investments—publicly traded securities . . . . .	16,835,933	<b>10c</b>	17,383,027
	<b>12</b> Investments—other securities See Part IV, line 11 . . . . .	0	<b>11</b>	0
	<b>13</b> Investments—program-related See Part IV, line 11 . . . . .	693,743	<b>12</b>	0
	<b>14</b> Intangible assets . . . . .	0	<b>13</b>	786,981
	<b>15</b> Other assets See Part IV, line 11 . . . . .	81,468	<b>14</b>	0
<b>16</b> <b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	25,689,879	<b>15</b>	30,190	
		<b>16</b>	28,229,328	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	2,020,837	<b>17</b>	2,140,607
	<b>18</b> Grants payable . . . . .	0	<b>18</b>	0
	<b>19</b> Deferred revenue . . . . .	0	<b>19</b>	345,452
	<b>20</b> Tax-exempt bond liabilities . . . . .	0	<b>20</b>	0
	<b>21</b> Escrow or custodial account liability Complete Part IV of Schedule D . . . . .	0	<b>21</b>	0
	<b>22</b> Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .	0	<b>22</b>	0
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .	28,466	<b>23</b>	23,387
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .	0	<b>24</b>	0
	<b>25</b> 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 . . . . .	11,140,479	<b>25</b>	12,142,862
	<b>26</b> <b>Total liabilities.</b> Add lines 17 through 25 . . . . .	13,189,782	<b>26</b>	14,652,308
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>			
	<b>27</b> Unrestricted net assets . . . . .	11,378,595	<b>27</b>	12,614,269
	<b>28</b> Temporarily restricted net assets . . . . .	1,111,597	<b>28</b>	952,746
	<b>29</b> Permanently restricted net assets . . . . .	9,905	<b>29</b>	10,005
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>			
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>	
	<b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>	
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>	
<b>33</b> Total net assets or fund balances . . . . .	12,500,097	<b>33</b>	13,577,020	
<b>34</b> Total liabilities and net assets/fund balances . . . . .	25,689,879	<b>34</b>	28,229,328	

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	41,173,967
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	39,363,678
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	1,810,289
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	12,500,097
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	-733,366
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	13,577,020

**Part XII Financial Statements and Reporting**

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

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

**SCHEDULE A**  
(Form 990 or 990EZ)

**Public Charity Status and Public Support**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

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

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

Department of the Treasury  
Internal Revenue Service

Name of the organization  
CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number  
25-1550350

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

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

- 1  A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2  A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
  
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 8  A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10  An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h  
 a  Type I      b  Type II      c  Type III - Functionally integrated      d  Type III - Other
- e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f  If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  
 (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?  
 (ii) a family member of a person described in (i) above?  
 (iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

	Yes	No
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

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

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>4 Total.</b> Add lines 1 through 3						
<b>5</b> 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)						
<b>6 Public Support.</b> 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
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income (Explain in Part IV.) Do not include gain or loss from the sale of capital assets						
<b>11 Total support</b> (Add lines 7 through 10)						
<b>12</b> Gross receipts from related activities, etc (See instructions)					<b>12</b>	

**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**

<b>14</b> Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	<b>14</b>	
<b>15</b> Public Support Percentage for 2010 Schedule A, Part II, line 14	<b>15</b>	
<b>16a 33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 33 1/3% support test—2010.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>17a 10%-facts-and-circumstances test—2011.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 10%-facts-and-circumstances test—2010.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>18 Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions <input type="checkbox"/>		

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> 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						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public Support</b> (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
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
<b>13 Total support</b> (Add lines 9, 10c, 11 and 12.)						
<b>14 First Five Years</b> 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 <b>stop here</b> <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

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

**Section D. Computation of Investment Income Percentage**

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

- 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).

<b>Facts And Circumstances Test</b>
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<b>Explanation</b>
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SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

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

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

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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 CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number

25-1550350

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

- 1 Provide a description of the organization's direct and indirect political campaign activities 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?
4a Was a correction made?
b If "Yes," describe in Part IV

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

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities
2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities
3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b
4 Did the filing organization file Form 1120-POL for this year?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

**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

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals												
<b>1a</b> Total lobbying expenditures to influence public opinion (grass roots lobbying)														
<b>b</b> Total lobbying expenditures to influence a legislative body (direct lobbying)														
<b>c</b> Total lobbying expenditures (add lines 1a and 1b)														
<b>d</b> Other exempt purpose expenditures														
<b>e</b> Total exempt purpose expenditures (add lines 1c and 1d)														
<b>f</b> Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 50%; text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:													
Not over \$500,000	20% of the amount on line 1e													
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000													
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000													
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000													
Over \$17,000,000	\$1,000,000													
<b>g</b> Grassroots nontaxable amount (enter 25% of line 1f)														
<b>h</b> Subtract line 1g from line 1a If zero or less, enter -0-														
<b>i</b> Subtract line 1f from line 1c If zero or less, enter -0-														
<b>j</b> If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No													

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

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

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

	(a)		(b)
	Yes	No	Amount
<b>1</b> 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			
<b>a</b> Volunteers?			
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
<b>c</b> Media advertisements?			
<b>d</b> Mailings to members, legislators, or the public?			
<b>e</b> Publications, or published or broadcast statements?			
<b>f</b> Grants to other organizations for lobbying purposes?			
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		0
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	Yes		0
<b>i</b> Other activities? If "Yes," describe in Part IV			
<b>j</b> Total lines 1c through 1i			0
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> 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
<b>1</b> Were substantially all (90% or more) dues received nondeductible by members?	<b>1</b>	
<b>2</b> Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<b>2</b>	
<b>3</b> Did the organization agree to carryover lobbying and political expenditures from the prior year?	<b>3</b>	

**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".**

<b>1</b> Dues, assessments and similar amounts from members	<b>1</b>	
<b>2</b> Section 162(e) non-deductible lobbying and political expenditures ( <b>do not include amounts of political expenses for which the section 527(f) tax was paid</b> ).		
<b>a</b> Current year	<b>2a</b>	
<b>b</b> Carryover from last year	<b>2b</b>	
<b>c</b> Total	<b>2c</b>	
<b>3</b> Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	<b>3</b>	
<b>4</b> 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?	<b>4</b>	
<b>5</b> Taxable amount of lobbying and political expenditures (see instructions)	<b>5</b>	

**Part IV Supplemental Information**

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

Identifier	Return Reference	Explanation
LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, QUESTION 1	THE ORGANIZATION IS AN AFFILIATE IN THE ST LUKE'S UNIVERSITY HEALTH NETWORK ("NETWORK"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY NETWORK. ST LUKE'S HOSPITAL OF BETHLEHEM, PENNSYLVANIA PAYS ALL LOBBYING EXPENDITURES ON BEHALF OF ALL AFFILIATES WITHIN THE NETWORK AND ALLOCATES A PERCENTAGE OF THESE EXPENDITURES TO VARIOUS AFFILIATES. THESE LOBBYING EXPENDITURES INCLUDE (1) PAYMENT TO AN OUTSIDE INDEPENDENT FIRM, (2) AN ALLOCATED PORTION OF THE DUES PAID TO THE HOSPITAL AND HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA AND (3) A PERCENTAGE OF TOTAL COMPENSATION OF TWO ST LUKE'S UNIVERSITY HEALTH NETWORK SENIOR MANAGEMENT PERSONNEL THE AMOUNT ALLOCATED TO THIS ORGANIZATION ATTRIBUTABLE TO LOBBYING ACTIVITY FOR THE YEAR ENDED JUNE 30, 2012 IS \$17,954.

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number 25-1550350

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

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

- 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

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

- 1 Purpose(s) of conservation easements held by the organization (check all that apply): Preservation of land for public use, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

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

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

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

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

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

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

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

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

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

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

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

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

(i) Revenues included in Form 990, Part VIII, line 1
(ii) Assets included in Form 990, Part X

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

a Revenues included in Form 990, Part VIII, line 1
b Assets included in Form 990, Part X

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

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

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

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

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

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

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

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

	Amount
<b>1c</b> Beginning balance	
<b>1d</b> Additions during the year	
<b>1e</b> Distributions during the year	
<b>1f</b> Ending balance	

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
<b>1a</b> Beginning of year balance . . . . .	1,121,502	390,169	1,442,620	726,485	
<b>b</b> Contributions . . . . .	-108,446	777,946	30,305	798,612	
<b>c</b> Investment earnings or losses . . . . .					
<b>d</b> Grants or scholarships . . . . .					
<b>e</b> Other expenditures for facilities and programs . . . . .	50,305	46,613	1,082,756	82,477	
<b>f</b> Administrative expenses . . . . .					
<b>g</b> End of year balance . . . . .	962,751	1,121,502	390,169	1,442,620	

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

- a** Board designated or quasi-endowment ▶ 98.960 %
- b** Permanent endowment ▶ 1.040 %
- c** Term endowment ▶

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

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

**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
<b>1a</b> Land . . . . .		298,580		298,580
<b>b</b> Buildings . . . . .		20,029,431	8,385,487	11,643,944
<b>c</b> Leasehold improvements . . . . .		730,559	421,928	308,631
<b>d</b> Equipment . . . . .		21,482,772	18,086,999	3,395,773
<b>e</b> Other . . . . .		1,736,099		1,736,099
<b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . .				17,383,027



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

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

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

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

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

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

**Part XIV Supplemental Information**

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

Identifier	Return Reference	Explanation
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SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2011

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number 25-1550350

Part I Charity Care and Certain Other Community Benefits at Cost

- 1a Did the organization have a charity care policy? If "No," skip to question 6a
b If "Yes," is it a written policy?
2 If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various 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?
b Did the organization use FPG to determine eligibility for providing discounted care?
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
4 Did the organization's policy provide free or discounted care to the "medically indigent"?
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?
b If "Yes," did the organization's charity care expenses exceed the budgeted amount?
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?
6a Did the organization prepare a community benefit report during the tax year?
6b If "Yes," did the organization make it available to the public?
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

Table with 3 columns: Question ID, Yes, No. Rows 1a, 1b, 3a, 3b, 4, 5a, 5b, 5c, 6a, 6b.

7 Charity Care and Certain Other Community Benefits at Cost

Table with 6 columns: (a) Number of activities or programs (optional), (b) Persons served (optional), (c) Total community benefit expense, (d) Direct offsetting revenue, (e) Net community benefit expense, (f) Percent of total expense. Rows include Charity Care and Means-Tested Government Programs and Other Benefits.

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

**Part III Bad Debt, Medicare, & Collection Practices**

**Section A. Bad Debt Expense**

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?		1 Yes	
2 Enter the amount of the organization's bad debt expense	2 2,459,029		
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3 53,972		
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 13,362,359		
6 Enter Medicare allowable costs of care relating to payments on line 5	6 14,165,372		
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7 -803,013		
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

**Section C. Collection Practices**

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

**Part V Facility Information**

**Section A. Hospital Facilities**

(list in order of size from largest to smallest)

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

Name and address

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

**Part V Facility Information** *(continued)*

**Section B. Facility Policies and Practices.**

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

ST LUKE'S MINERS MEMORIAL HOSPITAL

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

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

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 7 are optional for 2011)		
<b>1</b> During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply)	<b>1</b>	
<ul style="list-style-type: none"> <li><b>a</b> <input type="checkbox"/> A definition of the community served by the hospital facility</li> <li><b>b</b> <input type="checkbox"/> Demographics of the community</li> <li><b>c</b> <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community</li> <li><b>d</b> <input type="checkbox"/> How data was obtained</li> <li><b>e</b> <input type="checkbox"/> The health needs of the community</li> <li><b>f</b> <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups</li> <li><b>g</b> <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs</li> <li><b>h</b> <input type="checkbox"/> The process for consulting with persons representing the community's interests</li> <li><b>i</b> <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs</li> <li><b>j</b> <input type="checkbox"/> Other (describe in Part VI)</li> </ul>		
<b>2</b> Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
<b>3</b> 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	<b>3</b>	
<b>4</b> 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 . . . . .	<b>4</b>	
<b>5</b> Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	<b>5</b>	
<ul style="list-style-type: none"> <li><b>a</b> <input type="checkbox"/> Hospital facility's website</li> <li><b>b</b> <input type="checkbox"/> Available upon request from the hospital facility</li> <li><b>c</b> <input type="checkbox"/> Other (describe in Part VI)</li> </ul>		
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
<ul style="list-style-type: none"> <li><b>a</b> <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community</li> <li><b>b</b> <input type="checkbox"/> Execution of the implementation strategy</li> <li><b>c</b> <input type="checkbox"/> Development of a community-wide community benefit plan for the facility</li> <li><b>d</b> <input type="checkbox"/> Participation in community-wide community benefit plan</li> <li><b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans</li> <li><b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA</li> <li><b>g</b> <input type="checkbox"/> Prioritization of health needs in the community</li> <li><b>h</b> <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community</li> <li><b>i</b> <input type="checkbox"/> Other (describe in Part VI)</li> </ul>		
<b>7</b> 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	<b>7</b>	
<b>Financial Assistance Policy</b>		
<b>8</b> Did the hospital facility have in place during the tax year a written financial assistance policy that explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	<b>8</b>	Yes
<b>9</b> Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>300</u> % If "No," explain in Part VI the criteria the hospital facility used	<b>9</b>	Yes

**Part V Facility Information** *(continued)*

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

**Billing and Collections**

<b>14</b> 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? . . . . .	<b>14</b>	Yes	
<b>15</b> 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			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments or arrests			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>16</b> 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? . . . . .	<b>16</b>	Yes	
If "Yes," check all actions in which the hospital facility or a third party engaged			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
<b>a</b> <input type="checkbox"/> Notified patients of the financial assistance policy upon admission			
<b>b</b> <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge			
<b>c</b> <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
<b>d</b> <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
<b>e</b> <input type="checkbox"/> Other (describe in Part VI)			

**Part V Facility Information** *(continued)*

**Policy Relating to Emergency Medical Care**

**18** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . .

If "No," indicate why

- 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)

	Yes	No
<b>18</b>	Yes	

**Individuals Eligible for Financial Assistance**

**19** Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a**  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b**  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c**  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d**  Other (describe in Part VI)

**20** Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . .

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?

. . . . .

If "Yes," explain in Part VI

<b>20</b>		No
<b>21</b>		No

**Part V Facility Information** *(continued)***Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 12

Name and address

Type of Facility (Describe)

Name and address	Type of Facility (Describe)
1 See Additional Data Table	
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, 6l, 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
COMMUNITY BENEFIT REPORT	SCHEDULE H, PART I, LINE 6A	Not applicable

Identifier	ReturnReference	Explanation
FINANCIAL ASSISTANCE AND CERTAIN OTHER COMMUNITY BENEFITS AT COST	SCHEDULE H, PART I, LINE 7	<p>The Mckesson, Horizon performance management costing application was the tool utilized to determine the cost of financial assistance, unreimbursed Medicaid, Medicaid HMO, and subsidized health services. The entire activity was costed through the Mckesson HPM application, to include inpatient, outpatient, emergency room, and all payers. Costing consisted of allocating cost from the departmental level down to the service item level. Once costs were determined at the service item level, we then aggregated encounters into the defined targeted groups. For determination of the unreimbursed costs for Medicaid, Medicaid HMO, and subsidized services reported on Part I, Line 7, we excluded charity care, bad debt, and all overlapping cases reported elsewhere. We utilized the ratio of patient care cost to charges to determine the charity care and bad debt costs. The development of the ratio conforms to the Form 990 instructions. The Medicare shortfall/surplus was determined using the Medicare complex cost reporting form utilizing allowable Medicare costs. No costs relating to subsidized healthcare services are attributable to any physician clinics.</p>

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

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, LINE 4	<p>Bad debt expense was calculated using the organization's bad debt expense from its audited financial statements, net of accounts written off at charges and multiplied by its cost to charge ratio. The organization and its affiliates prepare and issue audited consolidated financial statements. The system's allowance for doubtful accounts (bad debt expense) methodology and charity care policies are consistently applied across all hospital affiliates. The attached text was obtained from the footnotes to the audited financial statements of the organization Patient accounts receivable. The Network's patient accounts receivable consist of unsecured amounts due for patient services billed to patients and other third-party payors such as Medicare, Medical Assistance, Blue Cross and various commercial insurance companies and managed care companies. The primary service area of the Network is located in Lehigh, Northampton, Carbon, Schuylkill and Bucks Counties, Pennsylvania. The ability of these patients to pay is subject to changes in general economic conditions of the Network's service area. The Network performs ongoing credit evaluations and maintains reserves for potential credit losses. Charity care. The Network provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charges for services to patients who meet the Network's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The charges associated with these services for charity care provided by the Network approximate \$118,310,000 and \$100,586,000 in 2012 and 2011, respectively. The costs incurred to provide such care is determined using a cost to charge ratio and were approximately \$98,440,000 and \$81,686,000 for 2012 and 2011, respectively.</p>

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

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

Identifier	ReturnReference	Explanation
DEBT COLLECTION POLICY	SCHEDULE H, PART III, LINE 9B	<p>Accounts considered to be charity care are not included in the bad debt expense, but rather, are accounted for as an allowance against the organization's patient service revenue. St Luke's financial assistance program St Luke's is a non-profit organization dedicated to the care and treatment of the sick and the prevention of illness. The first consideration in the admission and placement or treatment of a patient is the medical needs of the patient. Patients shall be provided and encouraged to obtain medically necessary care regardless of ability to pay or eligibility for financial assistance. However, all patients will be required to pay for the care which they receive if they are financially able to do so. Advance payment will not be required for any medically necessary service. Some individuals fail to obtain necessary care due to financial concerns. In order to encourage such patients to obtain appropriate care, St Luke's shall operate a Financial Assistance program for the uninsured indigent population and a discount program for all other uninsured patients. All patients presenting for medically necessary services with no insurance will have the opportunity to qualify for St Luke's Financial Assistance Program. Services excluded from the program include but are not limited to, cosmetic, bariatric, IVF, IUDs, tubal ligations, sleep study. St Luke's reserves the right to exclude services if upon review it is determined that they are not medically necessary. In addition, patients scheduled for elective procedures or studies will be assessed for medical need and timing for the procedure along with ability to pay for a portion of the procedure. Eligibility for the Pa Fair Care program will be reviewed and application required if eligible. Medical Assistance application may be required and completed prior to service for elective cases. Patients receiving inpatient or high dollar outpatient services will be evaluated for Medical Assistance eligibility in order to qualify for the St Luke's Hospital Financial Assistance Program. Individuals will not be eligible for financial assistance if Medical Assistance coverage is denied due to lack of cooperation (i.e., timeliness or failure to produce required documentation). Any patient payments made for services that subsequently receive Medical Assistance approval will be refunded to the patient. Financial Assistance. Individuals with family income at or below 300% of the current federal poverty guidelines may be eligible for a 100% financial assistance allowance on the cost of their medically necessary services, after a minimum copay amount for certain outpatient services as follows, Clinic visits, including the hospital family practice centers, rural health centers, women's and children's clinics = \$10. Other programs within the clinics may establish a flat rate minimum amount due for elective procedures that are at or below the Medical Assistance fee schedule for patients not eligible for Medical Assistance but are under the 300% federal poverty guidelines. Urgent care center visits = \$15. Emergency room visits = \$25. Patients with income exceeding 300% of federal poverty guidelines will automatically receive an 80% discount on hospital charges. No proof of income is required for this discount and this is not considered Financial Assistance. Patients with routine co-pays and deductibles from managed care and commercial insurances are not eligible for financial assistance or a discount unless a financial hardship can be proven. Patients having limited benefit coverage through insurance and who demonstrate a financial hardship may be eligible for the Financial Assistance program. Patients who have received financial assistance in the past but who are having services that are elective or high dollar procedures, visits will be required to comply with the process of Medical Assistance eligibility or eligibility for programs such as Pa Fair Care. Case by case decisions will be made re financial liability in each instance. Determining Eligibility for Financial Assistance. Designated business service department employees will utilize independent third party income estimation software information as the determinant of eligibility. The income estimation software application utilized by St Luke's is based upon a statistically validated methodology to provide income and family size determination. This information is then automatically cross-walked to St Luke's financial assistance eligibility matrix ranging from 0% to 300% of the current federal poverty guidelines to determine the level of financial assistance to be applied. When insufficient information is returned via the software application, the manual process below will be utilized to determine eligibility. In determining family income and family size, a family unit will be defined as immediate family members /significant other/domestic partner living in the household. All income of occupants will be considered in dete</p>

Identifier	ReturnReference	Explanation
DEBT COLLECTION POLICY	SCHEDULE H, PART III, LINE 9B	<p>determining total household income. In determining income the following will be considered - Wages - Pension - Annuities - Social Security - Interest, Dividend, and other Investment Income such as Capital Gains - Unemployment Compensation - Workers Comp - Disability Benefits - Child Support - Alimony - Public Assistance - Net Rental Income (Income Less Expenses) as calculated for Federal Tax purposes. Assets may be considered in determining eligibility and the level of discount approved for financial assistance. Designated business service department employees may also discuss financial assistance with patients who upon receiving a billing statement express an inability to pay for services rendered. Financial assistance applications may be supplied to these patients along with the information regarding required documentation or the income estimation software may be used to determine eligibility status. Medical Indigence Assessment. If the patient does not qualify for any of the financial assistance categories identified above, but the medical expenses exceed an ability to pay, the patient will be encouraged to write a hardship letter to be submitted to the Associate Vice President of Finance for consideration of a hardship write-off of all or part of the outstanding medical liability. In the case of foreign visitors, the hospital will attempt to identify the person who sponsored the visitor's entry into the United States. If the sponsor is legally responsible for the visitor's medical bills, the hospital will apply its normal collection efforts in attempting to collect from the sponsor. Application for financial assistance will be based on the sponsor's income. St Luke's Hospital reserves the right to deny an application for financial assistance based upon lack of reasonably required documentation or the submission of fraudulent documentation. If information is not provided within 30 days of a request, an application may be denied unless the information was not provided for reasons beyond the applicant's control. In these cases the patient will not be eligible for the financial assistance program. Notification to Patient All patients receiving inpatient or high dollar OP services will receive a notice of determination from the business office with the amount of financial assistance granted and any remaining financial liability. Patients may provide documentation if they feel the automatic estimation of income and assets is incorrect or incomplete. The business office will assess and revise the determination as appropriate for future encounters based on the software information provided. All patient statements will have the phone number to call for patients having difficulty meeting financial obligations. St Luke's credit and collection policy. The Credit and Collection policy is established and is to be administered in accordance with the mission and values of the hospital as well as federal and state law. The policy is designed to promote appropriate access to medical care for all patients regardless of their ability to pay while maintaining the Network's fiscal responsibility to maximize reimbursement and minimize bad debt. All medically necessary hospital services are provided without consideration of ability to pay and are not delayed pending application and/or approval of Medical Assistance or St Luke's Financial Assistance Program (see Administrative Policy No. 111). Advance payment is not required for any medically necessary service. This Credit and Collection policy is intended to take into account each individual's ability to contribute to the cost of his or her care. Patients will be assisted in obtaining health insurance coverage from privately and publicly funded sources whenever possible. All Patient Business Service department representatives will be educated on all aspects of the Credit and Collection policy and are expected to administer the policy on a regular and consistent basis. Patient Business Service representatives</p>

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTIONS 1J, 3, 4, 5C, 6I & 7	Not applicable

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTIONS 9, 10, 11H, 15E, 16E, 17E, 18D, 20&21	Not applicable

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTION 13G	Other measures to publicize the hospital's financial assistance policy include individual financial counseling meetings with patients without health insurance to review the financial assistance policy and to discuss payment options

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTION 19D	Individuals with family income at or below 300% of the current federal poverty guidelines may be eligible for a 100% financial assistance allowance on the cost of their medically necessary services, after a minimum copay amount for certain outpatient services as follows, Clinic visits, including the hospital family practice centers, rural health centers, women's and children's clinics = \$10 Other programs within the clinics may establish a flat rate minimum amount due for elective procedures that are at or below the Medical Assistance fee schedule for patients not eligible for Medical Assistance but are under the 300% federal poverty guidelines Urgent care center visits = \$15 Emergency room visits = \$25 Patients with income exceeding 300% of federal poverty guidelines will automatically receive an 80% discount on hospital charges No proof of income is required for this discount and this is not considered Financial Assistance

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, QUESTION 2	<p>St Luke's University Health Network's department of community health oversees assessment of the healthcare needs of the communities served by hospitals within the network, including this organization. The department is led by Dr. Bonnie Coyle, board certified in preventative medicine, with 16 years' experience in public and preventative health. Analysis of information from the following sources is part of the department's ongoing health needs assessment process: vital statistics, Pennsylvania Department of Health data, hospital discharge data, the Robert Wood Johnson County health profiles and other county data available from various other state agencies. In addition, the department collects ongoing statistics from its comprehensive community outreach initiatives and from financial support for the Bethlehem partnership for a health community. Established in 1996 by the board of directors of St. Luke's University Health Network, the partnership is a national model for collaborative efforts to improve access to healthcare services. Currently more than 165 participating/funding agencies, representing local business, government, educational and community organizations are actively involved in partnership programs which serve the greater Lehigh Valley. Through community ownership and shared responsibility, the partnership strives to enhance the physical, mental, emotional and spiritual wellness of individuals and communities, thereby improving the quality of life for all. The department's healthcare needs assessment process is enhanced by data obtained through the Bethlehem partnership's various school-based programs, such as numbers of children failing dental and vision examinations and number of children not receiving medical examinations. The department also utilizes guidelines for adolescent preventive services (gaps) in the Bethlehem partnership's various mobile van service programs to collect data on risk factors for students and to monitor community health problems. For example, data has been tracked on risk factors such as smoking, obesity, seatbelt use and drug and alcohol use. Gaps is also used on an ongoing basis to build/modify programs. Most recently, the network has contracted with the Lehigh Valley Research Consortium to conduct a formal health needs assessment for the greater Lehigh Valley and Upper Bucks County area, served by St. Luke's Hospital (Allentown/Bethlehem), St. Luke's Quakertown Hospital and the Visiting Nurse Association of St. Luke's. The process will be completed by the IRS required date.</p>

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

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

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

Identifier	ReturnReference	Explanation
AFFILIATED HEALTHCARE SYSTEM	Schedule H, Part VI, Question 6	<p>OUTLINED BELOW IS A SUMMARY OF THE ENTITIES WHICH COMPRISE THE ST LUKE'S UNIVERSITY HEALTH NETWORK NOT FOR-PROFIT ST LUKE'S UNIVERSITY HEALTH NETWORK ENTITIES ST LUKE'S HEALTH NETWORK, INC ST LUKE'S HEALTH NETWORK, INC IS THE TAX-EXEMPT PARENT OF THE ST LUKE'S UNIVERSITY HEALTH NETWORK ("ST LUKE'S") THIS INTEGRATED HEALTHCARE DELIVERY SYSTEM CONSISTS OF A GROUP OF AFFILIATED HEALTHCARE ORGANIZATIONS THIS ORGANIZATION IS THE SOLE MEMBER OR STOCKHOLDER OF EACH AFFILIATED ENTITY ST LUKE'S IS AN INTEGRATED NETWORK OF HEALTHCARE PROVIDERS THROUGHOUT THE STATE OF PENNSYLVANIA ST LUKE'S HEALTH NETWORK, INC IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A NON-PRIVATE FOUNDATION PURSUANT TO INTERNAL REVENUE CODE 509(A)(3) AS THE PARENT ORGANIZATION, ST LUKE'S HEALTH NETWORK, INC STRIVES TO CONTINUALLY DEVELOP AND OPERATE A MULTI-HOSPITAL HEALTHCARE NETWORK WHICH PROVIDES SUBSTANTIAL COMMUNITY BENEFIT THROUGH THE PROVISION OF A COMPREHENSIVE SPECTRUM OF HEALTHCARE SERVICES TO THE RESIDENTS OF PENNSYLVANIA AND SURROUNDING COMMUNITIES ST LUKE'S HEALTH NETWORK, INC ENSURES THAT ITS NETWORK PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY NO INDIVIDUALS ARE DENIED NECESSARY MEDICAL CARE, TREATMENT OR SERVICES ST LUKE'S ACTIVE HOSPITALS INCLUDE ST LUKE'S HOSPITAL OF BETHLEHEM, PA, ST LUKE'S QUAKERTOWN HOSPITAL, CARBON-SCHUYLKILL COMMUNITY HOSPITAL, INC AND ST LUKE'S WARREN HOSPITAL EACH OF THESE HOSPITALS OPERATES CONSISTENTLY WITH THE FOLLOWING CRITERIA OUTLINED IN IRS REVENUE RULING 69-545 1 EACH PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF ABILITY TO PAY, INCLUDING CHARITY CARE, SELF-PAY, MEDICARE AND MEDICAID PATIENTS, 2 EACH OPERATES AN ACTIVE EMERGENCY ROOM FOR ALL PERSONS, WHICH IS OPEN 24 HOURS A DAY, 7 DAYS A WEEK, 365 DAYS PER YEAR, 3 EACH MAINTAINS AN OPEN MEDICAL STAFF, WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS, 4 CONTROL OF EACH RESTS WITH ITS BOARD OF DIRECTORS AND THE BOARD OF DIRECTORS OF ST LUKE'S HEALTH NETWORK, INC BOTH BOARDS ARE COMPRISED OF A MAJORITY OF INDEPENDENT CIVIC LEADERS AND OTHER PROMINENT MEMBERS OF THE COMMUNITY, AND 5 SURPLUS FUNDS ARE USED TO IMPROVE THE QUALITY OF PATIENT CARE, EXPAND AND RENOVATE FACILITIES AND ADVANCE MEDICAL CARE, PROGRAMS AND ACTIVITIES ST LUKE'S HOSPITAL OF BETHLEHEM, PENNSYLVANIA ST LUKE'S HOSPITAL OF BETHLEHEM, PENNSYLVANIA IS COMPRISED OF TWO NON-PROFIT HOSPITAL CAMPUSES A 480-BED CAMPUS IN BETHLEHEM, PENNSYLVANIA AND A 158 BED CAMPUS IN ALLENTOWN, PENNSYLVANIA A THIRD 72-BED CAMPUS, ST LUKE'S ANDERSON CAMPUS, IS SET TO OPEN IN EASTON, PENNSYLVANIA IN NOVEMBER, 2011 ST LUKE'S HOSPITAL OF BETHLEHEM, PENNSYLVANIA IS RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS AN INTERNAL REVENUE CODE 501(C)(3) TAX-EXEMPT ORGANIZATION PURSUANT TO ITS CHARITABLE PURPOSES, THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY MOREOVER, ST LUKE'S HOSPITAL OF BETHLEHEM, PENNSYLVANIA OPERATES CONSISTENTLY WITH THE CRITERIA OUTLINED IN IRS REVENUE RULING 69-545 ST LUKE'S QUAKERTOWN HOSPITAL ST LUKE'S QUAKERTOWN HOSPITAL IS A 62-BED NON-PROFIT HOSPITAL LOCATED IN QUAKERTOWN, PENNSYLVANIA ST LUKE'S QUAKERTOWN HOSPITAL IS RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS AN INTERNAL REVENUE CODE 501(C)(3) TAX-EXEMPT ORGANIZATION PURSUANT TO ITS CHARITABLE PURPOSES, THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY MOREOVER, ST LUKE'S QUAKERTOWN HOSPITAL OPERATES CONSISTENTLY WITH THE CRITERIA OUTLINED IN IRS REVENUE RULING 69-545 ST LUKE'S WARREN HOSPITAL, INC ST LUKE'S WARREN HOSPITAL, INC IS A 214-BED NON-PROFIT ACUTE CARE HOSPITAL LOCATED IN PHILLIPSBURG, NEW JERSEY ST LUKE'S WARREN HOSPITAL, INC IS RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS AN INTERNAL REVENUE CODE 501(C)(3) TAX-EXEMPT ORGANIZATION PURSUANT TO ITS CHARITABLE PURPOSES, THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY MOREOVER, ST LUKE'S WARREN HOSPITAL, INC OPERATES CONSISTENTLY WITH THE CRITERIA OUTLINED IN IRS REVENUE RULING 69-545 ST LUKE'S WARREN HEALTHCARE, INC ST LUKE'S WARREN HEALTHCARE, INC IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A SUPPORTING ORGANIZATION PURSUANT TO INTERNAL REVENUE CODE 509(A)(3) THE ORGANIZATION IS DESIGNED TO SUPPORT THE CHARITABLE PURPOSES, PROGRAMS AND SERVICES OF ST LUKE'S UNIVERSITY HEALTH NETWORK WARREN HOSPITAL FOUNDATION, INC ST LUKE'S WARREN HOSP</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTHCARE SYSTEM	Schedule H, Part VI, Question 6	<p>ITAL FOUNDATION, INC IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A NON-PRIVATE FOUNDATION PURSUANT TO INTERNAL REVENUE CODE 509(A)(3) THE ORGANIZATION SUPPORTS ST LUKE'S WARREN HOSPITAL, A RELATED INTERNAL REVENUE CODE SECTION 501(C)(3) TAX-EXEMPT ORGANIZATION, AND ITS AFFILIATES IN PROVIDING MEDICALLY NECESSARY HEALTHCARE SERVICES TO THE COMMUNITY IN A NON-DISCRIMINATORY MANNER REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY ST LUKE'S PHYSICIAN GROUP, INC ST LUKE'S PHYSICIAN GROUP, INC IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A NON-PRIVATE FOUNDATION PURSUANT TO INTERNAL REVENUE CODE 509(A)(3) THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY ST LUKE'S EMERGENCY &amp; TRANSPORT SERVICES, INC ST LUKE'S EMERGENCY &amp; TRANSPORT SERVICES, INC IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A NON-PRIVATE FOUNDATION PURSUANT TO INTERNAL REVENUE CODE 170(B)(1)(A)(III) THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY QUAKERTOWN REHABILITATION CENTER QUAKERTOWN REHABILITATION CENTER IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A NON-PRIVATE FOUNDATION PURSUANT TO INTERNAL REVENUE CODE 170(B)(1)(A)(III) THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY NEW VALLEY REHAB, LLC A LIMITED LIABILITY COMPANY DISREGARDED FOR FEDERAL INCOME TAX PURPOSES OWNED BY QUAKERTOWN REHABILITATION CENTER THIS ENTITY PROVIDES OUTPATIENT REHABILITATION SERVICES IN NAZARETH, PENNSYLVANIA VISITING NURSE ASSOCIATION OF ST LUKE'S - HOME HEALTH/HOSPICE, INC VISITING NURSE ASSOCIATION OF ST LUKE'S - HOME HEALTH/HOSPICE, INC IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A NON-PRIVATE FOUNDATION PURSUANT TO INTERNAL REVENUE CODE 509(A)(1) THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY HOMESTAR MEDICAL EQUIPMENT AND INFUSION SERVICES, INC HOMESTAR MEDICAL EQUIPMENT AND INFUSION SERVICES, INC IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A NON-PRIVATE FOUNDATION PURSUANT TO INTERNAL REVENUE CODE 509(A)(2) THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY ST LUKE'S HOSPITAL AND HEALTH NETWORK AUXILIARY, INC ST LUKE'S HOSPITAL AND HEALTH NETWORK AUXILIARY, INC IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A NON-PRIVATE FOUNDATION PURSUANT TO INTERNAL REVENUE CODE 170(B)(1)(A)(III) THE ORGANIZATION IS DESIGNED TO SUPPORT THE CHARITABLE PURPOSES, PROGRAMS AND SERVICES OF ST LUKE'S UNIVERSITY HEALTH NETWORK FOR-PROFIT ST LUKE'S UNIVERSITY HEALTH NETWORK ENTITIES EIGHTH &amp; EATON PROFESSIONAL BUILDING, LP A LIMITED PARTNERSHIP WHOSE MAJORITY PARTNER IS ST LUKE'S HOSPITAL OF BETHLEHEM, PENNSYLVANIA THIS ENTITY OWNS A PROFESSIONAL MEDICAL ARTS BUILDING WIND GAP PROFESSIONAL CENTER PARTNERS A PARTNERSHIP WHOSE MAJORITY PARTNER IS ST LUKE'S HOSPITAL OF BETHLEHEM, PENNSYLVANIA THIS ENTITY SERVES AS THE JOINT VENTURE VEHICLE FOR A MEDICAL OFFICE BUILDING JOIN</p>

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

**Additional Data****Software ID:****Software Version:****EIN:** 25-1550350**Name:** CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC**Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility****Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**  
(list in order of size from largest to smallest)How many non-hospital facilities did the organization operate during the tax year? 12

Name and address

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

HOME CARE

ST LUKE'S MINER MEMORIAL HOME CARE  
801 E BROAD STREET  
TAMAQUA, PA 18252

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TAMAQUA, PA 18252

HOME CARE



**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

**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
GRANT FUND MONITORING	SCHEDULE I, PART I, QUESTION 2	GRANTS ARE MONITORED BY THE ORGANIZATION'S FINANCE PERSONNEL THROUGH THE UTILIZATION OF COST CENTERS AND OTHER INFORMATION, INCLUDING WRITTEN DOCUMENTATION AND RECEIPTS



**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) WILLIAM E MOYER	(i)	0	0	0	0	0	0	0
	(ii)	210,944	66,759	4,107	51,538	8,937	342,285	0
(2) THOMAS P LICHTENWALNER	(i)	0	0	0	0	0	0	0
	(ii)	437,319	126,188	24,705	153,612	9,142	750,966	0
(3) MELISSA A HARTMAN	(i)	126,685	0	245	5,105	24,851	156,886	0
	(ii)	0	0	0	0	0	0	0
(4) WILLIAM J CROSSIN	(i)	0	0	0	0	0	0	0
	(ii)	49,011	0	140,900	17,021	15,548	222,480	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
COMPENSATION INFORMATION	PART VII AND SCHEDULE J	TAXABLE COMPENSATION REPORTED HEREIN IS DERIVED FROM 2011 FORMS W-2
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 3	<p>Compensation Review Executive compensation for the health network consists of fixed salary, at-risk compensation and other deferred compensation arrangements. Total compensation for network executives is approved annually by the network's Board of directors. The recommended compensation is established through a multi-faceted approach including use of an independent consultant engaged on an ongoing basis by the Board of DIRECTORS and who works directly with the Executive Compensation Committee of the board. Also included is the review of forms 990 and compensation surveys of other comparable healthcare organizations. Bonus/Incentive The at-risk compensation is approved by the Executive Compensation Committee of the board and is based on several qualitative and quantitative components, including Joint Commission, Pennsylvania Department of Health and Pennsylvania Trauma Systems Foundation accreditations, evidence-based hospital process of care measures, outcome measures, such as patient satisfaction, mortality rate, and length of stay, efficiency measures as demonstrated by cost-per-adjusted discharge and net income. Other Reportable Compensation Other benefits include deferred compensation benefits that had accumulated over years of service and was reported and distributed in accordance with vesting requirements and Internal Revenue Service rules and regulations. Deferred Compensation Deferred compensation represents retirement benefits earned during the reporting period, yet not recognized as compensation on the employee's 2011 form W-2. Nontaxable Benefits Health and welfare benefits. Compensation Reported on prior 990 Total compensation reported on prior form S 990 represented recognition of deferred compensation benefits that had accumulated over years of service and was reported and distributed in accordance with vesting requirements and Internal Revenue Service rules and regulations. The amount was reported in Schedule J, column b(III)-other compensation.</p>
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 4A	THE FOLLOWING INDIVIDUAL RECEIVED A SEVERANCE PAYMENT IN 2011. THE AMOUNT OUTLINED HEREIN WAS INCLUDED IN THE INDIVIDUAL'S 2011 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. WILLIAM J. CROSSIN, \$121,770.
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 4B	THE DEFERRED COMPENSATION AMOUNT IN COLUMN C FOR THE FOLLOWING INDIVIDUAL INCLUDES UNVESTED BENEFITS IN AN INTERNAL REVENUE CODE SECTION 457(F) PLAN (NON-QUALIFIED DEFERRED COMPENSATION PLAN) WHICH ARE SUBJECT TO A SUBSTANTIAL RISK OF COMPLETE FORFEITURE. ACCORDINGLY, THE INDIVIDUAL MAY NEVER ACTUALLY RECEIVE THIS UNVESTED BENEFIT AMOUNT. THE AMOUNT OUTLINED HEREIN WAS NOT INCLUDED IN THE INDIVIDUAL'S 2011 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. THOMAS P. LICHTENWALNER, \$79,138.
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTIONS 6A AND 6B	The executive compensation package for the health network consists of both a fixed salary and additional at-risk compensation that is based on several qualitative and quantitative components. The components of the at-risk compensation plan includes JCAHO, Department of Health and Trauma Center accreditations, evidence based hospital process of care measures, outcome measures such as patient satisfaction, mortality rate, and length of stay, efficiency measures as demonstrated by cost per adjusted discharge and finally net income.
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 7	CERTAIN INDIVIDUALS INCLUDED IN SCHEDULE J, PART II RECEIVED AT-RISK COMPENSATION DURING CALENDAR YEAR 2011 WHICH AMOUNTS WERE INCLUDED IN COLUMN B(II) HEREIN AND IN EACH INDIVIDUAL'S 2011 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. PLEASE REFER TO THIS SECTION OF THE FORM 990, SCHEDULE J FOR THIS INFORMATION BY PERSON BY AMOUNT. CERTAIN INDIVIDUALS INCLUDED IN THIS FORM 990 RECEIVED A VACATION SELL BACK AND/OR TERM PAY OUT DURING THE CALENDAR YEAR 2011. THIS AMOUNT WAS INCLUDED IN THEIR RESPECTIVE 2011 FORM W-2 AND INCLUDED IN SCHEDULE J, PART II, COLUMN B(III), WHERE APPLICABLE.

**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  
CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

**Employer identification number**

25-1550350

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>Carbon Schuylkill Community Hospital, Inc ( d b a St Luke's Miners Hospital) is a fully accredited, not-for-profit, 45-bed acute care hospital, a home health agency and 48-bed skilled nursing facility located in Coaldale, Pennsylvania in Schuylkill County near the Carbon County border and providing care primarily to residents of Schuylkill, Carbon and Lower Luzerne counties in southeastern Pennsylvania. The hospital annually provides care for 2,000 inpatients and 82,000 outpatients and is recognized by the IRS as an Internal Revenue Code Section 501(c)(3) tax-exempt organization. Pursuant to its charitable purposes, St Luke's Miners Hospital provides medically necessary healthcare services to all individuals in a non-discriminatory manner regardless of race, color, creed, sex, national origin, religion or ability to pay. Moreover, St Luke's Miners Hospital operates consistently with the following criteria outlined in IRS Revenue Ruling 69-545: 1. St Luke's Miners Hospital provides medically necessary healthcare services to all individuals regardless of ability to pay, including charity care, self-pay, Medicare and Medicaid patients, 2. St Luke's Miners Hospital operates an active emergency room for all persons, which is open 24 hours a day, 7 days a week, 365 days per year, 3. St Luke's Miners Hospital maintains an open medical staff, with privileges available to all qualified physicians, 4. Control of St Luke's Miners Hospital rests with its board of directors and the board of directors of St Luke's Health Network, Inc, d b a St Luke's University Health Network. Both boards are comprised of a majority of independent civic leaders and other prominent members of the community, as well as physicians on the Hospital/Network Medical Staff, and 5. Surplus funds are used to improve the quality of patient care, expand and renovate facilities and advance medical care, programs and activities. The operations of St Luke's Miners Hospital, as shown through the factors outlined above and other information contained herein, clearly demonstrate that the use and control of St Luke's Miners Hospital is for the benefit of the public and that no part of the income or net earnings of the organization inures to the benefit of any private individual nor is any private interest being served other than incidentally. Founded in 1910, the hospital celebrated its 100th year of community service in October 2010. The hospital became a member of the nationally recognized St Luke's University Health Network in 2000. Accredited by the Joint Commission, St Luke's Miners Hospital provides patients with access to more than 95 physicians across 24 medical specialties. These specialty services include -orthopedics, joint and muscle disorders - oncology - cardiology - endocrinology - emergency services - general and laparoscopic surgery - vascular (arteries and veins) services - women's health - wound management - sleep disorders - pulmonology - sports medicine, physical therapy and rehabilitation - advanced radiology. St Luke's Miners Hospital is dedicated to providing patients and visitors with quality healthcare delivered with outstanding customer service. The Hospital received the Excellence from Quality Insights of Pennsylvania Award, recognizing successful implementation of best practices related to surgical care and health failure improvement projects. The Hospital offers a chest pain center, accredited by the Society of Chest Pain Centers. The Hospital opened a newly renovated \$16 million six-bed ICU in September 2010. Since joining St Luke's, the hospital has undergone \$27 million in technical and facility improvements. A new, state-of-the-art emergency department was added in 2002. This addition was followed by a new MRI, a new sleep disorder center, a cardiovascular conditioning center and a new access road directly to the Hospital. The Hospital opened the area's first urgent care center in 2004 and expanded its home care services, opening a new office in Tamaqua. The most recent renovations, additions and improvements include - Emergency Department Fast Track Area Renovations - \$100,000 - State-of-the-art Dexa Scanner purchased for the Radiology Department - \$60,000 - Construction of new Infusion Center - \$274,000 - Additional Operating Room equipment - Surgical Video System - \$200,000, new Scope System - \$160,000. St Luke's Miners Geriatric Center is a fully accredited, 48-bed, hospital-based, skilled nursing facility located on the fifth floor of the hospital. Individualized short-term rehabilitation and long-term care services are provided.</p> <p>Mission ===== The mission of St Luke's Miners Hospital is to provide compassionate, excellent quality and cost-effective healthcare to residents of the communities served regardless of race, color, creed, sex, national origin, religion or ability to pay. Member of St Luke's University Health Network</p> <p>===== St Luke's Miners Hospital</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>l's sole corporate member is St Luke's Health Network, Inc d b a St Luke's University Health Network (Network), which is the tax-exempt parent organization St Luke's is a regional network of hospitals, physicians and other related organizations providing care primarily in Lehigh, Northampton, Monroe, Carbon, Schuylkill, Bucks, Montgomery and Berks Counties in Pennsylvania and Warren County in New Jersey St Luke's University Health Network is the sole corporate member of various healthcare-related organizations, the majority of which are tax-exempt entities The internal revenue service has recognized St Luke's University Health Network as being a tax-exempt organization under IRS Section 501(c)(3) As the parent organization, St Luke's University Health Network strives to continually develop and operate a multi-hospital healthcare network which provides substantial community benefit through a comprehensive spectrum of healthcare services to the residents of Pennsylvania and New Jersey St Luke's University Health Network ensures that its network provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay No individuals are denied necessary medical care, treatment or service Moreover, St Luke's provides healthcare services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT CONTINUED	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>Awards ----- St Luke's Miners Hospital was awarded a 2012 Achievement Award from the Hospital &amp; Healthsystem Association of Pennsylvania for the appropriate dosage of enoxaparin, a drug used to prevent angina, heart attacks and blood clots in the legs Community Support ----- St Luke's Miners Hospital (Hospital) holds annual flu immunization clinics in the community and administers hundreds of free flu immunizations as part of the Pennsylvania Department of Health's flu immunization program for children The vaccinations are administered by registered nurses and organized by a trained and certified infection control nurse The Hospital operates three federally designated Rural Health Centers to serve indigent and underserved populations These clinics provided 12,000 visits in FY '12 specializing in primary care for patients with no other access to primary care The Hospital-based clinics are located in three different school districts for the convenience of the patients, who often have transportation issues The clinics provide care to patients who have health insurance but cannot find a doctor in this Medically Underserved Area The clinics also provide care to patients who are under-insured or have no insurance The clinics specialize in serving patients with Medical Assistance coverage who are often denied care at primary offices In 2012, these clinics expanded services to include gynecological services which are otherwise unavailable to this patient population The Hospital participates in several community and health festivals each year providing free health information to the public These festivals include the Tamaqua Heritage Festival where a medical mobile unit provided free health screenings, information about bicycle helmet safety and blood pressure screenings The Hospital also provides free staff, screening and education at the annual Schuylkill County Senior Expo and the Senior Expo in Jim Thorpe, Carbon County The two events attracted a combined 3,000 attendees the Hospital provided free health education and screenings In FY '12, the Hospital provided maintenance staff and other staff to assist the Lansford Community Pool with the renovation to their First Aid Room The room, which had fallen into disrepair, is the medical station for the pool that serves thousands of people throughout the summer The Hospital provided the labor to clean, paint and refurbish the First Aid Room, and donated new light fixtures, cabinets, medical tables and first aid supplies Six employees spent more than 25 hours working on the project which resulted in a safer, well-lighted, well supplied and organized First Aid Room for the pool The Hospital focused on improving literacy as part of its community outreach endeavors The Hospital modeled its literacy program after Reading Rocks!, developed by St Luke's University Health Network Studies show that health attainment is correlated to literacy levels and the Hospital implemented a comprehensive effort to improve literacy in the communities it serves Initially, the Hospital collected more than 2,500 books during a book drive that was organized and implemented by Hospital staff The Hospital provided these books and additional staff for a Reading Rocks! literacy promotion during which Hospital employees discussed the importance of reading and the connection between literacy and health During the Reading Rocks! program, Hospital staff read to students at local libraries and schools and provided staff and additional books to celebrate Dr Seuss Day More than 35 hospital staff, including physicians, and administrators, read to Tamaqua Elementary School classes during the Dr Seuss Reading Day In addition to reading to the classes, the hospital staff discussed how reading is important to their work as health care professionals and how literacy is vital to good health outcomes The Hospital provides staff, expertise and support for local charities such as the American Cancer Society Hospital employees staff the phone bank during the annual Telethon of the Carbon-Tamaqua Unit of the American Cancer Society More than a dozen Hospital staff worked during the telethon In addition, Hospital staff supports the Cancer Society during the Daffodil Days effort and other fundraising events The Hospital also enters a team in the annual Relay for Life to support cancer research and provide financial support and information to local patients and their families who have been diagnosed or are being treated for cancer The Hospital held its annual Breast Cancer Luncheon, attracting 48 women The Hospital provides meeting space, without charge, to the TOPS (Take Off Pounds Sensibly) program, a local volunteer effort to promote healthy living and healthy eating The provision of meeting space is augmented with support from the hospital staff including the certified nutritionist The Hospital offers a variety of free services/screenings/educational programs at c</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT CONTINUED	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>ommunity-run events throughout the year including 37 health education outreach programs benefiting 2,784 senior citizens. The Hospital utilizes numerous media outlets to educate the community about health issues that may impact them. The Hospital invested \$17,000 in a cash donation to support the Coaldale Police Department. The Hospital continues its active participation in the Schuylkill Alliance for Healthcare Access Programs including participation and/or support for the diabetes task force, interfaith health network, mental health committee, health alliance and community health day. The Hospital provides community outreach programs focusing on chronic disease management, wellness and chronic disease prevention, obesity prevention, substance abuse (tobacco, illegal drugs and alcohol) and strong health education programs to disseminate poverty and unemployment.</p>

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

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

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

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

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

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

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

Identifier	Return Reference	Explanation
RELATED HOURS DISCLOSURE	CORE FORM, PART VII, SECTION A, COLUMN B	THE ORGANIZATION IS AN AFFILIATE IN THE ST LUKE'S UNIVERSITY HEALTH NETWORK ("NETWORK"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY NETWORK. THE NETWORK INCLUDES BOTH FOR-PROFIT AND NOT FOR-PROFIT ORGANIZATIONS. CERTAIN BOARD OF DIRECTOR MEMBERS, OFFICERS AND/OR DIRECTORS LISTED ON CORE FORM, PART VII AND SCHEDULE J OF THIS FORM 990 MAY HOLD SIMILAR POSITIONS WITH BOTH THIS ORGANIZATION AND OTHER AFFILIATES WITHIN THE NETWORK. THE HOURS SHOWN ON THIS FORM 990 FOR BOARD MEMBERS WHO RECEIVE NO COMPENSATION FOR SERVICES RENDERED IN A NON-BOARD CAPACITY, REPRESENTS THE ESTIMATED HOURS DEVOTED PER WEEK FOR THIS ORGANIZATION. TO THE EXTENT THESE INDIVIDUALS SERVE AS A MEMBER OF THE BOARD OF DIRECTORS OF OTHER RELATED ORGANIZATIONS IN THE NETWORK, THEIR RESPECTIVE HOURS PER WEEK PER ORGANIZATION ARE APPROXIMATELY ONE HOUR. THE HOURS REFLECTED ON PART VII OF THIS FORM 990, FOR BOARD MEMBERS WHO RECEIVE COMPENSATION FOR SERVICES RENDERED IN A NON-BOARD CAPACITY AND PAID OFFICERS, REFLECT TOTAL HOURS WORKED PER WEEK ON BEHALF OF THE NETWORK, NOT SOLELY THIS ORGANIZATION.

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

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	CORE FORM, PART XI, QUESTION 5	OTHER CHANGES IN NET ASSETS OR FUND BALANCES INCLUDE - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASES OF PROPERTY AND EQUIPMENT, \$67,671, - CHANGE IN ADDITIONAL PENSION LIABILITY, (\$525,530), - PLEDGES RECEIVED - TEMPORARILY RESTRICTED, (\$261,172), - NEW PLEDGES - TEMPORARILY RESTRICTED, \$34,505, - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR OPERATIONS - TEMPORARILY RESTRICTED, (\$9,415), - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASES OF CAPITAL CAMPAIGN PROPERTY AND EQUIPMENT - TEMPORARILY RESTRICTED, (\$40,890)AND - ALLOWANCE FOR PLEDGES WRITTEN OFF AND ACTUAL WRITE-OFFS - TEMPORARILY RESTRICTED, \$1,465

Identifier	Return Reference	Explanation
AUDITED FINANCIAL STATEMENTS	CORE FORM, PART XII, QUESTION 2	THE ORGANIZATION IS AN AFFILIATE WITHIN THE ST LUKE'S UNIVERSITY HEALTH NETWORK ("NETWORK"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY NETWORK. THE NETWORK'S PARENT ENTITY IS ST LUKE'S HEALTH NETWORK, INC. AN INDEPENDENT CPA FIRM AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TAXPAYER AND ALL AFFILIATES FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011, RESPECTIVELY AND ISSUED A CONSOLIDATED FINANCIAL STATEMENT WITH CONSOLIDATING SCHEDULES BY ENTITY. AN UNQUALIFIED OPINION WAS ISSUED EACH YEAR BY THE INDEPENDENT CPA FIRM. THE NETWORK'S FINANCE COMMITTEE ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT OF THE NETWORK'S CONSOLIDATED FINANCIAL STATEMENTS AND THE SELECTION OF AN INDEPENDENT AUDITOR.

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

**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

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

Department of the Treasury  
Internal Revenue Service

**Name of the organization**  
CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

**Employer identification number**  
25-1550350

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
<b>(1)</b> EIGHTH & EATON 801 OSTRUM STREET BETHLEHEM, PA 180151000 26-3017143	FINANCIAL VEHICLE	PA	BETHLEHEM					No			No	
<b>(2)</b> NEW VALLEY REHAB 2301 CHERRY LANE BETHLEHEM, PA 18015 13-4257049	HEALTHCARE SVCS	PA	QUAKERTWN REHAB					No			No	
<b>(3)</b> WIND GAP PROF 3435 WINCHESTER ROAD SUITE 300 ALLENTOWN, PA 181042284 23-2641715	HEALTHCARE SVCS	PA	BETHLEHEM					No			No	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
See Additional Data Table							

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)

- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses

- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

	Yes	No
<b>1a</b>		No
<b>1b</b>		No
<b>1c</b>		No
<b>1d</b>	Yes	
<b>1e</b>	Yes	
<b>1f</b>		No
<b>1g</b>		No
<b>1h</b>		No
<b>1i</b>		No
<b>1j</b>		No
<b>1k</b>		No
<b>1l</b>		No
<b>1m</b>	Yes	
<b>1n</b>	Yes	
<b>1o</b>	Yes	
<b>1p</b>	Yes	
<b>1q</b>	Yes	
<b>1r</b>	Yes	

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

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



**Part VII Supplemental Information**

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

Identifier	Return Reference	Explanation
TRANSACTIONS WITH RELATED ORGANIZATIONS	SCHEDULE R, PART V	AS OUTLINED IN SCHEDULE O, ST LUKE'S HOSPITAL OF BETHLEHEM PA ROUTINELY PAYS EXPENSES FOR VARIOUS AFFILIATES WITHIN THE ST LUKE'S UNIVERSITY HEALTH NETWORK IN THE ORDINARY COURSE OF BUSINESS, INCLUDING THIS ORGANIZATION. THESE RELATED PARTY TRANSACTIONS ARE RECORDED ON THE REVENUE/EXPENSE AND BALANCE SHEET STATEMENTS OF THIS ORGANIZATION AND ITS AFFILIATES. THESE ENTITIES WORK TOGETHER TO DELIVER HIGH QUALITY HEALTHCARE AND WELLNESS SERVICES TO THE COMMUNITIES IN WHICH THEY ARE SITUATED.

Software ID:

Software Version:

EIN: 25-1550350

Name: CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
ST LUKE'S HEALTH NETWORK INC 801 OSTRUM STREET BETHLEHEM, PA 18015 23-2384282	HEALTH SVCS	PA	501(c) (3)	509(A)(3)	NA		No
ST LUKE'S HOSPITAL OF BETHLEHEM PA 801 OSTRUM STREET BETHLEHEM, PA 18015 23-1352213	HEALTH SVCS	PA	501(c) (3)	HOSPITAL	SLHN INC		No
ST LUKE'S QUAKERTOWN HOSPITAL 801 OSTRUM STREET BETHLEHEM, PA 18015 23-1352203	HEALTH SVCS	PA	501(c) (3)	HOSPITAL	SLHN INC		No
QUAKERTOWN REHABILITATION CENTER 801 OSTRUM STREET BETHLEHEM, PA 18015 23-2543924	HEALTH SVCS	PA	501(c) (3)	170B1AIII	SLHN INC		No
ST LUKE'S EMERGENCY & TRANSPORT SVCS 801 OSTRUM STREET BETHLEHEM, PA 18015 23-2179542	HEALTH SVCS	PA	501(c) (3)	170B1AIII	SLHN INC		No
ST LUKE'S PHYSICIAN GROUP INC 801 OSTRUM STREET BETHLEHEM, PA 18015 23-2380812	HEALTH SVCS	PA	501(c) (3)	509(A)(3)	SLHN INC		No
VNA OF ST LUKE'S - HOME HEALTHHOSPICE 801 OSTRUM STREET BETHLEHEM, PA 18015 24-0795497	HEALTH SVCS	PA	501(c) (3)	509(A)(1)	BETHLEHEM		No
HOMESTAR MEDICAL EQUIP & INFUSION SVCS 801 OSTRUM STREET BETHLEHEM, PA 18015 23-2418254	HEALTH SVCS	PA	501(c) (3)	509(A)(2)	VNA		No
ST LUKE'S HHN AUXILIARY INC 801 OSTRUM STREET BETHLEHEM, PA 18015 23-2134479	FUNDRAISING	PA	501(c) (3)	170B1AIII	NA		No
ST LUKE'S WARREN HOSPITAL INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 22-1494454	HEALTH SVCS	NJ	501(C) (3)	HOSPITAL	BETHLEHEM		No
ST LUKE'S WARREN HEALTHCARE INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 22-2522478	HOLDING CO	NJ	501(C) (3)	509(A)(3)	SLHN INC		No
ST LUKE'S WARREN HOSPITAL FDN INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 22-2522476	SUPPORT SLWH	NJ	501(C) (3)	509(A)(3)	SLWH INC		No

**Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust**

(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
ST LUKE'S EIGHTH & EATON HOLDINGS INC 801 OSTRUM STREET BETHLEHEM, PA 180151000 23-7192801	HEALTHCARE SVCS	PA		C CORP			
ST LUKE'S HEALTH NETWORK INSURANCE COMP 801 OSTRUM STREET BETHLEHEM, PA 180151000 75-2993150	FINANCIAL VEHICLE	VT		C CORP			
ST LUKE'S HOSP OF BETH PA AMBUL SURGERY 801 OSTRUM STREET BETHLEHEM, PA 180151000 23-3018850	HEALTHCARE SVCS	PA		C CORP			
ST LUKE'S PHYSICIAN HOSPITAL ORG 801 OSTRUM STREET BETHLEHEM, PA 180151000 23-2786818	HEALTHCARE SVCS	PA		C CORP			
HILLCREST EMERGENCY SERVICES PC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 20-4429976	HEALTHCARE SVCS	NJ		C CORP			
HILLCREST MANAGEMENT SERVICES ORG INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 22-2591084	BILLING & MGMT	NJ		C CORP			
TWO RIVERS ENTERPRISES INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 52-1552606	REAL ESTATE	NJ		C CORP			
WARREN PA PROFESSIONAL ALLIANCE INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 20-2652788	HEALTHCARE SVCS	NJ		C CORP			
ST LUKE'S WARREN PHYSICIAN GROUP PC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 22-3837316	HEALTHCARE SVCS	NJ		C CORP			
WARREN RISK RETENTION GROUP INC 865 MEMORIAL PARKWAY PHILLIPSBURG, NJ 08865 20-0250315	FINANCIAL VEHICLE	VT		C CORP			
HILLCREST PSYCHIATRIC SERVICES PC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 27-0634298	INACTIVE	NJ		C CORP			

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

**Consolidated Financial Statements and  
Supplemental Information  
June 30, 2012 and 2011**

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

## Index

June 30, 2012 and 2011

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## Report of Independent Auditors

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

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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

*PricewaterhouseCoopers LLP*

December 20, 2012

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidated Balance Sheet**  
**June 30, 2012 and 2011**

	2012	2011
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 81,549,369	\$ 82,725,894
Patient accounts receivable, net of allowance for uncollectible accounts of \$60,292,531 and \$40,188,273, respectively	165,802,428	131,253,158
Other accounts receivable	10,427,918	3,997,531
Investments	61,346,350	63,541,536
Inventories	16,949,596	12,709,033
Prepaid expenses	15,276,686	10,249,610
Total current assets	<u>351,352,347</u>	<u>304,476,762</u>
Assets limited as to use, net of current portion		
Funds held by trustee	10,069,834	64,005,116
Under bond indenture	39,252,267	34,289,421
Board designated funds	218,160,446	223,074,954
	<u>267,482,547</u>	<u>321,369,491</u>
Property and equipment, net	596,251,082	484,848,300
Goodwill, net	24,237,907	7,336,712
Investments temporarily restricted as to use	18,187,034	17,525,676
Investments permanently restricted as to use	26,447,637	22,979,652
Deferred financing costs	5,697,560	5,541,791
Annuity contracts	8,999,001	7,881,693
Other assets	20,809,412	16,477,781
Total assets	<u>\$ 1,319,464,527</u>	<u>\$ 1,188,437,858</u>
<b>Liabilities and Net Assets</b>		
Current		
Accounts payable	\$ 52,485,612	\$ 42,841,824
Accrued salaries, wages and taxes	23,409,080	20,420,712
Accrued vacation and bonus	28,257,911	24,199,639
Current portion of self insurance reserves	17,864,694	14,129,862
Deferred income	3,288,309	3,945,113
Advance from third-party payors	2,398,101	2,398,101
Patient credit balances	12,231,386	10,576,785
Current portion of long-term debt	13,234,513	11,186,172
Current portion of accrued compensation payable	7,071,410	4,184,995
Accrued interest on long-term debt	8,474,597	7,649,511
Other Current Liabilities	7,297,817	
Estimated third-party payor settlements	18,156,932	13,249,913
Total current liabilities	<u>194,170,362</u>	<u>154,782,627</u>
Long-term debt, net of current portion	445,614,337	400,413,367
Asset retirement obligation	3,559,761	3,559,036
Accrued compensation payable	169,713,844	100,439,924
Self insurance reserves	36,127,358	28,687,901
Swap contracts	83,210,652	58,546,276
Other noncurrent liabilities	10,262,555	589,363
Total liabilities	<u>942,658,869</u>	<u>747,018,494</u>
Net assets		
Unrestricted net assets	330,004,739	395,746,165
Warren Beginning Unrestricted Net Assets	(808,846)	
Temporarily restricted net assets	20,830,852	22,693,547
Warren beginning Temporary restricted Net Assets	331,278	
Permanently restricted net assets	25,970,067	22,979,652
Warren beginning permanentlyUnrestricted Net Assets	477,568	
Total net assets	<u>376,805,658</u>	<u>441,419,364</u>
Total liabilities and net assets	<u>\$ 1,319,464,527</u>	<u>\$ 1,188,437,858</u>

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidated Statement of Operations**  
**Years Ended June 30, 2012 and 2011**

	2012	2011
<b>Revenues and gains</b>		
Net patient service revenue	\$ 928,776,933	\$ 817,946,601
Other operating revenue and gains	21,929,666	21,525,632
Net assets released from restrictions used for operations	1,760,679	2,023,726
Total revenue and gains	<u>952,467,278</u>	<u>841,495,959</u>
<b>Operating expenses</b>		
Salaries and employee benefits	534,238,267	478,993,571
Supplies and other	328,122,687	278,907,024
Depreciation and amortization	55,370,780	45,916,921
Interest	17,652,258	13,784,086
Total expenses	<u>935,383,992</u>	<u>817,601,602</u>
Income from operations	<u>17,083,286</u>	<u>23,894,357</u>
<b>Nonoperating gains (losses)</b>		
Unrestricted investment income from assets limited as to use	7,789,884	6,243,542
Realized gains/(losses) on unrestricted investment	8,153,281	(1,169,790)
Gifts, grants and bequests	(30,046)	692,335
Unrestricted investment income from restricted net assets	101,579	464,561
Unrestricted investment income, other	3,522,806	4,049,134
Loss on disposal of property and equipment	(625,066)	(60,428)
Restructuring Costs	(573,476)	(273,129)
Pre-Acquisition/Merger Costs	(846,067)	(1,364,005)
Donations to Other Organizations	(711,695)	(422,120)
Change in fair value of derivative instruments	6,520,432	(4,842,548)
Goodwill Impairment	(3,609,478)	-
Gain/(Loss) on Retirement/Purchase of Bonds	(2,955,427)	153,950
Nonoperating gains	<u>16,736,727</u>	<u>3,471,502</u>
Excess of revenue and gains over expenses	33,820,013	27,365,859
Net assets released from restrictions used for purchase of property and equipment	1,596,651	7,045,643
Gain on sale of Joint Venture	431,656	13,058,999
Net Assets Released to Specific Purpose Fund	(35,676)	-
Pension adjustment	(59,803,582)	33,678,542
Net effect of change in accounting principle - Goodwill Impairment	-	(2,782,024)
Warren Beginning Unrestricted Net Assets	(808,846)	-
Change in unrealized gains on investments	(10,565,680)	29,816,316
Change in fair market value of interest rate swaps	(31,184,808)	9,127,758
Increase (decrease) in unrestricted net assets	<u>\$ (66,550,272)</u>	<u>\$ 117,311,093</u>

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended June 30, 2012 and 2011**

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	2012	2011
<b>Unrestricted net assets</b>		
Excess of revenue and gains over expenses	\$ 33,820,013	\$ 27,365,859
Warren Beginning Unrestricted Net Assets	(808,846)	-
Net assets contributed and released from restrictions used for purchase of property and equipment	1,596,651	7,045,643
Gain on sale of Joint Venture	431,656	13,058,999
Net Assets Released to Specific Purpose Fund	(35,676)	-
Pension adjustment	(59,803,582)	33,678,542
Net effect of change in accounting principle-Goodwill Impairment	-	(2,782,024)
Change in unrealized gains on investments	(10,565,680)	29,816,316
Change in fair market value of derivatives	(31,184,808)	9,127,758
	<u>(66,550,272)</u>	<u>117,311,093</u>
<b>Temporarily restricted net assets</b>		
Contributions received	440,546	5,951,261
Warren beginning Temporary restricted Net Assets	331,278	-
Net realized gains on investments	-	192
Net unrealized (losses) gains on investments	(429,597)	5,894,750
Net assets released from restrictions	(1,873,644)	(3,136,484)
	<u>(1,531,417)</u>	<u>8,709,719</u>
<b>Permanently restricted net assets</b>		
Contributions received	3,465,567	1,221,252
Warren beginning permanentlyUnrestricted Net Assets	477,568	-
Net realized/unrealized (losses) gains on investments	(475,152)	228,243
	<u>3,467,983</u>	<u>1,449,495</u>
	(64,613,706)	127,470,307
<b>Net assets</b>		
Beginning of year	441,419,364	313,949,057
End of year	<u>\$ 376,805,658</u>	<u>\$ 441,419,364</u>

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	2012	2011
<b>Cash flows provided by operating activities</b>		
Change in net assets	\$ (64,613,706)	\$ 127,470,307
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss (Gain) on disposal of equipment	625,066	60,428
Depreciation and amortization	55,370,780	45,916,921
Equity losses from joint ventures and partnerships	(2,555,743)	(634,265)
Change in unrealized losses on unrestricted investments	10,565,680	(29,816,316)
Net realized gain on restricted investments	(1,776,785)	223,479
Net unrealized (gain) on restricted investments	2,359,553	(6,820,515)
Net realized loss on unrestricted investments	(8,021,278)	1,181,492
Pension adjustments	(59,803,582)	33,678,542
Swap contracts	24,664,376	(4,285,210)
Cumulative net effect of change in accounting	-	(2,782,024)
Restricted contributions received	(3,906,114)	(6,698,662)
Change in cash due to changes in operating assets and liabilities		
Patient accounts receivable	(34,549,270)	5,080,987
Other receivables	(6,430,386)	2,603,732
Inventories	(4,240,563)	469,289
Prepaid expenses	(5,027,076)	506,438
Other assets	(21,548,594)	(3,085,893)
Accounts payable and accrued liabilities	176,529,917	(81,135,469)
Patient credit balances	1,654,601	(653,825)
Net estimated third-party payor settlements	4,907,019	(10,997,401)
Deferred income	(656,804)	(210,929)
Net cash provided by operating activities	<u>63,547,091</u>	<u>70,071,106</u>
<b>Cash flows used by investing activities</b>		
Purchases of property, plant and equipment	(165,013,682)	(89,814,486)
Proceeds from sale of equipment	309,023	10,747
Increase/(Decrease) in assets whose use is limited, net	61,908,222	(39,252,329)
Sales of investments, net	(13,082,605)	(618,090)
Net cash used in investing activities	<u>(115,879,042)</u>	<u>(129,674,158)</u>
<b>Cash flows provided by (used in) financing activities</b>		
Proceeds from issuance of long-term debt	51,281,490	1,024,944
Repayments of long-term debt	(3,727,177)	(4,445,490)
Repurchase of St Luke's 2007 Series Bonds	(305,000)	(545,000)
Proceeds from restricted contributions	3,906,113	6,698,662
Net cash provided by (used in) financing activities	<u>51,155,426</u>	<u>2,733,116</u>
Increase (decrease) in cash	<u>(1,176,525)</u>	<u>(56,869,936)</u>
<b>Cash and cash equivalents</b>		
Beginning of year	82,725,894	139,595,830
End of year	<u>\$ 81,549,369</u>	<u>\$ 82,725,894</u>
Construction in progress included in accounts payable	<u>\$ 1,094,811</u>	<u>\$ 12,817,160</u>
Interest Paid	<u>\$ 17,318,509</u>	<u>\$ 14,449,660</u>

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

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

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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#### 1. Organization, Mission and Basis of Presentation

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

- St Luke's Hospital of Bethlehem, Pennsylvania ("St Luke's Hospital"), which includes the following entities
  - St Luke's University Health Network Insurance Company ("SLRRG")
  - St Luke's Hospital of Bethlehem, Pennsylvania Ambulatory Surgery, Ltd
  - Cancer Immunotherapies, LLC
  - St Luke's Eighth & Eaton Holding's, Inc
  - Eighth & Eaton Professional Building, L P
  - St Luke's HomeStar Services, LLC
  - St Luke's AirMed, LLC
  - St Luke's VNA ("VNA"), which includes the following two entities
    - VNA Home Health and Hospice
    - HomeStar Medical Equipment and Infusion Services
- St Luke's Quakertown Hospital
- St Luke's Physician Group, Inc
- St Luke's Emergency and Transport Services
- Quakertown Rehabilitation Center DBA St Luke's Rehabilitation Center
  - New Valley Rehab, LLC
- Carbon-Schuylkill Community Hospital, Inc DBA St Luke's Miners Memorial Medical Center ("MMMC")
- St Luke's Warren Hospital Inc
  - Warren PA Professional Alliance, Inc
  - St Luke's Warren Hospital Foundation, Inc
  - Warren Risk Retention Group, Inc
  - Warren Healthcare Alliance, P C

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

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- Hillcrest Emergency Services, Inc
- Two Rivers Enterprises, Inc
- Hillcrest Management Services Organization, Inc

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

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

**Merger**

On January 31, 2012, St Luke's University Health Network, Inc purchased Warren Healthcare, Inc, a not-for-profit holding company. Warren Healthcare, Inc and its subsidiaries became a part of the St Luke's corporate system (the "Merger"). The subsidiaries include (a) Warren Hospital, a not-for-profit acute care facility located in Phillipsburg, New Jersey, (b) Warren Risk Retention Group, the Company's for profit captive insurance company, (c) Warren PA Professional Alliance, Inc ("PA Alliance", a for profit professional corporation), (d) Warren Health Care Alliance, P C ("WHCA", a for profit professional corporation), and (e) Hillcrest Emergency Services, P C ("Hillcrest ER", a for profit professional corporation). PA Alliance and WHCA provide outpatient health care services in Pennsylvania and New Jersey. Hillcrest ER was organized as a separate legal entity and provides all the emergency services within the Hospital. These entities, in the aggregate, are considered members of the St Luke's Warren consolidated group and their related financial data is presented in the Supplemental Schedules pages 36 through 47. Also, included in the accompanying consolidated financial statements are (a) the Warren Hospital Foundation, Inc (the "Foundation"), a not-for-profit charitable foundation, (b) Hillcrest Management Services Organization, Inc ("MSO"), a for-profit company that provides administrative services and support to affiliates and other third parties, and (c) Two Rivers Enterprises, Inc ("Two Rivers"), a for-profit company that holds real property and interests in real estate entities.

In connection with the Merger (a) St Luke's committed to provide \$25 million of equity funding to Warren, (b) the Warren hospital name was changed to St Luke's Warren Hospital, Inc, the parent's name was changed to St Luke's Warren Healthcare, Inc and the Foundation was renamed St Luke's Warren Hospital Foundation, Inc. The equity funding will be periodically provided to Warren in the future for working capital purposes, funding of defined benefit plan obligations and capital expenditures.

St Luke's University Health Network had \$2,210,000 (\$846,000 in FY 2012 and \$1,364,000 in FY 11) and Warren Healthcare, Inc had \$421,000 in costs prior to the acquisition.

There were no transactions recognized separately from the acquisition of assets and assumptions of liabilities in the business combination. As a result of revaluing assets and liabilities at the time of purchase, Warren recognized \$22,360,680 in asset valuation changes. Warren Healthcare, Inc had a Net Asset deficit of \$13,156,778 as of the acquisition date, which was recorded as Goodwill on January 31, 2012.

Revenues attributable to Warren Healthcare, Inc since the acquisition date that are included in the statement of activities for the reporting period

	FY 12
Patient Revenue	\$ 52,522,025
Other Operating Revenue	\$ 1,335,026
Nonoperating Revenue	\$ (3,124,145)

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

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Changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets attributable to the acquisition of Warren Healthcare, Inc. since the acquisition date that are included in the statement of activities for the reporting period

		FY 12
unrestricted net assets	\$	16,445,820
temporarily restricted net assets	\$	331,278
permanently restricted net assets	\$	477,568

Comparative revenues of the combined entity as though the acquisition of Warren Healthcare, Inc. occurred at the beginning of the annual reporting period

	FY 12		FY 11
Patient Revenue	\$1,002,307,767	\$	937,696,817
Other Operating Revenue	\$ 25,559,382	\$	26,593,217
Nonoperating Revenue	\$ 12,362,930	\$	(3,229,434)

Comparative changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets as though the acquisition date for Warren Healthcare, Inc. occurred at the beginning of the annual reporting period

	FY 12		FY 11
unrestricted net assets	\$ 329,195,893	\$	395,746,158
temporarily restricted net assets	\$ 21,162,130	\$	22,693,547
permanently restricted net assets	\$ 26,447,635	\$	22,979,652

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Organizations*, and other pronouncements applicable to non-for-profit healthcare organizations

**Basis of Consolidation**

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

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**Use of Estimates**

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

**Cash and Cash Equivalents**

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

**Investments and Investment Income**

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

The Network conducted an analysis and evaluation of securities for any potential "other than temporary impairment" of investments. If the decline in the market value of an investment below cost was deemed to be other than temporary, an adjustment would be made to reduce the cost basis of the investment(s) and a realized loss would be recorded in the excess of revenue over expenses. The Network did not have an "other than temporary impairment" adjustment for the years ended June 30, 2012 and 2011.

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

	<b>2012</b>	<b>2011</b>
Interest and dividend income	<u>\$ 9,544,811</u>	<u>\$ 8,034,975</u>
Realized gains (losses) on sales of investments	<u>\$ 11,337,892</u>	<u>\$ (1,517,665)</u>
Net unrealized (losses) gains on investments	<u>\$(10,565,680)</u>	<u>\$29,816,316</u>

**Assets Limited as to Use**

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the board of trustees for future capital improvements, over which the board retains control and may at its discretion subsequently use for other purposes.

**Inventories**

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

**Property and Equipment**

Property and equipment acquisitions are recorded at cost for purchased items and fair value at the date of contribution for contributed items. Depreciation is expensed over the estimated useful life of each

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

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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

#### **Long Lived Assets**

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

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

#### **Goodwill**

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

In accordance with recently issued guidance, the Network has ceased amortizing previously recognized goodwill and performs annual impairment tests.

#### **Deferred Financing Costs**

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

#### **Annuity Contracts and Accrued Compensation Payable**

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

#### **Self Insurance Reserves**

Accrued insurance costs consist of discounted reserves for reported and incurred-but-not-reported (IBNR) claims related to medical malpractice incidents and the Network's self-insured retention for workers' compensation and employee health insurance incidents. For the years ended June 30, malpractice reserves and workers compensation reserves are discounted using a discount rate of 4.60% and 4.60%, respectively, in 2012 and 6.07% and 6.07%, respectively, in 2011.

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

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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#### **Gift Annuities**

The Hospital receives assets from donors in exchange for the promise to make fixed payments, over a specified period of time, to a recipient as designated by the donor. The Hospital discounts (this past year the discount rate averaged 1.25%) the liability for annuity contracts based on the annuitant's estimated life expectancy. These amounts are included in other noncurrent liabilities on the balance sheets. Any restricted assets remaining at the end of the annuity contract are placed into an endowment fund and the earnings on those funds are available for the general operations of the Network. Any unrestricted assets remaining at the end of the annuity contract are available for the general operations of the Network. The Network revalues the liability for annuity contracts quarterly and the related change is included as a change in net assets.

#### **Temporarily and Permanently Restricted Net Assets**

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

#### **Donor Restricted Gifts**

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

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

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

Included in net patient service revenue are changes in liability adjustments from third party payors with an overall net unfavorable adjustment of \$4,907,019 for 2012 as compared to favorable adjustment of \$10,997,400 for 2011.

In July 2010 the Pennsylvania General Assembly passed the Public Welfare Code amendment (Act 49) which was signed into law by the Governor, establishing a new program referred to as Medicaid Modernization. The program was subsequently approved by the federal Centers for Medicare and Medicaid Services. The program is designed to provide additional funding to Pennsylvania hospitals for the purpose of enhancing access to quality healthcare for qualifying Medicaid beneficiaries, helping to partially mitigate the losses incurred by hospitals resulting from low reimbursement rates. To accomplish this objective, for fiscal years 2011 through 2013, the program provides participating hospitals with improved inpatient fee-for-service hospital payments, establishes enhanced hospital payments through Medicaid managed care organizations (MCOs), and secures additional federal matching Medicaid funds through a Quality Care Assessment, under which hospitals pay the state a percentage of their net

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

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inpatient revenue for fiscal year 2011. During 2012, after deducting the cost of the assessment due to the state, the Network recognized additional net patient service revenue of \$4,175,651 from the Pennsylvania Medicaid Modernization program.

#### **Allowance for Doubtful Accounts**

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

#### **Charity Care**

The Network provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charges for services to patients who meet the Network's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The charges associated with these services for charity care provided by the Network approximate \$118,310,000 and \$100,586,000 in 2012 and 2011, respectively. The costs incurred to provide such care is determined using a cost to charge ratio and were approximately \$98,440,000 and \$81,686,000 for 2012 and 2011, respectively.

#### **Excess of Revenue and Gains over Expenses**

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

#### **Income Taxes**

The Parent and its controlled hospital entities, are Pennsylvania and New Jersey not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. On such basis, the Parent and its controlled hospital entities will not incur any liability for federal income taxes, except for possible unrelated business income.

St. Luke's University Health Network Insurance Company and Warren Risk Retention Group are taxable reciprocal insurers.

St. Luke's HomeStar Services, LLC is a taxable distributor of medical equipment and pharmacy services.

Warren Health Care Alliance, P.C., PA Alliance, Hillcrest Emergency Services, P.C., and Two Rivers are for-profit entities providing outpatient health care services in Pennsylvania and New Jersey. Prior to January 1, 2009, Warren Health Care Alliance, P.C. and Hillcrest Emergency Services, P.C. elected, under the applicable provisions of the Internal Revenue Code and applicable state codes, to have the physician owner recognize their respective share of net income or loss on their individual tax returns. Accordingly, Warren Health Care Alliance, P.C. and Hillcrest Emergency Services, P.C. did not record a liability for Federal and state income taxes. Effective January 1, 2009, Warren Health Care Alliance, P.C. and Hillcrest Emergency Services, P.C. commenced operating as a for-profit "C" corporation. The deferred tax assets arising from net operating losses and other temporary items generated by for-profit entities, approximately \$9.6 million at June 30, 2012, are subject to a full valuation allowance as the realization of such deferred tax assets cannot be considered more likely than not at June 30, 2012.

**St. Luke's University Health Network, Inc. and Controlled Entities**  
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**Interest Rate Swaps**

The Network recognizes all derivative financial instruments in the balance sheet at fair value. The change in the fair value of derivatives that do not qualify for hedge accounting is recognized as a component of excess of revenues over expenses for the years ended June 30, 2012 and 2011. The change in the fair value of derivatives that qualify for hedge accounting are recognized through changes in unrestricted net assets on the statement of operations for the years ended June 30, 2012 and 2011.

**Revision**

In 2012, St. Luke's determined that the estimated fair value of the total return interest rate swaps discussed in note 11 were not correct in that they did not reflect the estimated current market prices that would be considered in a termination payment as of the balance sheet date if St. Luke's were to elect to terminate the swaps without redeeming the bonds. Although St. Luke's has no intention to do so, the agreements allow for this possibility and as a result must be taken into consideration in determining the estimated fair value of the swaps on a standalone basis. Management has evaluated this error and concluded that it was not material to any prior period. As a result, a revision has been made to correct the previously issued financial statements to account for a related unrealized loss on the value of the swaps as follows:

<i>\$ in thousands</i>	As reported	Change	As revised
Consolidated Balance Sheet as of 6/30/2011			
Swap Contract liability	34,084	24,462	58,546
Total Liabilities	722,557	24,462	747,019
Unrestricted Net Assets	420,208	(24,462)	395,746
Consolidated Statement of Changes in Operations as of 6/30/2011			
Change in fair value of derivative instruments	3,518	(8,360)	(4,842)
Non-operating gains	12,253	(8,360)	3,893
Excess of revenues over expenses	35,726	(8,360)	27,366
Increase in unrestricted net assets	125,671	(8,360)	117,311
Increase in net assets	135,830	(8,360)	127,470
Net assets, beginning of the year	330,051	(16,102)	313,949
Net assets, end of year	465,881	(24,462)	441,419

**3. Risks and Uncertainties**

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Recently,

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

**4. Concentrations of Credit Risk**

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

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

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

The mix of receivables from patients and third-party payors at June 30, 2012 and 2011 was as follows:

	<b>2012</b>	<b>2011</b>
Medicare	23.5%	20.1%
Medical Assistance	5.5%	6.3%
Blue Cross/Highmark Blue Shield	14.4%	18.1%
Commercial/HMO/Other (includes Medicare HMO)	30.9%	26.2%
Self pay (includes balances of patients filing for Medicaid eligibility, but not yet approved)	25.7%	29.3%
	<u>100%</u>	<u>100%</u>

**5. Charity Care and Community Service**

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

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

## Notes to Consolidated Financial Statements

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

#### 6. Third-Party Agreements

For the years ended June 30, 2012 and 2011, payment arrangements with the Network and third-party payors were as follows:

##### Medicare

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

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

##### Capital Blue Cross/Highmark Blue Shield

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

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

##### Medicaid

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

##### Other

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

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

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#### 7. Fair Value Measurements

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

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

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

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

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

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

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

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

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Financial instruments carried at fair value as of June 30, 2012, and 2011 are as follows

June 30, 2012				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investments				
Money Market Funds	\$ 25,694,780	\$ -	\$ -	\$ 25,694,780
Government Securities	9,743,751	-	-	9,743,751
Corporate Bonds	38,081,521	-	-	38,081,521
Common & Preferred				
Stock	521,656	-	-	521,656
Mutual Funds	299,392,938	-	-	299,392,938
<b>Total Investments</b>	<b>\$ 373,434,646</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 373,434,646</b>
Derivative Financial Instruments				
Cost of Funds Hedge - Floating to Fixed Rate	\$ -	\$ 87,052,790	\$ -	\$ 87,052,790
Fixed Receiver Swaps	-	(18,256,196)	-	(18,256,196)
Total Return Swap	-	-	14,414,058	14,414,058
Interest Rate Swaps- liability	\$ -	\$ 68,796,594	\$ 14,414,058	\$ 83,210,652
June 30, 2011				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investments				
Money Market Funds	\$ 34,438,169	\$ -	\$ -	\$ 34,438,169
Government Securities	88,721,968	-	-	88,721,968
Corporate Bonds	1,060,000	-	-	1,060,000
Common & Preferred				
Stock	521,656	-	-	521,656
Mutual Funds	300,674,561	-	-	300,674,561
<b>Total Investments</b>	<b>\$ 425,416,354</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 425,416,354</b>
Derivative Financial Instruments				
Cost of Funds Hedge - Floating to Fixed Rate	\$ -	\$ 35,845,669	\$ -	\$ 35,845,669
Fixed Receiver Swaps	-	1,766,117	-	1,766,117
Total Return Swap	-	-	20,934,490	20,934,490
Interest Rate Swaps- liability	\$ -	\$ 37,611,786	\$ 20,934,490	\$ 58,546,276

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The following table is a roll-forward for those financial instruments classified by the Network as Level 3 within the fair value hierarchy defined above

	<b>Interest Rate Swaps</b>
<u>Fair Value, June 30, 2010</u>	\$ (16,091,942)
Gains/(losses)	(4,842,548)
<u>Fair Value, June 30, 2011</u>	<u>\$ (20,934,490)</u>
Gains/(losses)	6,520,432
<u>Fair Value, June 30, 2012</u>	<u>\$ (14,414,058)</u>

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

**8. Investments in Joint Ventures and Partnerships**

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

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

St Luke's Hospital holds a 50% interest in Pocono MRI Imaging & Diagnostic Center, LLC, which was organized on June 15, 2010 and provides imaging and diagnostic services in the Pocono area

The Network also maintains other investments in partnerships that provide various clinical and nonclinical services The Network's investments in the partnerships are accounted for under the equity method The total investments in joint ventures and partnerships of approximately \$7,035,907 and \$8,203,293 for the years ended June 30, 2012 and 2011, respectively, are included in other assets on the consolidated balance sheets

**9. Property and Equipment**

Property and equipment and related accumulated depreciation at June 30, 2012 and 2011 consisted of the following

	<b>2012</b>	<b>2011</b>
Land	\$ 85,716,102	\$ 81,801,364
Buildings and improvements	594,405,094	396,720,655
Equipment	516,145,394	408,193,467
Parking garage	16,054,980	16,054,980
Total Property, Plant, & Equipment, gross	<u>1,212,321,570</u>	<u>902,770,466</u>
Less Accumulated depreciation	671,938,339	531,273,585
Total Property, Plant & Equipment, net	540,383,231	371,496,881

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Construction-in-progress (CIP)	55,867,851	113,351,419
Total Property, Plant & Equipment, net and CIP	<u>\$ 596,251,082</u>	<u>\$ 484,848,300</u>

Depreciation expense was approximately \$52,963,636 and \$43,931,075 for the years ended June 30, 2012 and 2011, respectively. Interest that was capitalized was approximately \$1,446,045 and \$3,805,000 for the years ended June 30, 2012 and 2011, respectively.

**Capital Leases**

Included in fixed and movable equipment as of June 30, 2012 is approximately \$9,691,544 of assets purchased under capital lease agreements. Accumulated amortization of such assets approximates \$8,834,787 as of June 30, 2012.

**10. Long-Term Debt**

Long-term debt at June 30, 2012 and 2011 consisted of the following:

	<b>2012</b>	<b>2011</b>
Quakertown General Authority - 1996A Pooled Financing Loan issued by the Quakertown General Authority at a variable rate	\$ 6,691,746	\$ 8,092,321
Hospital Revenue Bonds, Series 2007, issued by the Lehigh County General Purpose Authority	128,500,000	128,805,000
Hospital Revenue Bonds, Series 2008A, issued by Northampton County General Purpose Authority, net of unamortized discount	172,537,877	172,449,786
Hospital Revenue Bonds, Series 2010A, 2010B, 2010C, issued by Northampton County General Purpose Authority	63,825,491	66,879,861
Hospital Revenue Bonds, Series 2012, issued by New Jersey	42,150,000	-
Health Care Facilities Financing Authority-Warren Hospital	27,505,583	29,049,134
TD Bank, N A Note Payable	8,282,091	-
Wells Fargo Equipment Finance, Inc	9,356,062	6,323,437
Various notes and mortgage notes payable at various interest rates	<u>458,848,850</u>	<u>411,599,539</u>
Less Current portion	<u>13,234,513</u>	<u>11,186,172</u>
	<u>\$ 445,614,337</u>	<u>\$ 400,413,367</u>

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

<b>Fiscal Year</b>	<b>Long-Term Debt</b>
2013	13,234,513
2014	8,175,903
2015	8,384,223
2016	9,761,667
2017	8,363,114
Thereafter	<u>413,096,061</u>
	461,015,481
Less Amount of unamortized bond discount/imputed interest	<u>2,166,631</u>
	<u>\$ 458,848,850</u>

The fair market value of outstanding debt as of June 30, 2012 is as follows

	<b>Par Amount</b>	<b>Fair Market Value</b>
Quakertown General Authority 1996A Pooled Financing Loan	6,691,746	6,691,746
Series 2007	128,500,000	84,954,941
Series 2008	175,000,000	184,266,030
Series 2010	63,530,000	68,915,327
Series 2012	42,150,000	42,160,538
	<u>\$ 415,871,746</u>	<u>\$ 386,988,582</u>

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

**Quakertown General Authority – 1996A Pooled Financing Loan**

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

The proceeds from the borrowings on the 1996A Bond Pool were used to refinance previous borrowings from the Quakertown Variable Rate Demand Bond Pool Series 1995 and to finance certain capital

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improvement projects. The term of the Loan is 238 months, payable in full by January 1, 2017 and will bear interest at a variable rate. At June 30, 2012 and 2011, the rate (including bond and obligated group expense) was 2.0% and 2.0%, respectively.

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

**Hospital Revenue Bonds, Series 2007**

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

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

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

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

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

**Redemption of Series 2007 Bonds**

A total of \$305,000 of the Lehigh County General Purpose Authority Hospital Revenue Bonds, Series 2007 Term Bonds were cancelled as a result of St. Luke's purchasing and then redeeming them with payments credited against the sinking fund installments.

The Network recorded a Nonoperating realized gain of \$88,334 on the bond purchases which is included as a Nonoperating gain in the FY 2012 Statement of Operations.

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**Hospital Revenue Bonds, Series 2008**

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

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

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

The 2008 Bonds of each maturity will bear interest from the date of their initial delivery or from the most recent Interest Payment Date to which interest thereon has been paid or duly provided for to the next succeeding Interest Payment Date, at a fixed rate.

<b>Year (August 15)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>
2019	\$ 4,260,000	5.000 %	5.010 %
2020	4,480,000	5.000 %	5.110 %
2021	4,715,000	5.125 %	5.190 %
2022	4,965,000	5.250 %	5.260 %
2023	5,235,000	5.250 %	5.320 %
2024	5,520,000	5.250 %	5.370 %
2028	25,270,000	5.375 %	5.490 %
2035	59,960,000	5.500 %	5.600 %
2040	60,595,000	5.500 %	5.660 %

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

**Hospital Revenue Bonds, Series 2010**

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

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

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

#### **Hospital Revenue Bonds, Series 2012**

On January 31, 2012, the New Jersey Healthcare Facilities Financing Authority issued 42,150,000 "Series 2012" of its Revenue Bonds In connection with the issuance, the borrower has entered into a Loan Agreement with the Authority dated January 1, 2012, pursuant to which the Borrower is obligated, among other things to make payments to the Trustee sufficient to pay the principal or Redemption Price of and interest on the Series 2012 Bonds when due As a security of its obligation to pay the principal and Redemption Price of interest on the Series 2012 Bonds when due, pursuant to the Trust Agreement, the Authority has assigned among other things, all its rights, title and interest in the Loan Agreement to the Trustee for the benefits of the Registered Owners of the Series 2012 Bonds, subject to the reservation of certain rights by the Authority as described in the Trust Agreement

The Series 2012 Bonds are being issued for the purpose of financing a portion of the cost of completing the acquisition of all of the ownership interests of St Luke's Warren Hospital, Inc , d/b/a St Luke's Warren Hospital

The Series 2012 Bonds are being issued and delivered to Allstate Insurance Company in exchange for the Series 2008A Bonds and Series 2008B Bonds, which will be cancelled and extinguished The Network recorded a Nonoperating realized loss of \$3,043,761 on the bond purchases which is included as a Nonoperating loss in the FY 2012 Statement of Operations

#### **11. Derivative Financial Instruments**

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

At June 30, 2012, two floating to fixed interest rate swaps were outstanding with notional amounts totaling \$265.61 million and maturity dates ranging from August, 2033 to August, 2042 The bonds, issued in a quarterly reset LIBOR-based variable rate mode, will be swapped to a 4.60% fixed rate The nature of the risk is to eliminate unpredictable variability of interest rate payments due to changes in the 3 month LIBOR rate as well as limit exposure to increases in short-term interest rates as well as significantly decrease borrowing costs (relative to a traditional fixed rate issuance) Based on the identical characteristics of the payment based index of the hedged item and the receipt based index on the interest rate swap, the hedge will exactly offset the variability of interest rates on the underlying bonds over the term of the swap transaction

At June 30, 2012, three total return swaps were outstanding In December 2007, St Luke's executed a total return swap on a \$76 million portion of the outstanding Series 2007, 2042 term bond In

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

At June 30, 2012, ten fixed receiver swaps were outstanding with notional amounts totaling \$91.17 million and maturity dates ranging from August, 2032 to August, 2042 with fixed rates ranging from 3.28% to 3.48%. St. Luke's pays a rate based on the SIFMA index for each of these swaps.

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

**12. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at June 30, 2012 and 2011:

	<b>2012</b>	<b>2011</b>
Purchase of property and equipment	\$ 1,373,915	\$ 2,737,567
Health education	8,334,962	7,585,303
Research and development	152,088	136,710
Unrealized gains on restricted net assets for health care services	<u>11,301,165</u>	<u>12,233,967</u>
	<u>\$ 21,162,130</u>	<u>\$ 22,693,547</u>

Permanently restricted net assets at June 30, 2012 and 2011 were restricted to:

	<b>2012</b>	<b>2011</b>
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as other operating and nonoperating income)	<u>\$ 26,447,635</u>	<u>\$ 22,979,652</u>

**Endowments**

The Network's endowment consists of approximately \$26,447,635 individual donor restricted endowment funds and \$56,680,951 board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds including funds

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designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Network and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Network
- (7) The investment policies of the Network

The Network had the following endowment activities during the year ended June 30, 2012 delineated by net asset class and donor-restricted versus Board-designated funds

Endowment net asset composition by type of fund as of June 30, 2012

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds		\$ 21,162,130	\$ 26,447,635	\$ 47,609,765
Board-designated endowment funds	\$56,680,951			56,680,951
	<u>\$56,680,951</u>	<u>\$ 21,162,130</u>	<u>\$ 26,447,635</u>	<u>\$104,290,716</u>

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Changes in endowment net assets for the year ended June 30, 2012

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ 56,245,052	\$ 22,693,547	\$ 22,979,652	\$101,918,251
Investment return				
Investment income	1,484,883	65,080	1,051,888	2,601,851
Net depreciation (realized and unrealized)	<u>(1,008,622)</u>	<u>(28,840)</u>	<u>(553,928)</u>	<u>(1,591,390)</u>
Total Investment return	476,261	36,240	497,960	1,010,461
Gifts	159,638	771,823	3,743,135	4,674,596
Income released to General Fund for operations	-	(1,760,050)	(1,552,542)	(3,312,592)
Transfer balance of net depreciation to unrestricted	-	(579,430)	579,430	-
Other Miscellaneous Transfers	<u>(200,000)</u>		<u>200,000</u>	<u>-</u>
<b>Endowment net assets, end of year</b>	<u>\$ 56,680,951</u>	<u>\$ 21,162,130</u>	<u>\$ 26,447,635</u>	<u>\$104,290,716</u>

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

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ 45,133,182	\$ 13,983,828	\$ 21,530,157	\$ 80,647,167
Investment return				
Investment income	1,093,438	59,992	756,096	1,909,526
Net depreciation (realized and unrealized)	<u>9,204,802</u>	<u>(15,254)</u>	<u>6,031,533</u>	<u>15,221,081</u>
Total Investment return	10,298,240	44,738	6,787,629	17,130,607
Gifts	681,790	5,951,261	1,221,253	7,854,304
Income released to General Fund for operations	(43,500)	(3,130,201)	(540,126)	(3,713,827)
Transfer balance of net depreciation to unrestricted	175,340	5,843,921	(6,019,261)	-
<b>Endowment net assets, end of year</b>	<u>\$ 56,245,052</u>	<u>\$ 22,693,547</u>	<u>\$ 22,979,652</u>	<u>\$101,918,251</u>

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

**Permanently restricted net assets**

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

Permanent Endowment	\$ 26,257,468
Mortgage Endowment	<u>190,167</u>
Total endowment assets classified as permanently restricted net assets	<u>\$ 26,447,635</u>

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

## Notes to Consolidated Financial Statements

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#### **Endowment Funds with Deficits**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$0 as of June 30, 2012 and 2011.

#### **Return Objectives and Risk Parameters**

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

#### **Strategies Employed for Achieving Investment Objectives**

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

#### **Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives**

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

### **13. Contingencies**

#### **Operating Leases**

The Network leases certain medical, office and information technology equipment used in its operations. Total rental expense for all operating leases for the years ended June 30, 2012 and 2011 was approximately \$11,250,548 and \$12,345,884, respectively.

At June 30, 2012, the annual and total future minimum lease payments under noncancelable operating leases were as follows:

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	<b>Operating</b>
2013	11,374,923
2014	10,286,745
2015	9,577,752
2016	8,395,526
2017	8,263,857
Later Years	<u>16,970,752</u>
Total minimum payments	<u>64,869,555</u>

**Litigation**

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

**14. Functional Expenses**

The Network provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2012 and 2011 are approximately as follows:

	<b>2012</b>	<b>2011</b>
Health care services	\$ 841,891,867	\$ 615,481,048
General and administrative	<u>93,492,125</u>	<u>202,542,674</u>
	<u>\$ 935,383,992</u>	<u>\$ 818,023,722</u>

**15. Pension Plan**

**Defined Benefit Plan**

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

In connection with a redesign of the network's (excluding St. Luke's Warren employees) retirement plans, the Finance Committee of the Board approved amendments to end benefit accruals in the qualified defined benefit pension plan after December 31, 2014. Benefits to be earned by participants under this plan prior to January 1, 2015 are not anticipated to be affected. The network recorded a curtailment loss of \$361,116 for the fiscal year end June 30, 2012. The network estimates that pension liabilities will decrease by about \$56 million as a result of this change.

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**Defined Benefit Plan St. Luke's Warren Employees**

St. Luke's Warren sponsors a noncontributory defined benefit plan covering substantially all employees of St. Luke's Warren Hospital. Benefits are generally based on the employee's compensation and years of service. The Hospital adopted a formal plan to cease the accrual of service benefits for Plan participants effective May 31, 2007. The Hospital's funding policy provides that payments to the Plan shall be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus any additional amounts which may be approved by the Network.

**Savings Plan**

In 2007, St. Luke's Warren established a 401(k) plan for qualified employees. Contributions to this plan are based on a defined formula of 3% of an employee's contribution. St. Luke's Warren has recorded a reserve of \$711,140 for the year ended June 30, 2012. This liability is included in accrued compensation payable on the 2012 consolidated balance sheet.

**401(a) Plan**

All (non-St. Luke's Warren) employees hired before January 1, 2009 remain participants in the noncontributory defined benefit pension plan (see Pension Plan, above).

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

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

The Network has recorded a reserve of \$868,789 for the year ended June 30, 2012. This liability is included in accrued compensation payable on the 2012 consolidated balance sheet.

**Retirement Plan 401(k)**

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

**Pension Plan Financial Components**

The net pension cost for all Plans and Plan participants (including St. Luke's Warren for the period January 31, 2012 through June 30, 2012), during the years ended June 30, 2012 and 2011, includes the following components:

<b>Change in benefit obligation</b>	<b>2012</b>	<b>2011</b>
Benefit obligation at beginning of year	\$ 320,228,197	\$ 292,696,550
Warren obligation at beginning of year	58,606,215	-

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Service cost	16,916,986	17,144,457
Interest cost	20,517,526	17,620,584
Benefits paid	(8,803,724)	(4,859,198)
Actuarial loss (gain)	51,234,348	(2,374,196)
Plan amendment	(1,167,040)	-
Benefit obligation at end of year	<u>\$ 457,532,508</u>	<u>\$ 320,228,197</u>

<b>Change in plan assets</b>	<b>2012</b>	<b>2011</b>
Fair value of plan assets at beginning of year	\$ 224,569,725	\$ 158,542,226
Warren fair value of plan assets at beginning of year	35,894,490	-
Actual return on plan assets	6,555,118	37,568,633
Employer contributions	34,177,486	33,318,064
Benefits paid	(8,803,724)	(4,859,198)
Fair value of plan assets at end of year	<u>\$ 292,393,095</u>	<u>\$ 224,569,725</u>
Funded status at end of year	<u>\$ (165,139,413)</u>	<u>\$ (95,658,472)</u>

Amounts recognized in the statement of financial position consist of

	<b>2012</b>	<b>2011</b>
Noncurrent assets	\$ -	\$ -
Current liabilities	(320,000)	(2,235,000)
Noncurrent liabilities	<u>(164,819,413)</u>	<u>(93,423,472)</u>
Net amount recognized in statement of financial position	<u>\$ (165,139,413)</u>	<u>\$ (95,658,472)</u>

Amounts recognized in unrestricted net assets consist of

	<b>2012</b>	<b>2011</b>
Unrecognized Net loss (gain)	\$ 144,245,154	\$ 62,728,940
Transition obligation (asset)	-	-
Prior service cost (credit)	-	591,965
Accumulated other comprehensive income	<u>\$ 144,245,154</u>	<u>\$ 63,320,905</u>

The accumulated benefit obligation for all defined benefit pension plans was \$443,452,135 and \$272,009,702 at June 30, 2012 and 2011, respectively

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

	<b>2012</b>	<b>2011</b>
Projected benefit obligation	\$ 457,532,508	\$ 320,228,197
Accumulated benefit obligation	443,452,135	272,009,702
Fair value of plan assets	292,393,095	224,569,725

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

<b>Total pension benefit cost</b>	<b>2012</b>	<b>2011</b>
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Service cost	\$ 16,916,986	\$ 17,144,457
Interest cost	20,517,525	17,620,584
Expected return on plan assets	(20,387,261)	(13,215,056)
Amortization of net (gain) loss	4,016,828	6,640,135
Amortization of transition obligation (asset)	-	-
Amortization of prior service cost (credit)	230,849	310,635
Net periodic benefit cost	<u>\$ 21,294,927</u>	<u>\$ 28,500,755</u>
Curtailment loss	361,116	-
Settlement loss	1,270,005	-
Total pension cost	<u>\$ 22,926,048</u>	<u>\$ 28,500,755</u>

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

Net loss (gain)	\$ 65,682,380	\$ (26,727,773)
Amortization of loss (gain)	(5,286,833)	(6,640,135)
Amortization of transition obligation	-	-
Amortization of prior service cost	(591,965)	(310,635)
Total recognized in unrestricted net assets	<u>\$ 59,803,582</u>	<u>\$ (33,678,543)</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 82,729,630</u>	<u>\$ (5,177,788)</u>

The estimated net loss, transition obligation and prior service cost for the defined benefit pension plans that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$10,640,789, \$0 and \$0, respectively

Weighted-average assumptions used to determine benefit obligations at June 30, 2012

Discount rate	4.60%
Discount rate - Warren	4.64%
Rate of compensation increase	3.50%

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30, 2012

Expected long-term return on plan assets	8.00%
Rate of compensation increase	3.50%
Discount rate	6.13%
Discount rate - Warren	4.64%

Plan Assets

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The St. Luke's Pension Plans weighted-average asset allocations at June 30, 2012 and 2011, by asset category, are as follows

<b>Asset category</b>	<b>Plan Assets at June 30</b>	
	<b>2012</b>	<b>2011</b>
Equity securities	69 %	69 %
Debt securities	31 %	31 %
	<u>100 %</u>	<u>100 %</u>

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

***Equities***

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

***Fixed Income***

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

***Cash Equivalent, Money Market and Other Holdings***

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

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

**Cash Flows**

*Contributions*

The Network expects to contribute \$29,636,363 to its pension plans in the 2013 fiscal year

*Estimated Future Benefit Payments*

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

2013	\$ 9,786,435
2014	12,081,413
2015	13,505,858
2016	15,486,113
2017-2022	<u>125,297,945</u>
	<u>\$ 176,157,764</u>

The following table presents the Plan's financial instruments as of June 30, 2012, measured at fair value on a recurring basis using the fair value hierarchy defined in note 7

<b>June 30, 2012</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Total Fair Value</b>
Investments		
Money Market Funds	\$ 906,434	\$ 906,434
Government Securities	90,154,286	90,154,286
Common & Preferred Stock	<u>201,332,375</u>	<u>201,332,375</u>
Total Investments	<u>\$ 292,393,095</u>	<u>\$ 292,393,095</u>

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

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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#### 16. Insurance Coverage

Effective December 13, 2001, the Parent, established St. Luke's Health Network Insurance Company, a wholly-owned captive insurance company licensed by the State of Vermont providing claims-made coverage for professional and general liability coverages for the Network. St. Luke's converted its fronted captive to a risk retention group ("RRG") effective July 1, 2003. On January 1, 2005, the RRG was converted from a nonprofit risk retention group to a reciprocal risk retention group. As a reciprocal risk retention group, the St. Luke's Health Network Insurance Company is also permitted to provide primary medical professional liability coverage on an occurrence basis to independent physicians and physician's practices. Under this structure, each insured is a subscriber of the St. Luke's Health Network Insurance Company, a Reciprocal Risk Retention Group ("SLHNIC"). Only subscribers of the St. Luke's University Health Network will be issued Class A subscriber units. Class A Subscribers of SLHNIC maintain control over SLHNIC. At June 30, 2012 and June 30, 2011, the Network was covered through the SLHNIC by a Hospital Professional Liability policy, with primary limits of \$500,000 for each medical incident and \$2,500,000 in the aggregate and with Physicians Professional Liability coverage with primary limits of \$500,000 for each occurrence, and \$1,500,000 in the aggregate. SLHNIC also provides institutional subscribers with excess layer professional liability coverage on a claims-made basis. This coverage is provided for losses limited to \$4 million for each medical incident in excess of \$1 million with an annual aggregate of \$4 million. The reserve for malpractice claims maintained at June 30, 2012 and 2011 was approximately \$33,595,578 and \$28,341,585, and was estimated using a discount rate of 3.75% and 3.75%, respectively. The discount for Class A and Class B subscribers was \$4,314,809 and \$3,205,204 for June 30, 2012 and 2011, respectively.

Warren Risk Retention Group, Inc. provided St. Luke's Warren hospital professional liability and general liability coverage up to a limit of \$1 million per claim with an annual aggregate limit of \$3 million on a claims-made basis. Warren Risk Retention Group, Inc. also provides physicians' professional liability insurance on a claims-made basis to voluntary attending physicians working with the Hospital. Limits offered were \$500,000 per each claim with a \$1.5 million annual aggregate per physician in Pennsylvania or \$1 million per each claim with a \$3 million annual aggregate per physician in New Jersey. Losses from unasserted claims and incidents that may have occurred but have not been identified are accrued as of June 30, 2012 in the amount of \$3,305,776 and are included in self-insurance reserves in the accompanying consolidated balance sheets.

In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. This ASU requires that healthcare entities do not offset insurance recoveries against any related claim liabilities. This specifically applies to malpractice claims or similar contingent liabilities and is effective for the Hospital's year ended June 30, 2012. As a result of adopting this accounting pronouncement, St. Luke's University Health Network has recorded a receivable of approximately \$8,030,614 for expected insurance indemnifications and a related liability for the accrued claims in the individual financial statements of the hospitals. As permitted, the St. Luke's University Health Network balance sheet as of June 30, 2011 has not been restated to reflect the adoption of this accounting pronouncement.

The Network participates in the Medical Care Availability and Reduction of Error ("Mcare") Fund, which is a Pennsylvania governmentally authorized entity that for fiscal year 2012 covers claims above \$500,000 per medical incident up to \$1,500,000 aggregate per hospital/insured physician subject to Mcare Fund coverage, as applicable. The assessment for the Mcare Fund payable by the Network is based on the schedule of occurrence rates approved by the Insurance Commissioner of Pennsylvania for the Pennsylvania Professional Liability Joint Underwriting Association ("JUA") multiplied by the annual assessment percentage. The Network recognizes its assessment as expense in the period incurred.

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

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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The Network maintains accrued insurance reserves for its self-insured portion of expected workers' compensation claims of approximately \$5,881,595 and \$5,494,218 for the years ended June 30, 2012 and 2011, respectively. The impact of the discount was \$1,650,294 and \$1,173,570 for the years ended June 30, 2012 and 2011, respectively.

#### 17. Cullen Litigation and Regulatory Proceedings

St. Luke's Hospital was originally named in 28 Pennsylvania lawsuits alleging that patients were harmed or killed by Charles Cullen, a nurse who was employed by St. Luke's from June 2000 to June 2002. Twenty-two of those lawsuits were discontinued or dismissed without any payments to the plaintiffs. An additional lawsuit was dismissed by the plaintiffs without a trial. The plaintiffs in the five remaining lawsuits agreed to discontinue their cases against St. Luke's without a trial. With respect to all these cases, the Hospital denied any responsibility and vigorously defended itself. These matters are completed.

#### 18. Asset Retirement Obligations

In the year ended June 30, 2006, the Network adopted accounting guidance on Accounting for Conditional Asset Retirement Obligations. If a legal obligation to perform an asset retirement obligation exists but performance is conditional upon a future event, and the obligation can be reasonably estimated, then a liability should be recognized. Upon initial application of accounting regulatory guidance, the Network recognized \$3,486,249 of conditional asset retirement obligation included within our liabilities in the consolidated balance sheet. For the year ended June 30, 2012, the Network recognized \$7,805 in accretion and depreciation expense.

#### 19. Subsequent Events

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

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

The Network has performed an evaluation of subsequent events through December 20, 2012, which is the date the financial statements were available to be issued.

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Balance Sheet**  
**June 30, 2012**

	St Luke's University Health Network, Inc	St Luke's Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	St Luke's Warren Hospital	New Valley Rehab LLC
<b>Assets</b>									
Current									
Cash and cash equivalents		\$ 60,620,063	\$ 23,544	\$ 26,676	\$ 65		\$ 3,139,218	\$ 11,277,367	\$ 112,666
Investment in controlled entities	371,457,606								
Patient accounts receivable, net		126,545,429	8,261,017	12,090,525	666,736		5,594,783	11,122,446	13,017
Other accounts receivable		6,418,969	1,101,065	41,111	23,748		30,190	4,158,535	562,473
Investments		59,330,152		16,454				2,159	
Inventories		13,768,109		851,812			780,093	1,549,582	
Prepaid expenses		11,788,418	1,239,106	309,836	25,062		302,958	1,371,673	7,686
Total current assets	371,457,606	278,471,140	10,624,732	13,336,414	715,611	-	9,847,242	29,481,762	695,842
Assets limited as to use									
Funds held by trustee		8,982,865						1,086,969	
Under bond indenture		35,767,541						3,484,726	
Board designated funds		216,789,627		1,361,605				9,214	
	-	261,540,033	-	1,361,605	-	-	-	4,580,909	-
Property and equipment, net		479,798,460	12,442,530	22,904,951	375,653		17,383,027	60,901,420	710,345
Goodwill, net		43,466	3,105,913					13,251,400	7,657,419
Due from affiliates		54,084,225				2,958,591			
Investments temporarily restricted as to use		16,661,027		178,509	27,204		776,976	543,318	
Investments permanently restricted as to use		23,066,932		2,893,132			10,005	477,568	
Deferred financing costs		5,439,851						257,709	
Annuity contracts		8,999,001							
Other assets		19,656,539		232,739			212,078	2,672,245	35,821
Total assets	\$ 371,457,606	\$1,147,760,674	\$ 26,173,175	\$ 40,907,350	\$ 1,118,468	\$ 2,958,591	\$ 28,229,328	\$112,166,331	\$ 9,099,427

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Balance Sheet**  
**June 30, 2012**

**Schedule I**

	St Luke's Physician Group NJ	St Luke's Warren Hospital Foundation	Warren Healthcare Alliance PC	Hillcrest Emergency Services PC	Warren PA Professional Alliance PC	Warren Risk Retention Group, Inc	Hillcrest MSO, Inc	Two Rivers Enterprises Inc	Eliminations	Consolidated Totals
<b>Assets</b>										
Current										
Cash and cash equivalents		\$ 357 089	\$ 37 997	\$ 109 157	\$ 5 136	\$ 5 645 689	\$ 190 083	\$ 4 619		\$ 81 549 369
Investment in controlled entities									(371 457 606)	-
Patient accounts receivable net			776 168	724 165	8 142					165 802 428
Other accounts receivable	232 365	5 475	261 961	213 872	248 619	631 934	2 272 310	180 821	(5 955 530)	10 427 918
Investments		225 399				1 772 186				61 346 350
Inventories										16 949 596
Prepaid expenses	41 667	850	134 534		209	54 587		100		15 276 686
Total current assets	274 032	588 813	1 210 660	1 047 194	262 106	8 104 396	2 462 393	185 540	(377 413 136)	351 352 347
Assets limited as to use										
Funds held by trustee										10 069 834
Under bond indenture										39 252 267
Board designated funds										218 160 446
	-	-	-	-	-	-	-	-	-	267 482 547
Property and equipment net			51 265		6 334		19 644	1 657 453		596 251 082
Goodwill net			179 709							24 237 907
Due from affiliates									(57 042 816)	-
Investments temporarily restricted as to use										18 187 034
Investments permanently restricted as to use										26 447 637
Deferred financing costs										5 697 560
Annuity contracts										8 999 001
Other assets									(2 000 010)	20 809 412
Total assets	\$ 274 032	\$ 588 813	\$ 1 441 634	\$ 1 047 194	\$ 268 440	\$ 8 104 396	\$ 2 482 037	\$ 1 842 993	\$ (436 455 962)	\$ 1 319 464 527

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Balance Sheet**  
**June 30, 2012**

	St Luke's Health Network, Inc	Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	St Luke's Warren Hospital	New Valley Rehab LLC
<b>Liabilities and Net Assets</b>									
Current									
Accounts payable		\$ 38,228,228	\$ 2,013,378	\$ 652,477	\$ 20,900		\$ 655,418	\$ 10,581,037	\$ 20,357
Accrued salaries, wages and taxes		9,161,812	10,180,482	450,099			422,961	1,938,297	43,969
Accrued vacation		18,976,382	4,091,154	1,072,101	105,205		1,010,949	2,997,168	
Current portion of self insurance reserves		16,680,545						93,243	
Deferred income		2,930,323			12,534		345,452		
Advance from third-party payors		2,099,500		38,400			260,201		
Patient credit balances		9,957,861		1,647,565			625,960		
Current portion of long-term debt		12,583,360	55,853				5,390	275,604	184,969
Current portion of pension costs		5,043,745	676,106	251,871	101		51,279	1,048,308	
Accrued interest on long-term debt		7,413,822						1,060,775	
Other Current Liabilities		359,817		365,353			47,052	2,819,690	
Estimated third-party payor settlements		10,598,585		1,777,437			3,848,215	1,932,695	
<b>Total current liabilities</b>	<b>-</b>	<b>134,033,980</b>	<b>17,016,973</b>	<b>6,255,303</b>	<b>138,740</b>	<b>-</b>	<b>7,272,877</b>	<b>22,746,817</b>	<b>249,295</b>
Due to affiliates			64,666,669	6,785,039	4,716,525		5,847,626	81,945	8,376,162
Long-term debt, net of current portion		400,635,252	34,562				17,997	42,494,634	404,458
Asset retirement obligation		3,247,932		65,030			246,799		
Accrued compensation payable		121,049,880	16,226,537	6,044,916	2,415		1,230,701	25,159,395	
Self insurance reserves		33,866,562						45,926	
Other noncurrent liabilities		7,879,660		46,375			36,308	1,443,179	
Sw ap Contracts		83,210,652							
<b>Total liabilities</b>	<b>-</b>	<b>783,923,918</b>	<b>97,944,741</b>	<b>19,196,663</b>	<b>4,857,680</b>	<b>-</b>	<b>14,652,308</b>	<b>91,971,896</b>	<b>9,029,915</b>
Net assets									
Unrestricted net assets (liabilities)	324,113,369	354,932,075	(71,771,566)	18,522,453	(3,766,416)	2,958,591	12,614,269	19,982,395	69,512
Warren Beginning Unrestricted net assets	(808,846)							(808,846)	
Less Amounts due from affiliates		(33,682,373)							
<b>Net unrestricted net assets (liabilities)</b>	<b>323,304,523</b>	<b>321,249,702</b>	<b>(71,771,566)</b>	<b>18,522,453</b>	<b>(3,766,416)</b>	<b>2,958,591</b>	<b>12,614,269</b>	<b>19,173,549</b>	<b>69,512</b>
Temporarily restricted net assets	20,830,852	19,520,123		295,103	27,204		952,746		
Warren Beginning Temporary Restricted net assets	874,596							543,318	
Permanently restricted net assets	25,970,067	23,066,931		2,893,131			10,005		
Warren Beginning Permanent Restricted net assets	477,568							477,568	
<b>Total net assets (liabilities)</b>	<b>371,457,606</b>	<b>363,836,756</b>	<b>(71,771,566)</b>	<b>21,710,687</b>	<b>(3,739,212)</b>	<b>2,958,591</b>	<b>13,577,020</b>	<b>20,194,435</b>	<b>69,512</b>
<b>Total liabilities and net assets</b>	<b>\$ 371,457,606</b>	<b>\$1,147,760,674</b>	<b>\$ 26,173,175</b>	<b>\$ 40,907,350</b>	<b>\$ 1,118,468</b>	<b>\$ 2,958,591</b>	<b>\$ 28,229,328</b>	<b>\$112,166,331</b>	<b>\$ 9,099,427</b>

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Balance Sheet**  
**June 30, 2012**

**Schedule I**

	St Luke's Physician Group NJ	St Luke's Warren Hospital Foundation	Warren Healthcare Alliance PC	Hillcrest Emergency Services PC	Warren PA Professional Alliance PC	Warren Risk Retention Group, Inc	Hillcrest MSO, Inc	Two Rivers Enterprises Inc	Eliminations	Consolidated Totals
<b>Liabilities and Net Assets</b>										
Current										
Accounts payable			\$ 2 349 478	\$ 168 066	\$ 45 818		\$ 2 885 730		\$ (5 135 275)	\$ 52 485 612
Accrued salaries wages and taxes	17 857		314 475	879 128						23 409 080
Accrued vacation	4 952								-	28 257 911
Current portion of self insurance reserves						1 090 906				17 864 694
Deferred income										3 288 309
Advance from third-party payors										2 398 101
Patient credit balances										12 231 386
Current portion of long-term debt					107 642			21 695		13 234 513
Current portion of pension costs										7 071 410
Accrued interest on long-term debt										8 474 597
Other Current Liabilities		45 496	598 380		13 511	378 214		6 359 430	(3 689 126)	7 297 817
Estimated third-party payor settlements										18 156 932
Total current liabilities	22 809	45 496	3 262 333	1 047 194	166 971	1 469 120	2 885 730	6 381 125	(8 824 401)	194 170 362
Due to affiliates	251 223				4 479 191				(95 204 380)	-
Long-term debt net of current portion					1 002 919			1 024 515		445 614 337
Asset retirement obligation										3 559 761
Accrued compensation payable										169 713 844
Self insurance reserves						2 214 870				36 127 358
Other noncurrent liabilities					240 000	617 033				10 262 555
Swap Contracts										83 210 652
Total liabilities	274 032	45 496	3 262 333	1 047 194	5 889 081	4 301 023	2 885 730	7 405 640	(104 028 781)	942 658 869
Net assets										
Unrestricted net assets (liabilities)		176 363	(1 820 699)		(5 620 641)	3 803 373	(403 693)	(5 562 647)	(318 221 999)	330 004 739
Warren Beginning Unrestricted net assets									808 846	(808 846)
Less Amounts due from affiliates									33 682 373	-
Net unrestricted net assets (liabilities)	-	176 363	(1 820 699)	-	(5 620 641)	3 803 373	(403 693)	(5 562 647)	(283 730 780)	329 195 893
Temporarily restricted net assets		35 676							(20 830 852)	20 830 852
Warren Beginning Temporary Restricted net assets		331 278							(1 417 914)	331 278
Permanently restricted net assets									(25 970 067)	25 970 067
Warren Beginning Permanent Restricted net assets									(477 568)	477 568
Total net assets (liabilities)	-	543 317	(1 820 699)	-	(5 620 641)	3 803 373	(403 693)	(5 562 647)	(332 427 181)	376 805 658
Total liabilities and net assets	\$ 274 032	\$ 588 813	\$ 1 441 634	\$ 1 047 194	\$ 268 440	\$ 8 104 396	\$ 2 482 037	\$ 1 842 993	\$ (436 455 962)	\$ 1 319 464 527

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

	St Luke's Health Network, Inc	St Luke's Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	St Luke's Warren Hospital	New Valley Rehab LLC
<b>Assets</b>									
Current									
Cash and cash equivalents	\$ -	\$ 79,601,001	\$ 200,293	\$ 797,386	\$ 1,065	\$ -	\$ 2,126,149		
Investment in controlled entities	441,419,364								
Patent accounts receivable, net		106,639,906	8,443,769	11,095,525	693,026		4,380,932		
Other accounts receivable		3,654,223	198,370	40,384	23,086		81,468		
Investments		63,525,474		16,062					
Inventories		11,106,608		832,067			770,358		
Prepaid expenses		8,571,264	955,579	317,568	41,182		364,017		
Total current assets	441,419,364	273,098,476	9,798,011	13,098,992	758,359	-	7,722,924	-	-
Assets limited as to use									
Funds held by trustee		64,005,116							
Under bond indenture		34,289,421							
Board designated funds		221,541,294		1,533,660					
	-	319,835,831	-	1,533,660	-	-	-	-	-
Property and equipment, net		432,241,885	10,860,428	24,426,965	483,089		16,835,933		
Goodwill, net		68,466	7,268,246						
Due from affiliates		46,850,481				1,013,198			
Investments temporarily restricted as to use		16,686,303		153,837	1,698		683,838		
Investments permanently restricted as to use		21,279,548		1,690,199			9,905		
Deferred financing costs		5,541,791							
Annuity contracts		7,881,693							
Other assets		14,053,851		1,230,385		756,266	437,279		
Total assets	\$ 441,419,364	\$ 1,137,538,325	\$ 27,926,685	\$ 42,134,038	\$ 1,243,146	\$ 1,769,464	\$ 25,689,879	\$ -	\$ -

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

**Schedule I**

	St Luke's Physician Group NJ	St Luke's Warren Hospital Foundation	Warren Healthcare Alliance PC	Hillcrest Emergency Services PC	Warren PA Professional Alliance PC	Warren Risk Retention Group, Inc	Hillcrest MSO, Inc	Two Rivers Enterprises Inc	Eliminations	Consolidated Totals
<b>Assets</b>										
Current										
Cash and cash equivalents									\$ -	\$ 82 725 894
Investment in controlled entities									(441 419 364)	-
Patient accounts receivable net										131 253 158
Other accounts receivable										3 997 531
Investments										63 541 536
Inventories										12 709 033
Prepaid expenses										10 249 610
Total current assets	-	-	-	-	-	-	-	-	(441 419 364)	304 476 762
Assets limited as to use										
Funds held by trustee										64 005 116
Under bond indenture										34 289 421
Board designated funds										223 074 954
	-	-	-	-	-	-	-	-	-	321 369 491
Property and equipment net										
Goodwill net										484 848 300
Due from affiliates										7 336 712
Investments temporarily restricted as to use									(47 863 679)	-
Investments permanently restricted as to use										17 525 676
Deferred financing costs										22 979 652
Annuity contracts										5 541 791
Other assets										7 881 693
										16 477 781
Total assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (489 283 043)	\$ 1 188 437 858

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

	St Luke's Health Network, Inc	Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	St Luke's Warren Hospital	New Valley Rehab LLC
<b>Liabilities and Net Assets</b>									
<b>Current</b>									
Accounts payable	\$ -	\$ 40,114,383	\$ 1,641,890	\$ 483,905	\$ 16,354	\$ -	\$ 585,292		
Accrued salaries, wages and taxes		10,744,720	8,979,475	356,429			340,088		
Accrued vacation		18,478,546	3,551,231	1,015,437	99,198	-	1,055,227		
Current portion of self insurance reserves		14,129,862							
Deferred income		3,937,579			7,534				
Advance from third-party payors		2,099,500		38,400			260,201		
Patent credit balances		8,974,276		1,275,136			327,373		
Due to affiliates									
Current portion of long-term debt		11,129,292	51,829				5,051		
Current portion of pension costs		3,435,597	511,202	197,881	84		40,231		
Accrued interest on long-term debt		7,649,511							
Estimated third-party payor settlements		10,929,695		870,590			1,449,628		
Total current liabilities	-	131,622,961	14,735,627	4,237,778	123,170	-	4,063,091	-	-
Due to affiliates		84,558	56,480,411	12,684,202	4,414,752		7,882,129		
Long-term debt, net of current portion		400,299,518	90,435				23,414		
Asset retirement obligation		3,247,932		65,030			246,074		
Accrued compensation payable		82,454,333	12,268,859	4,749,156	2,023		965,553		
Self insurance reserves		28,687,901							
Other noncurrent liabilities		532,153		47,689			9,521		
Swap Contracts		58,546,276							
Total liabilities	-	705,475,632	83,575,332	21,783,855	4,539,945	-	13,189,782	-	-
<b>Net assets</b>									
Unrestricted net assets (liabilities)	395,746,165	424,152,277	(55,648,647)	17,392,973	(3,298,497)	1,769,464	11,378,595		
Less Amounts due from affiliates		(33,682,373)							
Net unrestricted net assets (liabilities)	395,746,165	390,469,904	(55,648,647)	17,392,973	(3,298,497)	1,769,464	11,378,595	-	-
Temporarily restricted net assets	22,693,547	20,313,241		1,267,011	1,698		1,111,597		
Permanently restricted net assets	22,979,652	21,279,548		1,690,199			9,905		
Total net assets (liabilities)	441,419,364	432,062,693	(55,648,647)	20,350,183	(3,296,799)	1,769,464	12,500,097	-	-
Total liabilities and net assets	\$ 441,419,364	\$ 1,137,538,325	\$ 27,926,685	\$ 42,134,038	\$ 1,243,146	\$ 1,769,464	\$ 25,689,879	\$ -	\$ -

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

**Schedule I**

	St Luke's Physician Group NJ	St Luke's Warren Hospital Foundation	Warren Healthcare Alliance PC	Hillcrest Emergency Services PC	Warren PA Professional Alliance PC	Warren Risk Retention Group, Inc	Hillcrest MSO, Inc	Two Rivers Enterprises Inc	Eliminations	Consolidated Totals
<b>Liabilities and Net Assets</b>										
Current										
Accounts payable									\$ -	\$ 42 841 824
Accrued salaries wages and taxes										20 420 712
Accrued vacation									-	24 199 639
Current portion of self insurance reserves										14 129 862
Deferred income										3 945 113
Advance from third-party payors										2 398 101
Patient credit balances										10 576 785
Due to affiliates										-
Current portion of long-term debt										11 186 172
Current portion of pension costs										4 184 995
Accrued interest on long-term debt										7 649 511
Estimated third-party payor settlements										13 249 913
Total current liabilities	-	-	-	-	-	-	-	-	-	154 782 627
Due to affiliates									(81 546 052)	-
Long-term debt net of current portion										400 413 367
Asset retirement obligation										3 559 036
Accrued compensation payable										100 439 924
Self insurance reserves										28 687 901
Other noncurrent liabilities										589 363
Sw ap Contracts										58 546 276
Total liabilities	-	-	-	-	-	-	-	-	(81 546 052)	747 018 494
Net assets										
Unrestricted net assets (liabilities)									(395 746 165)	395 746 165
Less Amounts due from affiliates									33 682 373	-
Net unrestricted net assets (liabilities)	-	-	-	-	-	-	-	-	(362 063 792)	395 746 165
Temporarily restricted net assets									(22 693 547)	22 693 547
Permanently restricted net assets									(22 979 652)	22 979 652
Total net assets (liabilities)	-	-	-	-	-	-	-	-	(407 736 991)	441 419 364
Total liabilities and net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (489 283 043)	\$ 1 188 437 858

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Statement of Operations**  
**Year Ended June 30, 2012**

	St Luke's Health Network, Inc	St Luke's Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	St Luke's Warren Hospital	New Valley Rehab LLC
Net patient service revenue		\$ 666 355 245	\$112 805 709	\$ 53 870 162	\$ 2 782 074	\$ 13 514	\$ 40 565 933	\$ 48 146 045	\$ 334 275
Other operating revenue and gains		17 581 092	776 902	1 681 093	78 603		476 950	766 891	
Net assets released from restrictions used for operations		1 517 026	224 364	9 469			9 820		
Equity in net income from controlled entities	35 388 991								
<b>Total revenue</b>	<b>35 388 991</b>	<b>685 453 363</b>	<b>113 806 975</b>	<b>55 560 724</b>	<b>2 860 677</b>	<b>13 514</b>	<b>41 052 703</b>	<b>48 912 936</b>	<b>334 275</b>
<b>Operating expenses</b>									
Salaries and employee benefits		330 989 804	121 132 130	27 438 123	2 585 012		22 616 414	24 556 049	160 324
Supplies and other		243 120 200	33 832 043	19 370 545	589 415		13 275 926	16 941 620	32 953
Depreciation and amortization		44 480 192	2 310 931	3 606 842	153 615		2 462 335	2 228 139	69 641
Interest		16 290 850	17 853	137 947	3 734			1 141 724	1 845
<b>Total expenses</b>	<b>-</b>	<b>634 881 046</b>	<b>157 292 957</b>	<b>50 553 457</b>	<b>3 331 776</b>	<b>-</b>	<b>38 354 675</b>	<b>44 867 532</b>	<b>264 763</b>
<b>Income (loss) from operations</b>	<b>35 388 991</b>	<b>50 572 317</b>	<b>(43 485 982)</b>	<b>5 007 267</b>	<b>(471 099)</b>	<b>13 514</b>	<b>2 698 028</b>	<b>4 045 404</b>	<b>69 512</b>
<b>Nonoperating gains (losses)</b>									
Support of Physician Practices		(35 954 579)	37 875 365	(1 092 186)			(828 600)		
Unrestricted investment income from assets limited as to use		7 791 697		(1 813)					
Realized gain (loss) on unrestricted investment		8 103 256		50 025					
Unrestricted gifts grants and bequests		107 599		(147 960)	4 225		5 850	240	
Unrestricted investment income from restricted net assets		276 602		(9 484)			(2 538)		
Unrestricted investment (loss) income		2 664 807				743 957	1 196	(337 922)	
Gain (loss) on disposal of property and equipment		(570 038)	31 316	(86 844)				500	
Restructuring Costs		(369 820)	(8 785)	(489)	(9)		(163 401)	(30 972)	
Pre-Acquisition/Merger Costs		(846 067)							
Donations to Other Organizations		(674 195)		(20 500)			(17 000)		
Unrealized gain (loss) on derivative		6 520 432							
Goodwill Impairment			(3 609 478)						
Gain on Retirement/Purchase of Bonds		88 334						(3 043 761)	
<b>Nonoperating gains</b>	<b>-</b>	<b>(12 861 972)</b>	<b>34 288 418</b>	<b>(1 309 251)</b>	<b>4 216</b>	<b>743 957</b>	<b>(1 004 493)</b>	<b>(3 411 915)</b>	<b>-</b>
<b>Excess (deficiency) of revenue and gains in excess of expenses</b>	<b>35 388 991</b>	<b>37 710 345</b>	<b>(9 197 564)</b>	<b>3 698 016</b>	<b>(466 883)</b>	<b>757 471</b>	<b>1 693 535</b>	<b>633 489</b>	<b>69 512</b>
Net assets released from restrictions used for purchase of property and equipment		1 345 310	3 651	84 411			67 671	95 608	
Net Asset Transfer To/From Affiliate		(19 390 280)						19 390 280	
Net assets released to Specific Purpose Fund									
Change in additional pension liability		(47 207 172)	(6 929 006)	(2 581 281)	(1 031)		(525 530)	(2 559 562)	
Warren Physician Practice Support								(1 464 806)	
Change in fair market value of total return SWAP		(31 184 808)							
Warren Beginning Unrestricted net assets								(808 846)	
Net unrealized gains on investments		(10 493 598)		(71 665)				(2 359)	
Extraordinary Gains/(Losses) principles						431 656			
<b>Total</b>	<b>35 388 991</b>	<b>(69 220 203)</b>	<b>(16 122 919)</b>	<b>1 129 481</b>	<b>(467 914)</b>	<b>1 189 127</b>	<b>1 235 676</b>	<b>15 283 804</b>	<b>69 512</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ 35 388 991</b>	<b>\$ (69 220 203)</b>	<b>\$(16 122 919)</b>	<b>\$ 1 129 481</b>	<b>\$ (467 914)</b>	<b>\$ 1 189 127</b>	<b>\$ 1 235 676</b>	<b>\$ 15 283 804</b>	<b>\$ 69 512</b>

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Statement of Operations**  
**Year Ended June 30, 2012**

**Schedule II**

	St Luke's Physician Group NJ	St Luke's Warren Hospital Foundation	Warren Healthcare Alliance PC	Hillcrest Emergency Services PC	Warren PA Professional Alliance PC	Warren Risk Retention Group, Inc	Hillcrest MSO, Inc	Two Rivers Enterprises Inc	Eliminations	Consolidated Totals
Net patient service revenue			\$ 1 817 529	\$ 2 674 106	\$ (5 342)		\$ (6 147)		\$ (576 170)	\$ 928 776 933
Other operating revenue and gains		150 202	5 495		9 499	488 255	1 078 800	31 500	(1 195 616)	21 929 666
Net assets released from restrictions used for operations										1 760 679
Equity in net income from controlled entities									(35 388 991)	-
Total revenue	-	150 202	1 823 024	2 674 106	4 157	488 255	1 072 653	31 500	(37 160 777)	952 467 278
<b>Operating expenses</b>										
Salaries and employee benefits		13 894	2 644 513	1 661 236	164		440 604			534 238 267
Supplies and other		82 555	1 068 245	1 012 870	66 038	284 853	239 366	82 006	(1 875 948)	328 122 687
Depreciation and amortization			18 988		3 598		6 584	29 915		55 370 780
Interest					22 204			36 101		17 652 258
Total expenses	-	96 449	3 731 746	2 674 106	92 004	284 853	686 554	148 022	(1 875 948)	935 383 992
Income (loss) from operations	-	53 753	(1 908 722)	-	(87 847)	203 402	386 099	(116 522)	(35 284 829)	17 083 286
<b>Nonoperating gains (losses)</b>										
Support of Physician Practices										-
Unrestricted investment income from assets limited as to use										7 789 884
Realized gain (loss) on unrestricted investment										8 153 281
Unrestricted gifts grants and bequests										(30 046)
Unrestricted investment income from restricted net assets			2 073 537		152 019		(214 498)		(2 174 059)	101 579
Unrestricted investment (loss) income		1 431				(64 102)	12 519		500 920	3 522 806
Gain (loss) on disposal of property and equipment										(625 066)
Restructuring Costs										(573 476)
Pre-Acquisition/Merger Costs										(846 067)
Donations to Other Organizations										(711 695)
Unrealized gain (loss) on derivative										6 520 432
Goodwill Impairment										(3 609 478)
Gain on Retirement/Purchase of Bonds										(2 955 427)
Nonoperating gains	-	1 431	2 073 537	-	152 019	(64 102)	(201 979)	-	(1 673 139)	16 736 727
Excess (deficiency) of revenue and gains in excess of expenses	-	55 184	164 815	-	64 172	139 300	184 120	(116 522)	(36 957 968)	33 820 013
Net assets released from restrictions used for purchase of property and equipment										1 596 651
Net Asset Transfer To/From Affiliate										-
Net assets released to Specific Purpose Fund		(35 676)								(35 676)
Change in additional pension liability										(59 803 582)
Warren Physician Practice Support								1 464 806		-
Change in fair market value of total return SWAP										(31 184 808)
Warren Beginning Unrestricted net assets										(808 846)
Net unrealized gains on investments		1 942								(10 565 680)
Extraordinary Gains/(Losses) principles										431 656
	-	21 450	164 815	-	64 172	139 300	184 120	(116 522)	(35 493 162)	(66 550 272)
Increase (decrease) in unrestricted net assets	\$ -	\$ 21 450	\$ 164 815	\$ -	\$ 64 172	\$ 139 300	\$ 184 120	\$ (116 522)	\$ (35 493 162)	\$ (66 550 272)

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

	St Luke's Health Network, Inc	St Luke's Hospital of Bethlehem, Pennsylvania	St Luke's Physician Group	St Luke's Quakertown Hospital	Emergency and Transport Services	Quakertown Rehabilitation Center	Miners Memorial Medical Center	St Luke's Warren Hospital	New Valley Rehab LLC
Net patient service revenue	\$ -	\$ 624 054 053	\$100 715 516	\$ 50 045 092	\$ 2 785 922	\$ 7 268	\$40 713 742		
Other operating revenue and gains		17 855 185	1 301 345	1 736 024	90 759		542 319		
Net assets released from restrictions used for operations		1 812 693	201 663	7 500			1 870		
Equity in net income from controlled entities	27 365 859								
Total revenue	27 365 859	643 721 931	102 218 524	51 788 616	2 876 681	7 268	41 257 931	-	-
<b>Operating expenses</b>									
Salaries and employee benefits		325 090 171	103 331 134	26 310 850	2 427 911		21 833 505		
Supplies and other		213 821 349	32 439 096	18 294 716	576 904		14 149 949		
Depreciation and amortization		37 233 755	1 964 666	3 776 499	177 459		2 764 542		
Interest		13 598 666	23 011	158 090	4 319				
Total expenses	-	589 743 941	137 757 907	48 540 155	3 186 593	-	38 747 996	-	-
Income (loss) from operations	27 365 859	53 977 990	(35 539 383)	3 248 461	(309 912)	7 268	2 509 935	-	-
<b>Nonoperating gains (losses)</b>									
Support of Physician Practices		(29 205 691)	30 496 740	(940 444)			(350 605)		
Unrestricted investment income from assets limited as to use		6 168 315		75 227					
Realized gain (loss) on unrestricted investment		(1 135 881)		(33 909)					
Unrestricted gifts grants and bequests		646 607		38 133	4 925		2 670		
Unrestricted investment income from restricted net assets		279 392		186 489			(1 320)		
Unrestricted investment (loss) income		2 743 889				1 300 570	4 675		
Gain (loss) on disposal of property and equipment		(60 428)							
Restructuring Costs		(53 363)		(397)			(219 369)		
Pre-Acquisition/Merger Costs		(1 364 005)							
Donations to Other Organizations		(367 420)	(200)	(54 500)					
Unrealized gain (loss) on derivative		(4 842 548)							
Gain on Retirement/Purchase of Bonds		153 950							
Nonoperating gains	-	(27 037 183)	30 496 540	(729 401)	4 925	1 300 570	(563 949)	-	-
Excess (deficiency) of revenue and gains in excess of expenses	27 365 859	26 940 807	(5 042 843)	2 519 060	(304 987)	1 307 838	1 945 986	-	-
Net assets released from restrictions used for purchase of property and equipment		6 330 380		105 915	34 000		575 348		
Extraordinary Gain on Sale of Ambulatory Surgery		13 058 999							
Change in additional pension liability		26 666 896	4 917 101	1 707 544	697		386 304		
Eighth & Eaton Professional Building L P Beginning Net Assets									
Change in fair market value of total return SWAP		9 127 758							
Net unrealized gains on investments		29 529 898		286 418					
Cumulative net effect of change in accounting principles		(72 643)	(2 706 407)		(2 974)				
	27 365 859	111 582 095	(2 832 149)	4 618 937	(273 264)	1 307 838	2 907 638	-	-
Increase (decrease) in unrestricted net assets	\$ 27 365 859	\$ 111 582 095	\$ (2 832 149)	\$ 4 618 937	\$ (273 264)	\$ 1 307 838	\$ 2 907 638	\$ -	\$ -

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

**Schedule II**

	St Luke's Physician Group NJ	St Luke's Warren Hospital Foundation	Warren Healthcare Alliance PC	Hillcrest Emergency Services PC	Warren PA Professional Alliance PC	Warren Risk Retention Group, Inc	Hillcrest MSO, Inc	Two Rivers Enterprises Inc	Eliminations	Consolidated Totals
Net patient service revenue									\$ (374 992)	\$ 817 946 601
Other operating revenue and gains										21 525 632
Net assets released from restrictions used for operations										2 023 726
Equity in net income from controlled entities									(27 365 859)	-
Total revenue	-	-	-	-	-	-	-	-	(27 740 851)	841 495 959
<b>Operating expenses</b>										
Salaries and employee benefits										478 993 571
Supplies and other									(374 990)	278 907 024
Depreciation and amortization										45 916 921
Interest										13 784 086
Total expenses	-	-	-	-	-	-	-	-	(374 990)	817 601 602
Income (loss) from operations	-	-	-	-	-	-	-	-	(27 365 861)	23 894 357
<b>Nonoperating gains (losses)</b>										
Support of Physician Practices										-
Unrestricted investment income from assets limited as to use										6 243 542
Realized gain (loss) on unrestricted investment										(1 169 790)
Unrestricted gifts grants and bequests										692 335
Unrestricted investment income from restricted net assets										464 561
Unrestricted investment (loss) income										4 049 134
Gain (loss) on disposal of property and equipment										(60 428)
Restructuring Costs										(273 129)
Pre-Acquisition/Merger Costs										(1 364 005)
Donations to Other Organizations										(422 120)
Unrealized gain (loss) on derivative										(4 842 548)
Gain on Retirement/Purchase of Bonds										153 950
Nonoperating gains	-	-	-	-	-	-	-	-	-	3 471 502
Excess (deficiency) of revenue and gains in excess of expenses	-	-	-	-	-	-	-	-	(27 365 861)	27 365 859
Net assets released from restrictions used for purchase of property and equipment										7 045 643
Extraordinary Gain on Sale of Ambulatory Surgery										13 058 999
Change in additional pension liability										33 678 542
Eighth & Eaton Professional Building L P Beginning Net Assets										
Change in fair market value of total return SWAP										9 127 758
Net unrealized gains on investments										29 816 316
Cumulative net effect of change in accounting principles										(2 782 024)
	-	-	-	-	-	-	-	-	(27 365 861)	117 311 093
Increase (decrease) in unrestricted net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (27 365 861)	\$ 117 311 093