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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

ST LUKE'S WARREN HOSPITAL, INC IS A COMMUNITY-BASED, INTEGRATED SYSTEM OF HEALTHCARE SERVICES THAT PARTNERS WITH ITS PHYSICIAN COLLEAGUES TO PROVIDE SUPERIOR PATIENT CARE PLEASE REFER TO THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT INCLUDED IN SCHEDULE O

2

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

☐ Yes ☒ 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 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 \$ 12,834,020 including grants of \$ 0) (Revenue \$ 10,431,063)

EXPENSES INCURRED IN PROVIDING VARIOUS MEDICALLY NECESSARY INPATIENT SURGERY 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

4b

(Code) (Expenses \$ 9,483,501 including grants of \$ 0) (Revenue \$ 7,927,634)

EXPENSES INCURRED IN PROVIDING VARIOUS MEDICALLY NECESSARY GENERAL INTERNAL MEDICINE 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

4c

(Code) (Expenses \$ 7,827,733 including grants of \$ 0) (Revenue \$ 13,053,211)

EXPENSES INCURRED IN PROVIDING VARIOUS MEDICALLY NECESSARY EMERGENCY DEPARTMENT 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

4d

Other program services (Describe in Schedule O)

(Expenses \$ 70,301,240 including grants of \$ 2,661,707) (Revenue \$ 82,197,208)

4e

Total program service expenses ▶ 100,446,494

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	13	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	8	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	NJ
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	THOMAS P LICHTENWALNER 801 OSTRUM STREET BETHLEHEM, PA (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. 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) JAMES R SWICK CHAIRMAN - TRUSTEE	1 0	X		X				0	0	0
(2) TONY DIBENEDETTO VICE CHAIRMAN - TRUSTEE	1 0	X		X				0	0	0
(3) JAMES F DEUTSCH TREASURER - TRUSTEE	1 0	X		X				0	0	0
(4) ROBERT E BARLOW TRUSTEE	1 0	X						0	0	0
(5) ROBERT FRIEDMAN MD TRUSTEE	1 0	X						5,000	0	0
(6) GWEN A JACOBS TRUSTEE	1 0	X						0	0	0
(7) THOMAS LICHTENWALNER TRUSTEE, SVP FINANCE/CFO	55 0	X						0	626,112	171,552
(8) ROBERT MARTIN TRUSTEE, EX-OFFICIO	55 0	X						0	493,622	72,760
(9) THOMAS J MCGINLEY TRUSTEE	1 0	X						0	0	0
(10) ROBERT RUMFIELD TRUSTEE	1 0	X						0	0	0
(11) KURT E SCHUMANN TRUSTEE	1 0	X						0	0	0
(12) DARIA STAROSTA DO TRUSTEE	55 0	X						0	184,263	17,465
(13) SCOTT R WOLFE TRUSTEE - PRESIDENT	55 0	X		X				0	289,949	16,835
(14) CARL M ALBERTO VP FINANCE	55 0			X				238,259	0	23,319
(15) MARK A SBLENDORIO VP LEGAL AFFAIRS	55 0			X				204,911	0	15,513
(16) EDWARD A GILKEY MD VP MEDICAL AFFAIRS	55 0			X				330,845	0	32,285
(17) ALICE J WILSON VP ADMINISTRATION	55 0			X				186,052	0	7,266

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	2,171,256	1,593,946	478,843

2 Total number of individuals (including but not limited to those listed in Item 1) who received or accrued more than \$100,000 of reportable compensation from the organization. **8**

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
ARAMARK HEALTHCARE , po box 651009 CHARLOTTE NC 282651009	FOOD SERVICE	860,562
QUALCARE INC , 30 KNIGHTSBRIDGE ROAD PISCATAWAY TOWNSHIP NJ 08854	MEDICAL	634,023
WARREN RADIOLOGY MRI LLC , 185 ROSEBERRY STREET PHILLIPSBURG NJ 08865	MEDICAL	492,040
WITHUMSMITHBROWN PC , 465 SOUTH STREET STE 200 MORRISTOWN NJ 07960	ACCOUNTING	452,406
A BETTER NIGHT'S SLEEP , 230 WESTCOTT STE 202 HOUSTON TX 77007	MEDICAL	439,518
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶16		

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	11,537			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	154,564			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		166,101			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 541900	113,145,713	113,145,713		
	b	OTHER HEALTHCARE RELATED REVENUE	541900	463,403	463,403		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		113,609,116			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		406,546		406,546
4		Income from investment of tax-exempt bond proceeds		34,495		34,495	
5		Royalties		0			
6a		Gross rents	(i) Real	(ii) Personal			
			158,847				
			158,847	0			
d		Net rental income or (loss)		158,847		158,847	
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
				21,612			
				21,612			
d		Net gain or (loss)		21,612		21,612	
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
b		Less direct expenses	b				
c		Net income or (loss) from fundraising events		0			
9a		Gross income from gaming activities See Part IV, line 19	a				
b		Less direct expenses	b				
c		Net income or (loss) from gaming activities		0			
10a		Gross sales of inventory, less returns and allowances	a				
b	Less cost of goods sold	b					
c	Net income or (loss) from sales of inventory		0				
	Miscellaneous Revenue	Business Code					
11a	CAFETERIA	722514	470,720			470,720	
b	ADULT DAY CARE	624410	499,197			499,197	
c							
d	All other revenue						
e	Total. Add lines 11a-11d		969,917				
12	Total revenue. See Instructions		115,366,634	113,609,116	0	1,591,417	

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).

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

☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	2,645,566	2,645,566		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	16,141	16,141		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	1,043,451	939,106	104,345	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	44,245,535	39,820,982	4,424,553	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	4,133,109	3,719,798	413,311	
9	Other employee benefits.	6,483,822	5,835,439	648,383	
10	Payroll taxes.	3,627,876	3,265,088	362,788	
11	Fees for services (non-employees):				
a	Management.	3,826	3,443	383	
b	Legal.	142,859	128,573	14,286	
c	Accounting.	301,363	271,227	30,136	
d	Lobbying.	36,041	32,437	3,604	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	1,242,779	1,118,501	124,278	
12	Advertising and promotion.	259,882	233,894	25,988	
13	Office expenses.	5,043,456	4,539,110	504,346	
14	Information technology.	113,933	102,540	11,393	
15	Royalties.	0			
16	Occupancy.	2,256,946	2,031,251	225,695	
17	Travel.	216,996	195,296	21,700	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	91,566	82,409	9,157	
20	Interest.	2,675,747	2,408,172	267,575	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	5,620,631	5,058,568	562,063	
23	Insurance.	1,173,970	1,056,573	117,397	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	MEDICAL SUPPLIES	17,733,978	15,960,580	1,773,398	0
b	PURCHASED SERVICES	7,712,188	6,940,969	771,219	0
c	OTHER SERVICES/SUPPORT	2,277,407	2,049,666	227,741	0
d	CONTRACTED SERVICES	2,099,072	1,889,165	209,907	0
e	All other expenses	113,333	102,000	11,333	
25	Total functional expenses. Add lines 1 through 24e.	111,311,473	100,446,494	10,864,979	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		2,915	1	4,465
	2	Savings and temporary cash investments		11,276,611	2	10,120,622
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		11,122,446	4	10,227,400
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		2,916,994	7	0
	8	Inventories for sale or use		1,549,582	8	2,020,034
	9	Prepaid expenses and deferred charges		1,371,673	9	1,345,949
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 150,672,672			
	b	Less accumulated depreciation	10b 91,001,848	60,901,420	10c	59,670,824
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		5,601,975	13	1,347,481
	14	Intangible assets		13,509,109	14	13,156,777
	15	Other assets See Part IV, line 11		3,913,606	15	7,090,118
	16	Total assets. Add lines 1 through 15 (must equal line 34)		112,166,331	16	104,983,670
Liabilities	17	Accounts payable and accrued expenses		16,564,810	17	17,624,094
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		42,150,000	20	39,320,162
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		620,238	23	331,967
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		32,636,848	25	7,328,045
	26	Total liabilities. Add lines 17 through 25		91,971,896	26	64,604,268
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		19,173,549	27	39,184,606
	28	Temporarily restricted net assets		543,318	28	717,228
	29	Permanently restricted net assets		477,568	29	477,568
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		20,194,435	33	40,379,402
	34	Total liabilities and net assets/fund balances		112,166,331	34	104,983,670

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	115,366,634
2	Total expenses (must equal Part IX, column (A), line 25)	2	111,311,473
3	Revenue less expenses Subtract line 2 from line 1	3	4,055,161
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	20,194,435
5	Net unrealized gains (losses) on investments	5	3,098
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	16,126,708
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	40,379,402

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	Yes	
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
3b	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)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization ST LUKE'S WARREN HOSPITAL INC	Employer identification number 22-1494454
---	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% 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 33¹/₃% 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 - Non-functionally integrated
- 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 supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

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

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

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage			
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2011 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			▶

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

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

Facts And Circumstances Test

Explanation

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization ST LUKE'S WARREN HOSPITAL INC	Employer identification number 22-1494454
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

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

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

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

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

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

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

Part II-A

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

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

	(a)	(b)
	Yes	No Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of		
a Volunteers?		No
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No
c Media advertisements?		No
d Mailings to members, legislators, or the public?		No
e Publications, or published or broadcast statements?		No
f Grants to other organizations for lobbying purposes?		No
g Direct contact with legislators, their staffs, government officials, or a legislative body?		No
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No
i Other activities?	Yes	36,041
j Total. Add lines 1c through 1i.		36,041
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?	No	
b If "Yes," enter the amount of any tax incurred under section 4912		
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912		
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, 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, LINES 1G AND 1I	DURING the year ended June 30, 2013 THE TAXPAYER PAID AN INDEPENDENT FIRM \$12,046 FOR LOBBYING CONSULTING SERVICES performed on behalf of the organization. IN ADDITION, THE ORGANIZATION IS A MEMBER OF THE NEW JERSEY HOSPITAL ASSOCIATION AND SECTION 508 HOSPITAL COALITION STRATEGIC HEALTHCARE WHICH ALL ENGAGE IN LOBBYING EFFORTS ON BEHALF OF THEIR MEMBER HOSPITALS. A PORTION OF THE DUES PAID TO THESE ORGANIZATIONS HAS BEEN ALLOCATED TO LOBBYING ACTIVITIES PERFORMED ON BEHALF OF THE ORGANIZATION. THIS ALLOCATION AMOUNTED TO \$23,995. 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, 2013 IS \$32,076.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization ST LUKE'S WARREN HOSPITAL INC	Employer identification number 22-1494454
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Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes☐ No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes☐ No	

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b

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

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

▶\$ _____

(ii) Assets included in Form 990, Part X

▶\$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

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 XIII and complete the following table

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

Part V

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	1,020,886	818,045	681,387	596,120	562,397
b Contributions					
c Net investment earnings, gains, and losses	173,910	202,841	136,658	85,267	33,723
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	1,194,796	1,020,886	818,045	681,387	596,120

2

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

a

Board designated or quasi-endowment

b

Permanent endowment 39 970 %

c

Temporarily restricted endowment 60 030 %

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

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,934,728		2,934,728
b Buildings		92,580,765	48,225,843	44,354,922
c Leasehold improvements		2,901,132	2,438,059	463,073
d Equipment		47,877,389	39,429,304	8,448,085
e Other		4,378,658	908,642	3,470,016
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				59,670,824

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

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
ENDOWMENT FUNDS	SCHEDULE D, PART V, QUESTION 4	RESTRICTED FUNDS ARE USED TO SUPPORT THE CHARITABLE ACTIVITIES AND PROGRAMS OF THE ORGANIZATION AND ITS AFFILIATES

Additional Data

Software ID:

Software Version:

EIN: 22-1494454

Name: ST LUKE'S WARREN HOSPITAL INC

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

1	(a) Description of Liability	(b) Book Value
	ACCRUED INTEREST PAYABLE	118,513
	DEPARTMENT OF JUSTICE,	771,109
	DUE TO AFFILIATES	1,530,649
	CURRENT PORTION OF PENSION COSTS	444,601
	EST THIRD-PARTY PAYOR SETTLEMENT	2,281,779
	UNPAID LOSS ADJUSTMENTS	1,700,006
	SELF INSURANCE RESERVES	902,595
	OTHER LIABILITIES	-421,207

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST LUKE'S WARREN HOSPITAL INC

Employer identification number
22-1494454

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			6,297,843	1,150,038	5,147,805	4 620 %
b Medicaid (from Worksheet 3, column a)			9,757,072	7,776,403	1,980,669	1 780 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			16,054,915	8,926,441	7,128,474	6 400 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			495,337	102,825	392,512	0 350 %
f Health professions education (from Worksheet 5)			3,294,108	1,655,974	1,638,134	1 470 %
g Subsidized health services (from Worksheet 6)			6,369,862	3,143,498	3,226,363	2 900 %
h Research (from Worksheet 7)			63,788	270	63,518	0 060 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			159,321	79,367	79,954	0 070 %
j Total Other Benefits			10,382,416	4,981,934	5,400,481	4 850 %
k Total. Add lines 7d and 7j			26,437,331	13,908,375	12,528,955	11 250 %

Part II

Community Building Activities

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

No

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

20,374,048

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

5,157,736

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

44,914,389

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

56,454,038

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-11,539,649

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.
☐ Cost accounting system ☒ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

9b

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

(owned 10% or more by officers, directors, trustees, key employees, and physicians—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—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	ST LUKE'S WARREN HOSPITAL INC 185 ROSEBERRY STREET PHILLIPSBURG,NJ 088651684 www.warrenhospital.org	X	X		X			X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

ST LUKE'S WARREN HOSPITAL INC

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes	
a ☒ A definition of the community served by the hospital facility			
b ☒ Demographics of the community			
c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☒ How data was obtained			
e ☒ The health needs of the community			
f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☒ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☒ The process for consulting with persons representing the community's interests			
i ☒ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>			
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes	
a ☒ Hospital facility's website			
b ☒ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b ☒ Execution of the implementation strategy			
c ☒ Participation in the development of a community-wide plan			
d ☒ Participation in the execution of a community-wide plan			
e ☒ Inclusion of a community benefit section in operational plans			
f ☒ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☒ Prioritization of health needs in its community			
h ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> 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		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? 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		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a ☒ Income level			
b ☒ Asset level			
c ☒ Medical indigency			
d ☒ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a ☒ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☒ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☒ Other (describe in Part VI)			
Billing and Collections			
15 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?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ 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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

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

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

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

9

Name and address	Type of Facility (describe)
1ST LUKE'S WARREN HEALTH & WELLNESS CTR 755 MEMORIAL PARKWAY PHILLIPSBURG,NJ 088651690	OUTPATIENT FACILITY
2THE SLEEP CTR AT ST LUKE'S WARREN HOSP 190 SOUTH GREENWOOD AVENUE EASTON,PA 18045	OUTPATIENT FACILITY
3HILLCREST PATIENT SERVICE CENTER 89 ROSEBERRY STREET PHILLIPSBURG,NJ 088651690	LABORATORY
4ST LUKE'S WARREN HOSP CTR FOR SLEEP MED 89 ROSEBERRY STREET PHILLIPSBURG,NJ 088651690	OUTPATIENT FACILITY
5THE BALANCE CENTER OF WARREN HOSPITAL 755 MEMORIAL PARKWAY BUILDING 100 PHILLIPSBURG,NJ 088651690	OUTPATIENT FACILITY
6WARREN HILLS PATIENT SERVICE CENTER 315 ROUTE 31 SOUTH WASHINGTON,NJ 078821714	LABORATORY
7COVENTRY FAMILY PRACTICE PATIENT SVC CTR 755 MEMORIAL PARKWAY UNIT 17 PHILLIPSBURG,NJ 088651690	OUTPATIENT FACILITY
8BELVIDERE PATIENT SERVICE CENTER 540 COUNTY LINE ROUTE 519 BELVIDERE,NJ 078232672	LABORATORY
9COMFORT ZONE 755 MEMORIAL PARKWAY BUILDING 302B PHILLIPSBURG,NJ 088651690	OUTPATIENT FACILITY
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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
COMMUNITY BENEFIT REPORT	SCHEDULE H, PART I, LINE 6A	Not applicable
FINANCIAL ASSISTANCE AND CERTAIN OTHER COMMUNITY BENEFITS AT COST	SCHEDULE H, PART I, LINE 7	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 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

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	SCHEDULE H, PART II	St Luke's Warren 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
BAD DEBT EXPENSE	SCHEDULE H, PART III, LINE 4	Bad debt expense was calculated using the organization's bad debt expense from its audited financial statements 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 \$116,300,000 and \$118,310,000 in 2013 and 2012, respectively The costs incurred to provide such care is determined using a cost to charge ratio and were approximately \$98,330,000 and \$98,440,000 for 2013 and 2012, respectively

Identifier	ReturnReference	Explanation
MEDICARE	SCHEDULE H, PART III, LINE 8	Medicare costs were derived from the Medicare cost report filed by the organization. Bad debt is community benefit and associated costs are includable on the Form 990, Schedule H, Part I. The organization feels that bad debt is community benefit and associated costs are includable on the Form 990, Schedule H, Part I. As outlined more fully below the organization believes that these services and related costs promote the health of the community as a whole and are rendered in conjunction with the organization's charitable tax-exempt purposes and mission in providing medically necessary healthcare services to all individual's in a non-discriminatory manner without regard to race, color, creed, sex, national origin, religion or ability to pay and consistent with the community benefit standard promulgated by the IRS. The community benefit standard is the current standard for a hospital for recognition as a tax-exempt and charitable organization under Internal Revenue Code ("IRC") 501(c)(3). The organization is recognized as a tax-exempt entity and charitable organization under 501(c)(3) of the IRC. Although there is no definition in the tax code for the term "charitable", a regulation promulgated by the department of the treasury provides some guidance and states that "[t]he term charitable is used in 501(c)(3) in its generally accepted legal sense," and provides examples of charitable purposes, including the relief of the poor or unprivileged, the promotion of social welfare, and the advancement of education, religion, and science. Note: it does not explicitly address the activities of hospitals. In the absence of explicit statutory or regulatory requirements applying the term "charitable" to hospitals, it has been left to the IRS to determine the criteria hospitals must meet to qualify as IRC 501(c)(3) charitable organizations. The original standard was known as the charity care standard. This standard was replaced by the IRS with the community benefit standard which is the current standard. Charity care standard In 1956, the IRS issued Revenue Ruling 56-185, which addressed the requirements hospitals needed to meet in order to qualify for IRC 501(c)(3) status. One of these requirements is known as the "charity care standard." Under the standard, a hospital had to provide, to the extent of its financial ability, free or reduced-cost care to patients unable to pay for it. A hospital that expected full payment did not, according to the ruling, provide charity care based on the fact that some patients ultimately failed to pay. The ruling emphasized that a low level of charity care did not necessarily mean that a hospital had failed to meet the requirement 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 funds 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.
DEBT COLLECTION POLICY	SCHEDULE H, PART III, LINE 9B	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 who meet a hardship exemption for the Affordable Care Act (ACA) may apply for Financial Assistance upon signing an attestation form of hardship eligibility. Patients receiving inpatient or high dollar outpatient services will be evaluated for Medical Assistance eligibility and ACA in order to qualify for the St. Luke's Hospital Financial Assistance Program. Individuals will not be eligible for financial assistance if Medical Assistance or ACA 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. Uninsured 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 ACA. 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 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, 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. 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.

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTIONS 1J, 5C & 6I	Not applicable
FACILITY INFORMATION	SCH H, PART V, SECTION B, QUESTIONS 3 & 4	THE COALITION OF HOSPITALS HELD FOUR SEPARATE PUBLIC MEETINGS IN THE LEHIGH VALLEY THAT INCLUDED MEMBERS OF THE ALLENTOWN AND BETHLEHEM BUREAUS OF HEALTH, MANY MEMBERS OF THE PUBLIC AND HEALTHCARE PROFESSIONALS INCLUDING THOSE NOT AFFILIATED WITH OUR HOSPITALS AS AN ACTIVE MEMBER OF THE HEALTH CARE COUNCIL OF THE LEHIGH VALLEY ("HCCLV"), ST LUKE'S HEALTH NETWORK WORKED IN COLLABORATION WITH FOUR OTHER REGIONAL, NON-PROFIT ACUTE AND POST-ACUTE CARE HOSPITALS AND THE DOROTHY RIDER POOL TRUST TO DEVELOP THE REGION'S COMMUNITY HEALTH NEEDS ASSESSMENT THE HOSPITAL PARTNERS OF THE HCCLV INCLUDE - SACRED HEART HEALTHCARE SYSTEM - LEHIGH VALLEY HEALTH NETWORK - ST LUKE'S UNIVERSITY HEALTH NETWORK - GOOD SHEPHERD REHABILITATION HOSPITAL - KIDSPEACE THE HCCLV'S APPROACH TO THE CHNA INCORPORATES BEST PRACTICE STANDARDS RECOMMENDED BY THE AMERICAN PUBLIC HEALTH ASSOCIATION ("APHA") AND THE ASSOCIATION FOR COMMUNITY HEALTH IMPROVEMENT ("ACHI") AND HAS ACTIVELY PARTNERED WITH MANY STAKEHOLDERS, COMMUNITY BASED ORGANIZATIONS AND COMMUNITY MEMBERS THE DOROTHY RIDER POOL TRUST REACHED OUT TO TWO COMMUNITY-BASED ORGANIZATIONS, THE HISPANIC CENTER LEHIGH VALLEY IN BETHLEHEM AND THE RESURRECTED COMMUNITY DEVELOPMENT CORPORATION IN ALLENTOWN, AS ORGANIZATIONS TRUSTED WITHIN EACH COMMUNITY TO HOST THE FORUMS THESE ORGANIZATIONS PUBLICIZED THE EVENTS AMONG STAKEHOLDERS, RECRUITED ATTENDEES, ORGANIZED REFRESHMENTS FROM LOCAL INDEPENDENT VENDORS, AND PROVIDED WELCOME AND INTRODUCTIONS AT THE START OF EACH FORUM

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTION 7	THE REQUIRED COMMUNITY HEALTH NEEDS ASSESSMENT ("CHNA") WAS COMPLETED AND MADE WIDELY AVAILABLE PRIOR TO FISCAL YEAR END JUNE 30, 2013 A MULTI-DISCIPLINARY TEAM MET AND THROUGH A RIGOROUS PROCESS AN IMPLEMENTATION PLAN WAS ADOPTED TO MEET CERTAIN OF THE IDENTIFIED UNMET NEEDS WHICH WERE WITHIN THE HOSPITAL'S MISSION AND ABILITY TO POSITIVELY IMPACT HOSPITALS ARE NOT REQUIRED TO, NOR CAN THEY MEET ALL UNMET NEEDS IN THE COMMUNITY ANY UNMET NEEDS NOT ADDRESSED BY THE ADOPTED IMPLEMENTATION PLAN ARE ALREADY BEING ADDRESSED IN THE SERVICE AREA BY THE HOSPITAL, OTHER HEALTHCARE PROVIDERS, GOVERNMENT, AND LOCAL NON-PROFIT ORGANIZATIONS, AMONGST OTHERS OUR PRIORITY UNMET NEEDS IN THE IMPLEMENTATION PLAN ARE INTEGRAL TO OUR COMMUNITY BENEFIT STRATEGY ST LUKE'S LEADERS CONTINUE TO MONITOR NEW PROGRAM DEVELOPMENTS AND SERVICES
FACILITY INFORMATION	SCH H, PART V, SECTION B, QUESTIONS 10,11,12H,16E,17E,18E,19C,19D,21&22	Not applicable

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTION 14G	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
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTION 20D	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 Uninsured 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	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 and 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.
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, QUESTION 3	As a not-for-profit entity, St. Luke's Warren 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	This organization serves diverse communities ranging from "Abbott School District" communities in Phillipsburg to more affluent suburban areas Warren Hospital is the second largest employer in Warren County This organization is committed to service for its communities, approximately 16% (inclusive of Medicaid) of its patients are underinsured and/or uninsured payer categories
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	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 three non-profit hospital campuses a 480-bed campus in Bethlehem, Pennsylvania, a 158 bed campus in Allentown, Pennsylvania and a 72-bed campus in Easton, Pennsylvania 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 Cancer Immunotherapies, L L C A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity is currently inactive St Luke's Airmed, L L C A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity is currently inactive St Luke's Homestar Services, L L C A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity provides outpatient services in Bethlehem, Pennsylvania St Luke's Windgap Property, L L C A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity is currently inactive Pocono MRI Imaging and Diagnostic Center, L L C A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity provides outpatient services in Bethlehem, Pennsylvania 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 Carbon-Schuylkill Community Hospital, Inc Carbon-Schuylkill Community Hospital, Inc is a 45-bed non-profit acute care hospital located in Coaldale, Pennsylvania Carbon-Schuylkill Community 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, Carbon-Schuylkill Community Hospital, Inc 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 St Luke's Warren Hospital Foundation, Inc St Luke's Warren Hospital 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 & Transport Services, Inc St Luke's Emergency & Transport Services, Inc is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 170(b)(1)(a)(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, L L C 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 pursu
STATE FILING OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART VI, QUESTION 7	Not applicable The entity and related provider organizations are located in New Jersey No community benefit report is filed with the state of New Jersey

Identifier	ReturnReference	Explanation
FACILITY REPORTING GROUP(S)	SCHEDULE H, PART VI, QUESTION 8	NOT APPLICABLE THE HOSPITAL HAS ONLY ONE HOSPITAL FACILITY REFLECTED IN PART V, SECTION A

**Grants and Other Assistance to Organizations,
Governments and Individuals in the United States**
Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

2012

Open to Public Inspection

ST LUKE'S WARREN HOSPITAL INC

22-1494454

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

[illegible]

- | | | | |
|----------|---|---|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table | | <u>1</u> |
| 3 | Enter total number of other organizations listed in the line 1 table | | |

Part III

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

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) EMPLOYEE AWARDS	35	16,141			

Part IV

Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), 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

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST LUKE'S WARREN HOSPITAL INC

Employer identification number
22-1494454

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account	☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☒ Compensation committee ☒ Independent compensation consultant ☒ Form 990 of other organizations	☐ Written employment contract ☒ Compensation survey or study ☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	4a	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		No
b	Any related organization?	5b		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	6a	Yes	
b	Any related organization?	6b	Yes	
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
COMPENSATION INFORMATION	PART VII AND SCHEDULE J	TAXABLE COMPENSATION REPORTED HEREIN IS DERIVED FROM 2012 FORMS W-2
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 3	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 2012 form W-2. Nontaxable Benefits Health and welfare benefits.
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 4A	THOMAS H. LITZ, FORMER OFFICER OF THE ORGANIZATION, RECEIVED A SEVERANCE PAYMENT IN THE AMOUNT OF \$297,712. THIS AMOUNT WAS INCLUDED IN HIS 2012 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES.
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 2012 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. THOMAS P. LICHTENWALNER, \$106,605.
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 2012 WHICH AMOUNTS WERE INCLUDED IN COLUMN B(II) HEREIN AND IN EACH INDIVIDUAL'S 2012 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 2012. THIS AMOUNT WAS INCLUDED IN THEIR RESPECTIVE 2012 FORM W-2 AND INCLUDED IN SCHEDULE J, PART II, COLUMN B(III), WHERE APPLICABLE.

Software ID:
Software Version:
EIN: 22-1494454
Name: ST LUKE'S WARREN HOSPITAL INC

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) 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 compensation				
THOMAS LICHTENWALNER	(i)	0	0	0	0	0	0	0
	(ii)	472,697	128,218	25,197	162,031	9,521	797,664	0
ROBERT MARTIN	(i)	0	0	0	0	0	0	0
	(ii)	369,812	100,126	23,684	43,251	29,509	566,382	0
DARIA STAROSTA DO	(i)	0	0	0	0	0	0	0
	(ii)	43,291	140,972	0	11,013	6,452	201,728	0
SCOTT R WOLFE	(i)	0	0	0	0	0	0	0
	(ii)	288,850	0	1,099	7,221	9,614	306,784	0
CARL M ALBERTO	(i)	237,503	0	756	7,239	16,080	261,578	0
	(ii)	0	0	0	0	0	0	0
MARK A SBLENDORIO	(i)	204,669	0	242	6,238	9,275	220,424	0
	(ii)	0	0	0	0	0	0	0
EDWARD A GILKEY MD	(i)	329,039	0	1,806	10,029	22,256	363,130	0
	(ii)	0	0	0	0	0	0	0
ALICE J WILSON	(i)	185,489	0	563	5,654	1,612	193,318	0
	(ii)	0	0	0	0	0	0	0
THOMAS C MCGINLEY JR MD	(i)	251,788	0	583	7,674	19,912	279,957	0
	(ii)	0	0	0	0	0	0	0
BLAISE P LATRIANO MD	(i)	200,505	0	687	6,111	24,244	231,547	0
	(ii)	0	0	0	0	0	0	0
JAMES A CAFFREY MD	(i)	199,283	0	450	6,074	25,671	231,478	0
	(ii)	0	0	0	0	0	0	0
THOMAS H LITZ	(i)	252,514	0	300,379	16,771	15,391	585,055	0
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
ST LUKE'S WARREN HOSPITAL INC

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Employer identification number
22-1494454

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A NJ HEALTHCARE FACILITIES FINANCING AUTHORITY	22-1987084	64579f3I5	06-06-2013	37,410,000	REFUNDING AUTHORITY'S REVENUE BOND		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	0							
2	Amount of bonds legally defeased	0							
3	Total proceeds of issue	37,410,000							
4	Gross proceeds in reserve funds	0							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrows	0							
7	Issuance costs from proceeds	661,903							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	0							
11	Other spent proceeds	0							
12	Other unspent proceeds	0							
13	Year of substantial completion	2013							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?	X							
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?	X							
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X						
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X							
b	Exception to rebate?		X						
c	No rebate due?		X						
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X							
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider	0							
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b	Name of provider	0							
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?	X							
7	Has the organization established written procedures to monitor the requirements of section 148?	X							

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	X							

Part VI

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

Identifier	Return Reference	Explanation
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Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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

OMB No 1545-0047
2012
Open to Public Inspection

Name of the organization
ST LUKE'S WARREN HOSPITAL INC

Employer identification number
22-1494454

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IVBusiness Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) THOMAS C MCGINLEY JR	FAMILY MEMBER - MCGINLEY	252,371	EMPLOYEE		No

Part VSupplemental Information

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

Identifier	Return Reference	Explanation
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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

2012

Open to Public Inspection

Name of the organization ST LUKE'S WARREN HOSPITAL INC	Employer identification number 22-1494454
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Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	St Luke's Warren Hospital ("SL-Warren") is a Joint Commission-accredited, not-for-profit 214-licensed bed acute care hospital located in Phillipsburg, Warren County, New Jersey, providing care primarily to residents of Warren and Hunterdon counties in New Jersey, and Easton, Northampton County, Pennsylvania The hospital annually provides care for more than 7,000 observations and admissions, 93,000 outpatients and 29,836 ED visits and is recognized by the IRS as an Internal Revenue Code Section 501(c)(3) tax-exempt organization Pursuant to its charitable purposes, SL-Warren 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 Founded in 1923, SL-Warren was acquired by nationally recognized St Luke's University Health Network in 2012 The Hospital provides patients with access to more than 231 physicians across 45 medical specialties The Hospital has earned Primary Stroke Center Designation (7/10) from the New Jersey Department of Health & Senior Services, and received Top Performer on Key Quality Measures status from The Joint Commission (10/12) for the second consecutive year SL-Warren continues to participate in the New Jersey Department of Health & Seniors Services public reporting initiative Performance improvement teams work to continuously improve the processes of care provided to patients suffering a heart attack, patients with pneumonia or heart failure and those undergoing surgical procedures The Hospital's specialty services include the following - cardiology - dermatology - emergency services - gastroenterology - general surgery - geriatric medicine - gynecologic oncology - infectious disease - nephrology - neurology - oncology/hematology - ophthalmology - otolaryngology/ENT - pain management - podiatry - psychiatry - pulmonology - rheumatology - sleep medicine - sports medicine, physical therapy and rehabilitation - surgical oncology - urology - women's health - wound care The Network has invested approximately \$2.8 million in technical and facility improvements at SL-Warren since 2012 These include \$445,600 for IT upgrades, \$410,950 for anesthesia technology, \$320,000 for nurse call system, \$218,600 for GE Telemetry, \$204,900 for C-arm, \$110,300 for digital radiology upgrade, \$662,350 for various other equipment upgrades and \$300,000 for facility improvements including roof replacement The Hospital has significantly expanded medical expertise through the addition of the following services - Direct access to gynecologic oncologists, - Direct access to highly trained cardiac team which includes experienced and skilled cardiologists, cardiac and vascular surgeons, interventional radiologists and electrophysiologists SL-Warren also provides The Comfort Zone, an adult medical day care center Care is provided for individuals 60 years and older, accounting for 6,400 annual visits to the Center for daily activities and medical monitoring Additionally, the Hospital provides LifeLine Emergency Response System for 200+ subscribers In keeping with its commitment to the communities it serves SL-Warren annually reaches more than 5,000 people through its community outreach endeavors The Hospital offers a variety of free screenings/services for community-run events throughout the year Community outreach, includes, but is not limited to, the following - Utilization of numerous media outlets to educate the community about health issues that may impact them, - Hosting more than 900 people at the SL-Warren Community Day on May 4, 2013 The event offered various free screenings such as cholesterol, bone density, hearing, balance, carotid artery, fall risk and blood pressure In addition, there were demonstrations provided by DaVinci Science Center, American Heart Association and Sleep Center Additional demonstrations focused on nutrition, CPR, sun safety, bike safety Free lunch and entertainment were provided,

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT CONTINUED	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	Mission ----- The mission of St Luke's Warren 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 The mission of St Luke's Warren Hospital is an unwavering commitment to excellence as we care for the sick and injured, educate physicians, nurses and other healthcare providers, and improve access to care in the communities we serve, regardless of a patient's ability to pay for their care Community Outreach ----- In keeping with its commitment to the communities it serves, SL-Warren annually reaches more than 5,000 people through its community outreach endeavors The Hospital offers a variety of free screenings/services for community-run events throughout the year Community outreach includes, but is not limited to, the following - Utilization of numerous media outlets to educate the community about health issues that may impact them, - Hosting more than 900 people at the SL-Warren Community Day on May 4, 2013 The event offered various free screenings such as cholesterol, bone density, hearing, balance, carotid artery, fall risk and blood pressure In addition, there were demonstrations provided by DaVinci Science Center, American Heart Association and Sleep Center Additional demonstrations focused on nutrition, CPR, sun safety, bike safety Free lunch and entertainment were provided, - Participation in three area health fairs, - Providing health seminars on various topics to more than 800 community members, - St Luke's Warren Speakers Bureau which provided nine programs to local groups, - Conducting the following eight health screenings at the Hospital for the general public memory, gait, prostate cancer, peripheral vascular, breast cancer, heel bone density, skin cancer and depression Additionally, monthly blood pressure screenings are provided in the Hospital lobby, - Sponsoring the following support groups Diabetes, Fibromyalgia, Celiac, Ostomy, Parkinson's, Bi-Polar, Grief, and Caregiver (partnering with Alzheimer's Association), - Offering three babysitting classes and four weight loss classes, - Osteoporosis exercise classes are offered twice a week, - Training 425 individuals in various skill sets including CPR, ACLS, AED, IV, EKG, Ventilator, Hemodynamic and Preceptor classes, - Hosting a memorial service for more than 75 family members who lost loved ones to cancer, - Providing free dental screenings to Phillipsburg school children, - The Emergency Department hosting an EMS recognition night for more than 80 attendees, - Providing 10,185 trips by the Express Run van, which transports seniors and disabled Warren County and Easton residents to and from the Hospital for outpatient services, - Enrolling 1,650 community members in Future Focus, a free program for those 55 and older - The Hospital activity pursues expanded relationships and health improvement advocacy with the communities it serves through various coalition-building activities including - Phillipsburg Leadership Team's bi-monthly breakfast meetings, the Hospital also hosts these meetings - Hospital employees volunteering 31 hours per month supporting and building partnerships with community organizations including United Way of Northern New Jersey, Rotary Club, Phillipsburg School District Business/Community Partnership, Avantor Community Action Panel The Hospital provides leadership and support to the Phillipsburg Chamber of Commerce and Warren County Regional Chamber of Commerce - Participating in reading programs at area schools for first and second grade students - Participation in community events such as local community days and the Ole Town Festival in Phillipsburg - Hospital employees supporting community non-profits such as the United Way, Stuff the Bus, Relay for Life, Salvation Army Angel Tree Program, Big Brothers and NORWESCAP Food Bank - Participation in national Kick Butts Campaign to raise awareness of the dangers of smoking - Hosting and subsidizing the local Meals on Wheels program - 70 employees and physicians supporting the Miller-keystone Blood Center drive, held three times each year

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 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 I, REVENUE & EXPENSE	PLEASE NOTE THAT THE BEGINNING BALANCES FOR REVENUE AND EXPENSES ARE BASED ON THE SHORT PERIOD 1/1/2012 - 6/30/2012 DUE TO THE FACT THAT THE TAXPAYER BECAME PART OF ST LUKE'S UNIVERSITY HEALTH NETWORK AND CHANGED ITS YEAR-END TO BE CONSISTENT WITH THE NETWORK

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, QUESTION 2	THOMAS J MCGINLEY & THOMAS C MCGINLEY JR - FAMILY RELATIONSHIP

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION A, QUESTIONS 6 & 7	ST LUKE'S HEALTH NETWORK, INC , AS THE SOLE MEMBER OF ST LUKE'S UNIVERSITY HOSPITAL, HAS THE ULTIMATE 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	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 TRUSTEES) 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 TRUSTEES 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.

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, TRUSTEES, 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 TRUSTEE DISCLOSES AN INTEREST THAT COULD GIVE RISE TO A CONFLICT, THE TRUSTEE'S POTENTIAL CONFLICT MAY BE DISCLOSED TO THE BOARD OF TRUSTEES, WHICH EVALUATES THE CONFLICT AND ITS POTENTIAL IMPACT ON THE TRUSTEE'S PARTICIPATION ON THE BOARD. AFTER CONSULTATION AND DISCUSSION, THE BOARD OF TRUSTEES 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	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 TRUSTEES. 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 TRUSTEES 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.

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 NEW JERSEY DEPARTMENT OF TREASURY STATEMENTS WERE INCLUDED WITH THE TAX-EXEMPT BOND PROSPECTUS WHICH WAS MADE AVAILABLE TO THE GENERAL PUBLIC FOR REVIEW

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 THIS ORGANIZATION OR 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 TRUSTEES

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 TRUSTEE MEMBERS, OFFICERS AND/OR TRUSTEES 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 TRUSTEES 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, PAID OFFICERS AND KEY EMPLOYEES, 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	THE AMOUNT OF FEDERAL FORMS 1099 REPORTED HEREIN REFLECT FORM 1099 PAYMENTS MADE FOR THE FIRST SIX MONTHS OF THE 2012 CALENDAR YEAR EFFECTIVE JULY 1, 2012 ST LUKE'S HOSPITAL OF BETHLEHEM, PA, A RELATED INTERNAL REVENUE CODE SECTION 501(C)(3) TAX-EXEMPT ORGANIZATION, ASSUMED THE ACCOUNTS PAYABLE FUNCTION FOR ALL AFFILIATES WITHIN ST LUKE'S UNIVERSITY HEALTH NETWORK, INCLUDING THIS ORGANIZATION ACCORDINGLY, ST LUKE'S HOSPITAL OF BETHLEHEM, PA MADE FORM 1099 PAYMENTS FOR THIS ORGANIZATION FOR THE SECOND HALF OF THE 2012 CALENDAR YEAR WHICH IS REFLECTED ON THAT 2012 FEDERAL FORM 990

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	CORE FORM, PART XI, QUESTION 9	OTHER CHANGES IN NET ASSETS OR FUND BALANCES INCLUDE - GAIN ON RETIREMENT/PURCHASE OF BONDS, \$1,088,875, - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASES OF PROPERTY AND EQUIPMENT, \$26,784, - OTHER CHANGES IN UNRESTRICTED NET ASSETS, (\$886,251), - TRANSFERS FROM AFFILIATES, NET, \$5,609,720, - CHANGE IN ADDITIONAL PENSION LIABILITY, \$10,113,670, - INCOME TRANSFER RECEIVED FROM UNRESTRICTED NET ASSETS - TEMPORARILY RESTRICTED, \$173,910

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, 2013 AND JUNE 30, 2012, 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)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ST LUKE'S WARREN HOSPITAL INC

Employer identification number
22-1494454

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) 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" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
See Additional Data Table							

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprrtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) EIGHTH & EATON 801 OSTRUM STREET BETHLEHEM, PA 18015 26-3017143	FINANCIAL VEHICLE	PA	BETHLEHEM					No			No	
(2) WIND GAP PROF 3435 WINCHESTER ROAD SUITE 30 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" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
See Additional Data Table									

Part V

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

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

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

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

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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

Yes

Yes

Yes

No

No

No

No

Yes

No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) WARREN PA PROFESSIONAL ALLIANCE INC	K	170,000	COST
(2) WARREN RISK RETENTION GROUP INC	K	160,741	COST
(3) WARREN PA PROFESSIONAL ALLIANCE INC	J,L	1,514,924	COST
(4) WARREN RISK RETENTION GROUP INC	Q	228,643	COST

Schedule R (Form 990) 2012

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

[illegible]

Software ID:

Software Version:

EIN: 22-1494454

Name: ST LUKE'S WARREN HOSPITAL INC

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	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

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	(i) Section 512(b)(13) controlled entity?	
								Yes	No
HILLCREST EMERGENCY SERVICES PC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 20-4429976	HEALTH SVCS	NJ	WARREN HOSPITAL	C CORP	6,720,933	1,624,893	100 000 %	Yes	
HILLCREST MANAGEMENT SERVICES ORG INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 22-2591084	BILLING & MGMT	NJ	N/A	C CORP					No
TWO RIVERS ENTERPRISES INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 52-1552606	REAL ESTATE	NJ	N/A	C CORP					No
WARREN PA PROFESSIONAL ALLIANCE INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 20-2652788	HEALTH SVCS	NJ	WARREN HOSPITAL	C CORP	243,662	137,732	100 000 %	Yes	
ST LUKE'S WARREN PHYSICIAN GROUP PC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 22-3837316	HEALTH SVCS	NJ	WARREN HOSPITAL	C CORP	9,958,409	2,031,048	100 000 %		
WARREN RISK RETENTION GROUP INC 185 ROSEBERRY STREET PHILLIPSBURG, NJ 08865 20-0250315	FINANCIAL VEHICLE	VT	WARREN HOSPITAL	C CORP	426,972	0	100 000 %	Yes	
ST LUKE'S EIGHTH & EATON HOLDINGS INC 801 OSTRUM STREET BETHLEHEM, PA 180151000 23-7192801	HEALTHCARE SVCS	PA	N/A	C CORP					No
ST LUKE'S HEALTH NETWORK INSURANCE COMP 801 OSTRUM STREET BETHLEHEM, PA 180151000 75-2993150	FINANCIAL VEHICLE	VT	N/A	C CORP					No
ST LUKE'S HOSP OF BETH PA AMBUL SURGERY 801 OSTRUM STREET BETHLEHEM, PA 180151000 23-3018850	inactive	PA	N/A	C CORP					No
ST LUKE'S PHYSICIAN HOSPITAL ORG 801 OSTRUM STREET BETHLEHEM, PA 180151000 23-2786818	HEALTHCARE SVCS	PA	N/A	C CORP					No

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

**Consolidated Financial Statements and
Supplemental Information
June 30, 2013 and 2012**

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

Index

June 30, 2013 and 2012

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of St. Luke's University Health Network, Inc. and its controlled entities (collectively, the "Network"), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statement of operations, changes in net assets and their cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Network's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Luke's University Health Network, Inc. and its controlled entities at June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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

Philadelphia, Pennsylvania
November 1, 2013

St. Luke's University Health Network, Inc. and Controlled Entities
Consolidated Balance Sheet
June 30, 2013 and 2012

	2013	2012
Assets		
Current		
Cash and cash equivalents	\$ 76,885,975	\$ 81,549,369
Patient accounts receivable, net of allowance for uncollectible accounts of \$64,108,720 and \$60,292,531, respectively	200,352,091	165,802,428
Other accounts receivable	7,922,929	10,427,918
Investments	64,339,935	61,346,350
Inventories	18,020,219	16,949,596
Prepaid expenses	17,939,420	15,276,686
Total current assets	385,460,569	351,352,347
Assets limited as to use, net of current portion		
Funds held by trustee	55,721,443	10,069,834
Under bond indenture	35,975,983	39,252,267
Board designated funds	245,808,543	218,160,446
	337,505,969	267,482,547
Property and equipment, net	618,382,126	596,251,082
Goodwill, net	31,836,348	24,237,907
Investments temporarily restricted as to use	23,246,639	18,187,034
Investments permanently restricted as to use	27,564,670	26,447,637
Deferred financing costs	6,872,570	5,697,560
Annuity contracts	11,497,695	8,999,001
Other assets	28,286,664	20,809,412
Total assets	\$ 1,470,653,250	\$ 1,319,464,527
Liabilities and Net Assets		
Current		
Accounts payable	\$ 57,821,988	\$ 52,485,612
Accrued salaries, wages and taxes	27,010,449	23,409,080
Accrued vacation and bonus	33,068,755	28,257,911
Current portion of self insurance reserves	19,059,744	17,864,694
Deferred income	3,744,655	3,288,309
Advance from third-party payors	2,398,101	2,398,101
Patient credit balances	18,312,107	12,231,386
Current portion of long-term debt	10,943,434	13,234,513
Current portion of accrued compensation payable	3,755,831	7,071,410
Accrued interest on long-term debt	8,625,460	8,474,597
Other Current Liabilities	5,576,580	7,297,817
Estimated third-party payor settlements	13,019,923	18,156,932
Total current liabilities	203,337,027	194,170,362
Long-term debt, net of current portion	509,838,008	445,614,337
Asset retirement obligation	3,560,486	3,559,761
Accrued compensation payable	90,139,947	169,713,844
Self insurance reserves	38,697,057	36,127,358
Swap contracts	66,942,036	83,210,652
Other noncurrent liabilities	10,987,224	10,262,555
Total liabilities	923,501,785	942,658,869
Net assets		
Unrestricted net assets	485,141,398	329,195,893
Temporarily restricted net assets	34,445,398	21,162,130
Permanently restricted net assets	27,564,669	26,447,635
Total net assets	547,151,465	376,805,658
Total liabilities and net assets	\$ 1,470,653,250	\$ 1,319,464,527

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, 2013 and 2012

	2013	2012
Revenues and gains		
Patient service revenue (net of contractual allowances and discounts)	\$1,183,242,414	\$1,015,069,652
Provision for bad debts	(100,673,411)	(86,292,719)
Net patient service revenue less provision for bad debts	1,082,569,003	928,776,933
Other operating revenue and gains	38,041,186	21,929,666
Net assets released from restrictions used for operations	1,439,002	1,760,679
Total revenue and gains	1,122,049,191	952,467,278
Operating expenses		
Salaries and employee benefits	616,820,978	534,238,267
Supplies and other	386,672,107	328,122,687
Depreciation and amortization	66,850,152	55,370,780
Interest	23,366,221	17,652,258
Total expenses	1,093,709,458	935,383,992
Income from operations	28,339,733	17,083,286
Nonoperating gains (losses)		
Unrestricted investment income from assets limited as to use	7,389,399	7,789,884
Realized gains/(losses) on unrestricted investment	1,105,410	8,153,281
Gifts, grants and bequests	214,059	(30,046)
Unrestricted investment income from restricted net assets	249,493	101,579
Unrestricted investment income, other	3,214,438	3,522,806
Loss on disposal of property and equipment	(38,336)	(625,066)
Restructuring costs	(974,968)	(573,476)
Pre-acquisition/merger costs	(138)	(846,067)
Donations to other organizations	(498,834)	(711,695)
Change in fair value of derivative instruments	2,006,392	6,520,432
Goodwill impairment	(547,850)	(3,609,478)
Gain/(loss) on retirement/purchase of bonds	1,088,875	(2,955,427)
Nonoperating gains	13,207,940	16,736,727
Excess of revenue and gains over expenses	41,547,673	33,820,013
Net assets released from restrictions used for purchase of property and equipment	1,799,151	1,596,651
Contribution of building	722,300	-
Other Changes in Unrestricted Assets	(886,251)	-
Gain/(loss) on sale of joint venture	(2,661,253)	431,656
Net assets released to specific purpose fund	(89,873)	(35,676)
Pension adjustment	72,293,018	(59,803,582)
Beginning unrestricted net assets	293,351	(808,846)
Change in unrealized gains on investments	16,065,163	(10,565,680)
Change in fair market value of interest rate swaps	26,862,226	(31,184,808)
Increase (decrease) in unrestricted net assets	\$ 155,945,505	\$ (66,550,272)

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, 2013 and 2012

	2013	2012
Unrestricted net assets		
Excess of revenue and gains over expenses	\$ 41,547,673	\$ 33,820,013
Beginning unrestricted net assets	293,351	(808,846)
Net assets contributed and released from restrictions used for purchase of property and equipment	1,799,151	1,596,651
Contribution of building	722,300	-
Gain on sale of joint venture	(2,661,253)	431,656
Net assets released to specific purpose fund	(89,873)	(35,676)
Pension adjustment	72,293,018	(59,803,582)
Other changes in unrestricted assets	(886,251)	-
Change in unrealized gains on investments	16,065,163	(10,565,680)
Change in fair market value of derivatives	26,862,226	(31,184,808)
Increase (Decrease) in unrestricted net assets	<u>155,945,505</u>	<u>(66,550,272)</u>
Temporarily restricted net assets		
Contributions received	11,927,550	440,546
Warren beginning temporary restricted net assets	-	331,278
Net realized/unrealized gains (losses) on investments	4,159,787	(429,597)
Net assets released from restrictions	(2,804,069)	(1,873,644)
Increase (Decrease) in temporarily restricted net assets	<u>13,283,268</u>	<u>(1,531,417)</u>
Permanently restricted net assets		
Contributions received	1,434,687	3,465,567
Warren beginning permanently restricted net assets	-	477,568
Net realized/unrealized losses on investments	(317,653)	(475,152)
Increase in permanently restricted net assets	<u>1,117,034</u>	<u>3,467,983</u>
Increase (Decrease) in net assets	<u>170,345,807</u>	<u>(64,613,706)</u>
Net assets		
Beginning of year	<u>376,805,658</u>	<u>441,419,364</u>
End of year	<u>\$ 547,151,465</u>	<u>\$ 376,805,658</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, 2013 and 2012

	2013	2012
Cash flows provided by operating activities		
Change in net assets	\$ 170,345,807	\$ (64,613,706)
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on disposal of equipment	38,336	625,066
Depreciation and amortization	66,850,152	55,370,780
Equity losses from joint ventures and partnerships	(47,530)	(2,555,743)
Change in unrealized losses on unrestricted investments	(16,065,163)	10,565,680
Net realized gain on restricted investments	(26,920)	(1,776,785)
Net unrealized (gain) loss on restricted investments	(3,924,384)	2,359,553
Net realized gain on unrestricted investments	(1,105,410)	(8,153,281)
Pension adjustments	(72,293,018)	59,803,582
Swap contracts	(16,268,616)	24,664,376
Other changes in unrestricted assets	886,251	-
Restricted contributions received	(13,362,237)	(3,906,114)
Change in cash due to changes in operating assets and liabilities		
Patient accounts receivable	(34,549,663)	(34,549,270)
Other receivables	2,504,989	(6,430,386)
Inventories	(1,070,623)	(4,240,563)
Prepaid expenses	(2,662,734)	(5,027,076)
Other assets	(20,931,557)	(21,548,594)
Accounts payable and accrued liabilities	232,107	56,922,753
Patient credit balances	6,080,721	1,654,601
Net estimated third-party payor settlements	(5,137,009)	4,907,019
Deferred income	456,346	(656,804)
Net cash provided by operating activities	<u>59,949,845</u>	<u>63,415,088</u>
Cash flows used by investing activities		
Purchases of property, plant and equipment	(82,692,062)	(165,013,682)
Proceeds from sale of equipment	1,095,762	309,023
Increase/(Decrease) in assets whose use is limited, net	(68,918,012)	62,040,225
Sales of investments, net	10,846,244	(13,082,605)
Net cash used in investing activities	<u>(139,668,068)</u>	<u>(115,747,039)</u>
Cash flows provided by (used in) financing activities		
Proceeds from issuance of long-term debt	105,716,853	51,281,490
Repayments of long-term debt	(1,874,261)	(3,727,177)
Repurchase of St. Luke's bonds	(42,150,000)	(305,000)
Proceeds from restricted contributions	13,362,237	3,906,113
Net cash provided by financing activities	<u>75,054,829</u>	<u>51,155,426</u>
Decrease in cash and cash equivalents	(4,663,394)	(1,176,525)
Cash and cash equivalents		
Beginning of year	81,549,369	82,725,894
End of year	<u>\$ 76,885,975</u>	<u>\$ 81,549,369</u>
Construction in progress included in accounts payable	<u>\$ 5,192,818</u>	<u>\$ 1,094,811</u>
Cash paid for interest	<u>\$ 24,620,607</u>	<u>\$ 17,318,509</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, 2013 and 2012

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
 - Pocono MRI Imaging & Diagnostic Center, 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
 - St Luke's Warren Physician Group

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

- 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. See Note 8 for additional information on investments in joint ventures and partnerships.

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 not-for-profit healthcare organizations.

Basis of Consolidation

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Investment Income

Investments 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.

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012.

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

	2013	2012
Interest and dividend income	\$ 8,659,603	\$ 9,544,811
Realized gains (losses) on sales of investments	\$ 2,718,903	\$ 11,337,892
Net unrealized (losses) gains on investments	\$ 16,065,163	\$ (10,565,680)

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 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

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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.

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 5.29% and 5.29%, respectively, in 2013 and 4.60% and 4.60%, respectively, in 2012.

In 2013, St. Luke's determined that the 2012 discounted reserves for reported and incurred-but-not-reported (IBNR) claims related to medical malpractice incidents was underestimated by \$886,251. As a result, an entry was posted to Accrued Insurance Reserves and Other Changes in Unrestricted Net Assets. Management has concluded that this error was immaterial to the current and prior periods.

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 and conditions have been met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use.

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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.

Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts

In 2011, the FASB issued a standard, Presentation and Disclosure of Patient Service Revenue, the Provision for Bad Debts, and Allowance for Doubtful Accounts. This guidance requires the Network to modify the presentation of its consolidated statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Additionally, the guidance requires enhanced disclosure about the Network's policies for recognizing revenue and assessing bad debts, patient service revenue (net of contractual allowances and discounts), and qualitative and quantitative information about changes in the allowance for doubtful accounts. This guidance has been adopted as of July 1, 2012.

Net Patient Service Revenue

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

Included in net patient service revenue are changes in liability adjustments from third party payors with an overall net favorable adjustment of \$5,137,010 for 2013 as compared to an unfavorable adjustment of \$4,907,019 for 2012.

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 inpatient revenue for fiscal year 2011. The cost of the assessment due to the state was \$13,617,226 and \$13,617,226 for years ended June 30, 2013 and 2012, respectively. The Network recognized additional net patient service revenue of \$4,509,682 and \$4,175,651 for the years ended June 30, 2013 and 2012, respectively, 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

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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 \$116,300,000 and \$118,310,000 in 2013 and 2012, respectively. The costs incurred to provide such care is determined using a cost to charge ratio and were approximately \$98,330,000 and \$98,440,000 for 2013 and 2012, 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 is a taxable reciprocal insurer.

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

St. Luke's Warren Physician Group, 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, St. Luke's Warren Physician Group, 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, St. Luke's Warren Physician Group, P.C. and Hillcrest Emergency Services, P.C. did not record a liability for Federal and state income taxes. Effective January 1, 2009, St. Luke's Warren Physician Group, 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 \$12.4 at June 30, 2013, 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, 2013.

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, 2013 and 2012. 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, 2013 and 2012.

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

3. Risks and Uncertainties

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

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, 2013 and 2012 was as follows:

	2013	2012
Medicare	21.8%	23.5%
Medical Assistance	9.1%	5.5%
Blue Cross/Highmark Blue Shield	20.7%	14.4%
Commercial/HMO/Other (includes Medicare HMO)	27.1%	30.9%
Self pay (includes balances of patients filing for Medicaid but not yet approved)	21.3%	25.7%
	<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.

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treatments, medical and dental mobile vans, health fairs, community-based medical clinics, and teen pregnancy counseling

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

6. Third-Party Agreements

For the years ended June 30, 2013 and 2012, 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.

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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 significant unobservable inputs used in the fair value measurement of the Network's total return swaps are discounted cash flow rates, underlying bond prices with little to no trading history and credit risk assumptions used to record any discount on the liability.

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, 2013, and 2012 are as follows

June 30, 2013				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investments				
Cash & Cash Equivalents	\$ 76,885,975	\$ -	\$ -	\$ 76,885,975
Money Market Funds	81,190,062	-	-	81,190,062
Government Securities	60,319,314	-	-	60,319,314
Corporate Bonds	26,907,579	-	-	26,907,579
Common & Preferred Stock	4,270,635	-	-	4,270,635
Mutual Funds	279,969,623	-	-	279,969,623
Total Investments	\$ 529,543,188	\$ -	\$ -	\$ 529,543,188
Derivative Financial Instruments				
Cost of Funds Hedge - Floating to Fixed Rate	\$ -	\$ 54,534,369	\$ -	\$ 54,534,369
Total Return Swap	-	-	12,407,667	12,407,667
Interest Rate Swaps-Liability	\$ -	\$ 54,534,369	\$ 12,407,667	\$ 66,942,036

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				
Cash & Cash Equivalents	\$ 81,549,369	\$ -	\$ -	\$ 81,549,369
Money Market Funds	25,723,702	-	-	25,723,702
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
Total Investments	\$ 455,012,937	\$ -	\$ -	\$ 455,012,937
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

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

	Interest Rate Swaps
<u>Fair Value, June 30, 2011</u>	<u>\$ 20,934,490</u>
Gains	(6,520,432)
<u>Fair Value, June 30, 2012</u>	<u>\$ 14,414,058</u>
Gains	(2,006,391)
<u>Fair Value, June 30, 2013</u>	<u>\$ 12,407,667</u>

All unrealized gains 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% equity 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 University Health Network holds a 40% equity interest in Royal HomeStar, LLC, which was organized on March 1, 2013 and provides durable medical equipment services.

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 \$3,560,578 and \$7,035,907 for the years ended June 30, 2013 and 2012, 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:

	2013	2012
Land	\$ 89,978,195	\$ 85,716,102
Buildings and improvements	631,808,261	594,423,554
Equipment	556,701,318	516,170,585
Parking garage	24,119,740	16,054,980
Total Property, Plant, & Equipment, gross	<u>1,302,607,514</u>	<u>1,212,365,221</u>
Less: Accumulated depreciation	<u>738,356,501</u>	<u>671,981,990</u>
Total Property, Plant & Equipment, net	<u>564,251,013</u>	<u>540,383,231</u>
Construction-in-progress (CIP)	<u>54,131,113</u>	<u>55,867,851</u>
Total Property, Plant & Equipment, net and CIP	<u>\$ 618,382,126</u>	<u>\$ 596,251,082</u>

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Depreciation expense was approximately \$64,174,862 and \$52,963,636 for the years ended June 30, 2013 and 2012, respectively. Interest that was capitalized was approximately \$1,913,364 and \$1,446,045 for the years ended June 30, 2013 and 2012, respectively.

Capital Leases

Included in fixed and movable equipment as of June 30, 2013 is approximately \$9,752,005 of assets purchased under capital lease agreements. Accumulated amortization of such assets approximates \$9,023,538 as of June 30, 2013.

10. Long-Term Debt

Long-term debt at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Quakertown General Authority - 1996A Pooled Financing Loan issued by the Quakertown General Authority at a variable rate	\$ 5,204,787	\$ 6,691,746
Hospital Revenue Bonds, Series 2007, issued by the Lehigh County General Purpose Authority	128,500,000	128,500,000
Hospital Revenue Bonds, Series 2008A, issued by Northampton County General Purpose Authority, net of unamortized discount	172,625,969	172,537,877
Hospital Revenue Bonds, Series 2010A, 2010B, 2010C, issued by Northampton County General Purpose Authority, net of unamortized premium	60,936,122	63,825,491
Hospital Revenue Bonds, Series 2012, issued by New Jersey Health Care Facilities Financing Authority		42,150,000
Hospital Revenue Bonds, Series 2013A & 2013B, issued by Northampton County General Purpose Authority, net of unamortized premium	65,496,322	
Hospital Refunding Bonds, Series 2013, issued by New Jersey Health Care Facilities Financing Authority, net of unamortized premium	39,320,162	
TD Bank, N A Note Payable	25,890,845	27,505,583
Wells Fargo Equipment Finance, Inc	19,896,774	8,282,091
Various notes and mortgage notes payable at various interest rates	2,910,461	9,356,062
	<u>520,781,442</u>	<u>458,848,850</u>
Less: Current portion	10,943,434	13,234,513
	<u>\$ 509,838,008</u>	<u>\$ 445,614,337</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

Fiscal Year	Long-Term Debt
2014	10,943,434
2015	11,246,504
2016	11,846,720
2017	11,061,732
2018	10,160,227
2019	9,654,543
Thereafter	455,581,135
	<u>520,494,295</u>
Less Amount of unamortized bond discount/premium/imputed interest	(287,147)
	<u>\$ 520,781,442</u>

The fair market value of outstanding debt as of June 30, 2013 is as follows

	Par Amount	Fair Market Value
Quakertown General Authority 1996A Pooled Financing Loan	5,204,787	5,204,787
Series 2007	127,240,000	106,098,105
Series 2008	175,000,000	182,399,195
Series 2010	60,675,000	64,694,636
Series 2013 (St Luke's Warren)	37,410,000	35,711,459
Series 2013	65,000,000	64,716,650
	<u>\$ 470,529,787</u>	<u>\$ 458,824,832</u>

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

	Par Amount	Fair Market Value
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 the Network's bonds at June 30, 2013 and 2012 is approximately \$459 million and \$387 million respectively, versus the outstanding principal at June 30, 2013 and 2012 of \$472 million and \$414 million, respectively. The fair value of the bonds is estimated using market prices, where available. If

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quoted market prices are not available, fair values are based on quoted market prices of comparable instruments

The Network reported long-term debt of \$509,838,008 and \$445,614,337 for years ended June 30, 2013 and 2012, respectively. The Network's long term debt would be classified as level 2.

Quakertown General Authority – 1996A Pooled Financing Loan

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

The proceeds from the borrowings on the 1996A Bond Pool were used to refinance previous borrowings from the Quakertown Variable Rate Demand Bond Pool Series 1995 and to finance certain capital improvement projects. The term of the Loan is 238 months, payable in full by January 1, 2017 and will bear interest at a variable rate. At June 30, 2013 and 2012, 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.

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Term Bonds	Spread above 67% of the Three-Month LIBOR Rate
\$110,420,000 Variable, due 8/15/2033 original	92 basis points
\$49,600,000 due 8/15/2027 after redemption	
\$155,890,000 Variable, due 8/15/2042 original	102 basis points
\$78,900,000 due 8/15/2038 after redemption	

Interest is computed on the basis of a 365-day 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.

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.

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

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

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Hospital Revenue Bonds, Series 2010

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

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

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

Hospital Revenue Bonds, Series 2013

On June 27, 2013 the Northampton County General Purpose Authority issued \$65,000,000 of its Hospital Revenue Bonds. Which consists of \$25,000,000 in Series A aggregate principal and \$40,000,000 in Series B aggregate principal with a variable rate. Issued pursuant to a Loan and Trust Agreement by the Authority, SLH and the Bank of New York Mellon Trust, under the Trust Agreement SLH is obligated to make payments to the trustee as assignee of the Authority.

The Series 2013 Bonds were issued to provide a portion of the funds for a project "the 2013 project" consisting of 200 bed expansion of the hospital located at the Anderson Campus, the construction of an administration building at the Anderson Campus, the funding of various capital projects for general SLH purpose, including without limitations, renovations, repairs and acquisitions of related outpatient facilities in Northampton County and Lehigh County, Pennsylvania. Also reimbursement of any cost referred to in clauses, the payment of certain cost and expense in connection with the issuance of the 2013 Bonds.

Hospital Refunding Bonds, Series 2013

On June 6, 2013 the New Jersey Health Care Facilities Financing Authority issued \$37,410,000 of Refunding Bonds, St Luke's Warren Hospital Obligated group. The proceeds of the 2013 Bonds to St Luke's Warren Hospital is for the purpose of paying a portion of the cost of a project consisting generally of the current refunding of all the Authority's Revenue Bonds. St Luke's Warren Hospital Issue Series 2012 and the payment of certain cost incidental to the issuance and sale of the Series 2013 Bonds.

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11. Derivative Financial Instruments

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

At June 30, 2013, 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, 2013, three total return swaps were outstanding. In December 2007, St. Luke's executed a total return swap on a \$76 million portion of the outstanding Series 2007, 2042 term bond. In September 2009, St. Luke's executed a total return swap on a \$24 million portion of the outstanding Series 2007, 2033 term bond. Pursuant to these agreements, St. Luke's has guaranteed a price of 95.50% and 99.5%, respectively, on the underlying Bonds. St. Luke's has the right to call and redeem these bonds at any time as fully described in the Series 2007 Fifth Supplemental Trust Indenture. The swaps are recorded at the fair market value on the balance sheet and changes in value are posted through the excess of revenues and gains over expenses. In April 2010, St. Luke's executed a total return swap on a \$34.93 million portion of the outstanding Series 2010, 2032 term bond.

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Purchase of property and equipment	\$ 8,729,970	\$ 1,373,915
Health education	11,074,247	8,334,962
Research and development	169,917	152,088
Unrealized gains on restricted net assets for health care services	14,471,264	11,301,165
	<u>\$ 34,445,398</u>	<u>\$ 21,162,130</u>

Permanently restricted net assets at June 30, 2013 and 2012 were restricted to:

	2013	2012
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>\$ 27,564,669</u>	<u>\$ 26,447,635</u>

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Endowments

The Network's endowment consists of approximately \$27,564,669 individual donor restricted endowment funds and \$64,749,913 board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Network and the donor restricted endowment fund
- (3) General economic conditions
- (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, 2013 delineated by net asset class and donor-restricted versus Board-designated funds:

St. Luke's University Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
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Endowment net asset composition by type of fund as of June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 34,445,398	\$ 27,564,669	\$ 62,010,067
Board-designated endowment funds	\$64,749,913			64,749,913
	<u>\$64,749,913</u>	<u>\$ 34,445,398</u>	<u>\$ 27,564,669</u>	<u>\$126,759,980</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

Changes in endowment net assets for the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 56,680,951	\$ 21,162,130	\$ 26,447,635	\$104,290,716
Investment return				
Investment income	1,827,048	19,230	1,279,955	3,126,233
Net depreciation (realized and unrealized)	6,056,630	(3,217)	3,954,522	10,007,935
Total Investment return	<u>7,883,678</u>	<u>16,013</u>	<u>5,234,477</u>	<u>13,134,168</u>
Gifts	201,284	11,927,550	1,434,686	13,563,520
Income released to General Fund for operations	-	(2,704,690)	(1,597,607)	(4,302,297)
Transfer balance of net depreciation to unrestricted	-	3,954,522	(3,954,522)	-
Other Miscellaneous Transfers	(16,000)	89,873	-	73,873
Endowment net assets, end of year	<u>\$ 64,749,913</u>	<u>\$ 34,445,398</u>	<u>\$ 27,564,669</u>	<u>\$126,759,980</u>

St. Luke's University Health Network, Inc. and Controlled Entities
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Changes in endowment net assets for the year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 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)	(1,008,622)	(28,840)	(553,928)	(1,591,390)
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	-
	(200,000)	-	200,000	-
Endowment net assets, end of year	<u>\$ 56,680,951</u>	<u>\$ 21,162,130</u>	<u>\$ 26,447,635</u>	<u>\$104,290,716</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	\$ 27,378,173
Mortgage Endowment	186,496
Total endowment assets classified as permanently restricted net assets	<u>\$ 27,564,669</u>

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, 2013 and 2012.

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.

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012 was approximately \$18,475,539 and \$11,250,548, respectively.

At June 30, 2013, the annual and total future minimum lease payments under noncancelable operating leases were as follows:

	Operating
2014	16,039,948
2015	14,363,299
2016	13,919,608
2017	12,083,915
2018	10,085,340
Later Years	36,806,218
Total minimum payments	<u>103,298,328</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.

St. Luke's University Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
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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:

	2013	2012
Health care services	\$ 984,423,065	\$ 841,891,867
General and administrative	109,286,393	93,492,125
	<u>\$ 1,093,709,458</u>	<u>\$ 935,383,992</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 estimates that pension liabilities will decrease by about \$56 million as a result of this change.

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 \$276,674 for the year ended June 30, 2013. This liability is included in accrued compensation payable on the 2013 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).

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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

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

The Network has recorded a reserve of \$1,322,367 for the year ended June 30, 2013. This liability is included in accrued compensation payable on the 2013 consolidated balance sheet.

Retirement Plan 401(k)

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

Pension Plan Financial Components

The net pension cost for all Plans and Plan participants, during the years ended June 30, 2013 and 2012, includes the following components:

Change in benefit obligation	2013	2012
Benefit obligation at beginning of year	\$ 457,532,508	\$ 378,834,412
Service cost	18,069,251	16,916,986
Interest cost	20,851,931	20,517,526
Benefits paid	(9,155,008)	(8,803,724)
Actuarial loss (gain)	(46,303,688)	51,234,348
Plan amendment	-	(1,167,040)
Benefit obligation at end of year	<u>\$ 440,994,994</u>	<u>\$ 457,532,508</u>
Change in plan assets	2013	2012
Fair value of plan assets at beginning of year	\$ 292,393,095	\$ 260,464,215
Actual return on plan assets	39,611,235	6,555,118
Employer contributions	38,858,573	34,177,486
Benefits paid	(9,155,008)	(8,803,724)
Fair value of plan assets at end of year	<u>\$ 361,707,895</u>	<u>\$ 292,393,095</u>
Funded status at end of year	<u>\$ (79,287,099)</u>	<u>\$ (165,139,413)</u>

St. Luke's University Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
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Amounts recognized in the statement of financial position consist of

	2013	2012
Noncurrent assets	\$ -	\$ -
Current liabilities	(305,103)	(320,000)
Noncurrent liabilities	(78,981,996)	(164,819,413)
Net amount recognized in statement of financial position	<u>\$ (79,287,099)</u>	<u>\$ (165,139,413)</u>

Amounts recognized in unrestricted net assets consist of

	2013	2012
Unrecognized Net loss (gain)	\$ 72,073,536	\$ 144,245,154
Transition obligation (asset)	-	-
Prior service cost (credit)	-	-
Accumulated other comprehensive income	<u>\$ 72,073,536</u>	<u>\$ 144,245,154</u>

The accumulated benefit obligation for all defined benefit pension plans was \$432,575,542 and \$443,452,135 at June 30, 2013 and 2012, respectively

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

	2013	2012
Projected benefit obligation	\$ 440,994,994	\$ 457,532,508
Accumulated benefit obligation	432,575,542	443,452,135
Fair value of plan assets	361,707,895	292,393,095

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

	2013	2012
Total pension benefit cost		
Service cost	\$ 18,069,251	\$ 16,916,986
Interest cost	20,851,931	20,517,525
Expected return on plan assets	(24,384,094)	(20,387,261)
Amortization of net (gain) loss	10,640,789	4,016,828
Amortization of transition obligation (asset)	-	-
Amortization of prior service cost (credit)	-	230,849
Net periodic benefit cost	<u>\$ 25,177,877</u>	<u>\$ 21,294,927</u>
Curtailment loss	-	361,116
Settlement loss	-	1,270,005
Total pension cost	<u>\$ 25,177,877</u>	<u>\$ 22,926,048</u>

St. Luke's University Health Network, Inc. and Controlled Entities
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

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

	2013	2012
Net loss (gain)	\$ (61,530,829)	\$ 65,682,380
Amortization of loss (gain)	(10,640,789)	(5,286,833)
Amortization of transition obligation	-	-
Amortization of prior service cost	-	(591,965)
Total recognized in unrestricted net assets	<u>\$ (72,171,618)</u>	<u>\$ 59,803,582</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ (46,993,741)</u>	<u>\$ 82,729,630</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 \$1,531,789, \$0 and \$0, respectively

Weighted-average assumptions used to determine benefit obligations at June 30, 2013

Discount rate	5.29%
Discount rate - Warren	5.05%
Rate of compensation increase	3.50%

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30, 2013

Expected long-term return on plan assets	8.00%
Rate of compensation increase	3.50%
Discount rate	4.60%
Discount rate - Warren	4.64%

The St. Luke's Pension Plans weighted-average asset allocations at June 30, 2013 and 2012, by asset category, are as follows

	Plan Assets at June 30	
Asset category	2013	2012
Equity securities	73 %	69 %
Debt securities	27 %	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.

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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 is 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.

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 \$21,620,121 to its pension plans in the 2014 fiscal year.

Estimated Future Benefit Payments

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

2014	\$ 11,142,044
2015	13,839,000
2016	15,393,000
2017	17,188,000
2018	20,851,123
2019-2023	124,268,000
Total	<u>\$ 202,681,167</u>

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

The following table presents the Plan's financial instruments as of June 30, 2013, measured at fair value on a recurring basis using the fair value hierarchy defined in note 7

	Quoted Prices in Active Markets (Level 1)	Total Fair Value
June 30, 2013		
Investments		
Money Market Funds	\$ 965,739	\$ 965,739
Government Securities	95,237,409	95,237,409
Common & Preferred Stock	265,504,747	265,504,747
Total Investments	<u>\$ 361,707,895</u>	<u>\$ 361,707,895</u>

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, 2013 and June 30, 2012, 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, 2013 and 2012 was approximately \$38,815,770 and \$36,901,354, and was estimated using a discount rate of 4.25% and 3.75%, respectively. The discount for Class A and Class B subscribers was \$5,095,480 and \$4,895,220 for June 30, 2013 and 2012, respectively.

Warren Risk Retention Group, Inc. ("WRRG") 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 provided 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. Effective May 1, 2013, WRRG merged with SLHNIC and such policies are issued by SLHNIC.

St. Luke's University Health Network has recorded a receivable as of June 30, 2013 of \$10,404,252 for expected insurance indemnifications and a related liability for the accrued claims in the individual financial statements of the hospitals. As of June 30, 2012, St. Luke's University Health Network recorded a receivable and related liability of \$8,030,614.

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

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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 2013 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.

The Network maintains accrued insurance reserves for its self-insured portion of expected workers' compensation claims of approximately \$6,288,663 and \$5,881,595 for the years ended June 30, 2013 and 2012, respectively. The impact of the discount was \$1,988,434 and \$1,650,294 for the years ended June 30, 2013 and 2012, respectively.

17. 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, 2013, the Network recognized \$7,805 in accretion and depreciation expense.

18. 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 November 1, 2013, 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, 2013

	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
Assets									
Current									
Cash and cash equivalents	\$ -	\$ 64,510,411	\$ 154,242	\$ 136,855	\$ 65	\$ -	\$ 164,364	\$ 10,125,087	\$ 417,638
Investment in controlled entities	541,190,449	-	-	-	-	-	-	-	-
Patient accounts receivable, net	-	156,343,535	10,202,479	16,236,743	713,963	-	6,887,258	10,227,400	144,871
Other accounts receivable	-	4,231,880	23,289	52,270	19,391	-	68,704	4,874,987	36,351
Investments	-	64,064,550	-	19,999	-	-	-	2,160	-
Inventories	-	14,094,081	-	992,413	-	-	913,691	2,020,034	-
Prepaid expenses	-	14,293,341	1,732,733	256,469	34,638	-	210,127	1,345,949	-
Total current assets	541,190,449	317,537,798	12,112,743	17,694,749	768,057	-	8,244,144	28,595,617	598,860
Assets limited as to use									
Funds held by trustee	-	55,572,729	-	-	-	-	-	148,714	-
Under bond indenture	-	35,975,983	-	-	-	-	-	-	-
Board designated funds	-	244,267,373	-	1,539,359	-	-	-	1,811	-
	-	335,816,085	-	1,539,359	-	-	-	150,525	-
Property and equipment, net	-	505,667,489	10,611,143	20,087,865	488,935	-	19,360,110	59,670,824	617,089
Goodwill, net	-	6,430,660	4,446,990	-	-	-	-	13,156,777	7,654,919
Due from affiliates	-	60,539,245	-	-	-	2,958,591	-	-	-
Investments temporarily restricted as to use	-	21,187,241	-	472,050	29,234	-	840,886	717,228	-
Investments permanently restricted as to use	-	24,078,247	-	2,998,850	-	-	10,005	477,568	-
Deferred financing costs	-	6,357,445	-	-	-	-	-	515,125	-
Annuity contracts	-	11,497,695	-	-	-	-	-	-	-
Other assets	-	24,817,364	-	209,231	-	-	1,560,063	1,700,006	-
Total assets	\$ 541,190,449	\$1,313,929,269	\$ 27,170,876	\$ 43,002,104	\$ 1,286,226	\$ 2,958,591	\$ 30,015,208	\$104,983,670	\$ 8,870,868

St. Luke's University Health Network, Inc. and Controlled Entities
Consolidating Balance Sheet
June 30, 2013

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
Assets										
Current										
Cash and cash equivalents	\$ 362,688	\$ 502,682	\$ -	\$ 484,643	\$ 4,648	\$ -	\$ 6,411	\$ 16,242	\$ -	\$ 76,885,975
Investment in controlled entities	-	-	-	-	-	-	-	-	(541,190,449)	-
Patient accounts receivable, net	637,848	-	-	1,140,250	95	-	-	-	(2,182,351)	200,352,091
Other accounts receivable	570,486	5,250	-	-	104,256	-	2,182,351	180,821	(4,427,107)	7,922,929
Investments	-	253,226	-	-	-	-	-	-	-	64,339,935
Inventories	-	-	-	-	-	-	-	-	-	18,020,219
Prepaid expenses	65,953	-	-	-	210	-	-	-	-	17,939,420
Total current assets	1,636,974	761,158	-	1,624,893	109,209	-	2,188,761	197,063	(547,799,906)	385,460,569
Assets limited as to use										
Funds held by trustee	-	-	-	-	-	-	-	-	-	55,721,443
Under bond indenture	-	-	-	-	-	-	-	-	-	35,975,983
Board designated funds	-	-	-	-	-	-	-	-	-	245,808,543
	-	-	-	-	-	-	-	-	-	337,505,969
Property and equipment, net	247,072	-	-	-	-	-	9,768	1,621,831	-	618,382,126
Goodwill, net	147,002	-	-	-	-	-	-	-	-	31,836,348
Due from affiliates	-	-	-	-	28,523	-	310,431	-	(63,836,790)	-
Investments temporarily restricted as to use	-	-	-	-	-	-	-	-	-	23,246,639
Investments permanently restricted as to use	-	-	-	-	-	-	-	-	-	27,564,670
Deferred financing costs	-	-	-	-	-	-	-	-	-	6,872,570
Annuity contracts	-	-	-	-	-	-	-	-	-	11,497,695
Other assets	-	-	-	-	-	-	-	-	-	28,286,664
Total assets	\$ 2,031,048	\$ 761,158	\$ -	\$ 1,624,893	\$ 137,732	\$ -	\$ 2,508,960	\$ 1,818,894	\$ (611,636,696)	\$ 1,470,653,250

St. Luke's University Health Network, Inc. and Controlled Entities
Consolidating Balance Sheet
June 30, 2013

	St Luke's University 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
Liabilities and Net Assets									
Current									
Accounts payable	\$ -	\$ 51,135,626	\$ 2,415,893	\$ 701,182	\$ 13,054	\$ -	\$ 625,327	\$ 2,272,415	\$ 5,184
Accrued salaries, wages and taxes	-	10,971,975	11,815,520	484,845	-	-	656,423	1,374,256	156,169
Accrued vacation	-	22,257,553	4,995,294	1,158,854	103,295	-	1,164,483	3,307,003	-
Current portion of self insurance reserves	-	18,749,018	-	-	-	-	-	297,856	-
Deferred income	-	3,732,796	-	-	11,859	-	-	-	-
Advance from third-party payors	-	2,099,500	-	38,400	-	-	260,201	-	-
Patient credit balances	-	14,735,004	-	2,630,430	-	-	946,673	-	-
Current portion of long-term debt	-	10,722,569	34,562	-	-	-	5,756	180,547	-
Current portion of pension costs	-	2,960,737	219,986	101,648	83	-	27,261	444,601	1,515
Accrued interest on long-term debt	-	8,506,947	-	-	-	-	-	118,513	-
Other Current Liabilities	-	1,559,272	33,471	82,012	-	-	41,963	349,902	-
Estimated third-party payor settlements	-	6,464,524	-	2,354,223	-	-	1,919,397	2,281,779	-
Total current liabilities	-	153,895,521	19,514,726	7,551,594	128,291	-	5,647,484	10,626,872	162,868
Due to affiliates	-	-	75,108,084	2,955,000	5,273,950	-	2,792,054	1,530,649	8,491,290
Long-term debt, net of current portion	-	470,354,224	-	-	-	-	12,203	39,471,581	-
Asset retirement obligation	-	3,247,932	-	65,030	-	-	247,524	-	-
Accrued compensation payable	-	71,057,695	5,279,691	2,439,547	1,980	-	654,256	10,670,421	36,357
Self insurance reserves	-	38,066,188	-	-	-	-	-	604,739	-
Other noncurrent liabilities	-	9,207,872	-	45,107	-	-	34,238	1,700,006	-
Swap Contracts	-	66,942,036	-	-	-	-	-	-	-
Total liabilities	-	812,771,468	99,902,501	13,056,278	5,404,221	-	9,387,759	64,604,268	8,690,515
Net assets									
Unrestricted net assets (liabilities)	477,919,836	479,741,940	(72,731,625)	26,374,338	(4,147,229)	2,958,591	18,250,733	39,184,606	180,353
Less Amounts due from affiliates	-	(33,682,373)	-	-	-	-	-	-	-
Net unrestricted net assets (liabilities)	477,919,836	446,059,567	(72,731,625)	26,374,338	(4,147,229)	2,958,591	18,250,733	39,184,606	180,353
Temporarily restricted net assets	35,705,944	31,019,987	-	572,639	29,234	-	2,366,711	717,228	-
Permanently restricted net assets	27,564,669	24,078,247	-	2,998,849	-	-	10,005	477,568	-
Total net assets (liabilities)	541,190,449	501,157,801	(72,731,625)	29,945,826	(4,117,995)	2,958,591	20,627,449	40,379,402	180,353
Total liabilities and net assets	\$ 541,190,449	\$1,313,929,269	\$ 27,170,876	\$ 43,002,104	\$ 1,286,226	\$ 2,958,591	\$ 30,015,208	\$104,983,670	\$ 8,870,868

St. Luke's University Health Network, Inc. and Controlled Entities
Consolidating Balance Sheet
June 30, 2013

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
Liabilities and Net Assets										
Current										
Accounts payable	\$ 2,400,807	\$ -	\$ -	\$ 272,333	\$ 5,742	\$ -	\$ 156,775	\$ -	\$ (2,182,350)	\$ 57,821,988
Accrued salaries, wages and taxes	452,119	-	-	1,099,142	-	-	-	-	-	27,010,449
Accrued vacation	82,273	-	-	-	-	-	-	-	-	33,068,755
Current portion of self insurance reserves	12,870	-	-	-	-	-	-	-	-	19,059,744
Deferred income	-	-	-	-	-	-	-	-	-	3,744,655
Advance from third-party payors	-	-	-	-	-	-	-	-	-	2,398,101
Patient credit balances	-	-	-	-	-	-	-	-	-	18,312,107
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	10,943,434
Current portion of pension costs	-	-	-	-	-	-	-	-	-	3,755,831
Accrued interest on long-term debt	-	-	-	-	-	-	-	-	-	8,625,460
Other Current Liabilities	-	1,169	-	-	5,749,498	-	2,045,247	7,548,082	(11,834,036)	5,576,580
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-	13,019,923
Total current liabilities	2,948,069	1,169	-	1,371,475	5,755,240	-	2,202,022	7,548,082	(14,016,386)	203,337,027
Due to affiliates	1,071,958	42,761	-	253,418	-	-	-	-	(97,519,164)	-
Long-term debt, net of current portion	-	-	-	-	-	-	-	-	-	509,838,008
Asset retirement obligation	-	-	-	-	-	-	-	-	-	3,560,486
Accrued compensation payable	-	-	-	-	-	-	-	-	-	90,139,947
Self insurance reserves	26,130	-	-	-	-	-	-	-	-	38,697,057
Other noncurrent liabilities	-	-	-	-	-	-	-	-	1	10,987,224
Swap Contracts	-	-	-	-	-	-	-	-	-	66,942,036
Total liabilities	4,046,157	43,930	-	1,624,893	5,755,240	-	2,202,022	7,548,082	(111,535,549)	923,501,785
Net assets										
Unrestricted net assets (liabilities)	(2,015,109)	260,401	-	-	(5,617,508)	-	306,938	(5,729,188)	(469,795,679)	485,141,398
Less Amounts due from affiliates	-	-	-	-	-	-	-	-	33,682,373	-
Net unrestricted net assets (liabilities)	(2,015,109)	260,401	-	-	(5,617,508)	-	306,938	(5,729,188)	(436,113,306)	485,141,398
Temporarily restricted net assets	-	456,827	-	-	-	-	-	-	(36,423,172)	34,445,398
Permanently restricted net assets	-	-	-	-	-	-	-	-	(27,564,669)	27,564,669
Total net assets (liabilities)	(2,015,109)	717,228	-	-	(5,617,508)	-	306,938	(5,729,188)	(500,101,147)	547,151,465
Total liabilities and net assets	\$ 2,031,048	\$ 761,158	\$ -	\$ 1,624,893	\$ 137,732	\$ -	\$ 2,508,960	\$ 1,818,894	\$ (611,636,696)	\$ 1,470,653,250

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
Assets									
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
Assets										
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 University 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
Liabilities and Net Assets									
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	-
Total current liabilities	-	134,033,980	17,016,973	6,255,303	138,740	-	7,272,877	22,746,817	249,295
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	-
Swap Contracts	-	83,210,652	-	-	-	-	-	-	-
Total liabilities	-	783,923,918	97,944,741	19,196,663	4,857,680	-	14,652,308	91,971,896	9,029,915
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)	-	-	-	-	-	-	-
Net unrestricted net assets (liabilities)	323,304,523	321,249,702	(71,771,566)	18,522,453	(3,766,416)	2,958,591	12,614,269	19,173,549	69,512
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	-
Total net assets (liabilities)	371,457,606	363,836,756	(71,771,566)	21,710,687	(3,739,212)	2,958,591	13,577,020	20,194,435	69,512
Total liabilities and net 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
Liabilities and Net Assets										
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 Statement of Operations
Year Ended June 30, 2013

	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
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 771 700 946	\$ 142 205 349	\$ 67 377 394	\$ 3 280 335	\$ -	\$ 49 146 627	\$ 133 519 761	\$ 423 641
Provision for bad debts	-	(48 043 398)	(17 826 746)	(7 213 952)	(338 648)	-	(4 214 025)	(20 374 048)	-
Net patient service revenue less provision for bad debts	-	723 657 548	124 378 603	60 163 442	2 941 687	-	44 932 602	113 145 713	423 641
Other operating revenue and gains	-	27 079 462	2 655 711	2 810 471	103 233	-	2 284 317	1 912 035	1 268
Net assets released from restrictions used for operations	-	1 199 254	177 008	33 742	5 903	-	23 095	-	-
Equity in net income from controlled entities	40 963 072	-	-	-	-	-	-	-	-
Total revenue	40 963 072	751 936 264	127 211 322	63 007 655	3 050 823	-	47 240 014	115 057 748	424 909
Operating expenses									
Salaries and employee benefits	-	339 945 267	148 763 585	29 914 641	2 655 474	-	24 753 601	59 533 793	149 245
Supplies and other	-	265 930 842	37 078 028	22 347 068	624 563	-	13 911 067	41 184 969	68 925
Depreciation and amortization	-	51 952 121	2 300 876	3 830 826	165 149	-	2 719 853	5 620 631	93 597
Interest	-	20 458 554	12 090	120 168	3 001	-	4 475	2 675 747	1 917
Total expenses	-	678 286 784	188 154 579	56 212 703	3 448 187	-	41 388 996	109 015 140	313 684
Income (loss) from operations	40 963 072	73 649 480	(60 943 257)	6 794 952	(397 364)	-	5 851 018	6 042 608	111 225
Nonoperating gains (losses)									
Support of Physician Practices	-	(47 221 716)	51 019 438	(2 342 608)	-	-	(1 455 113)	-	-
Unrestricted investment income from assets limited as to use	-	7 345 118	-	44 281	-	-	-	-	-
Realized gain (loss) on unrestricted investment	-	1 104 097	-	1 313	-	-	-	-	-
Unrestricted gifts, grants and bequests	-	188 596	-	12 973	8 160	-	4 030	300	-
Unrestricted investment income from restricted net assets	-	257 854	-	(4 606)	-	-	(3 755)	-	-
Unrestricted investment (loss) income	-	2 265 655	-	-	-	-	-	286 973	-
Gain (loss) on disposal of property and equipment	-	(776 749)	1 750	-	-	-	715 435	21 612	(384)
Restructuring Costs	-	(595 585)	(304 947)	(37 530)	(725)	-	(30 270)	(18 925)	-
Pre-Acquisition/Merger Costs	-	(138)	-	-	-	-	-	-	-
Donations to Other Organizations	-	(481 834)	-	(16 800)	-	-	(200)	-	-
Unrealized gain (loss) on derivative	-	2 006 392	-	-	-	-	-	-	-
Goodwill Impairment	-	-	(547 850)	-	-	-	-	-	-
Gain on Retirement/Purchase of Bonds	-	-	-	-	-	-	-	1 088 875	-
Nonoperating gains	-	(35 908 310)	50 168 391	(2 342 977)	7 435	-	(769 873)	1 378 835	(384)
Excess (deficiency) of revenue and gains in excess of expenses	40 963 072	37 741 170	(10 774 866)	4 451 975	(389 929)	-	5 081 145	7 421 443	110 841
Net assets released from restrictions used for purchase of property and equipment	-	1 698 753	-	27 067	8 720	-	37 827	26 784	-
Contribution of building	-	722 300	-	-	-	-	-	-	-
Other Changes in Unrestricted Assets	-	-	-	-	-	-	-	(886 251)	-
Net Asset Transfer To/From Affiliate	-	(4 347 117)	-	-	-	-	-	5 609 720	-
Net assets released to Specific Purpose Fund	-	-	-	-	-	-	-	-	-
Change in additional pension liability	-	48 612 754	9 814 807	3 233 899	396	-	517 492	10 113 670	-
Warren Physician Practice Support	-	-	-	-	-	-	-	(2 277 407)	-
Change in fair market value of total return SWAP	-	26 862 226	-	-	-	-	-	-	-
Pocono MRI Beginning unrestricted net assets	-	293 351	-	-	-	-	-	-	-
Net unrealized gains on investments	-	15 887 681	-	138 944	-	-	-	3 098	-
Extraordinary Gains/(Losses)	-	(2 661 253)	-	-	-	-	-	-	-
	40 963 072	124 809 865	(960 059)	7 851 885	(380 813)	-	5 636 464	20 011 057	110 841
Increase (decrease) in unrestricted net assets	\$ 40 963 072	\$ 124 809 865	\$ (960 059)	\$ 7 851 885	\$ (380 813)	\$ -	\$ 5 636 464	\$ 20 011 057	\$ 110 841

St. Luke's University Health Network, Inc. and Controlled Entities
Consolidating Statement of Operations
Year Ended June 30, 2013

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
Patient service revenue (net of contractual allowances and discounts)	\$ 7 206 824	\$ -	\$ -	\$ 9 183 437	\$ -	\$ -	\$ -	\$ -	\$ (801 900)	\$ 1 183 242 414
Provision for bad debts	(199 390)	-	-	(2 462 504)	(700)	-	-	-	-	(100 673 411)
Net patient service revenue less provision for bad debts	7 007 434	-	-	6 720 933	(700)	-	-	-	(801 900)	1 082 569 003
Other operating revenue and gains	13 289	287 196	-	-	4 362	426 972	2 083 296	65 029	(1 685 455)	38 041 186
Net assets released from restrictions used for operations	-	-	-	-	-	-	-	-	-	1 439 002
Equity in net income from controlled entities	-	-	-	-	-	-	-	-	(40 963 072)	-
Total revenue	7 020 723	287 196	-	6 720 933	3 662	426 972	2 083 296	65 029	(43 450 427)	1 122 049 191
Operating expenses										
Salaries and employee benefits	6 278 084	37 809	-	3 880 905	-	-	908 574	-	-	616 820 978
Supplies and other	3 313 070	104 496	-	2 840 028	172 640	1 017 704	369 732	165 995	(2 457 020)	386 672 107
Depreciation and amortization	113 099	-	-	-	7 573	-	10 805	35 622	-	66 850 152
Interest	-	-	-	-	60 316	-	-	29 953	-	23 366 221
Total expenses	9 704 253	142 305	-	6 720 933	240 529	1 017 704	1 289 111	231 570	(2 457 020)	1 093 709 458
Income (loss) from operations	(2 683 530)	144 891	-	-	(236 867)	(590 732)	794 185	(166 541)	(40 993 407)	28 339 733
Nonoperating gains (losses)										
Support of Physician Practices	-	-	-	-	-	-	-	-	(1)	-
Unrestricted investment income from assets limited as to use	-	-	-	-	-	-	-	-	-	7 389 399
Realized gain (loss) on unrestricted investment	-	-	-	-	-	-	-	-	-	1 105 410
Unrestricted gifts, grants and bequests	-	-	-	-	-	-	-	-	-	214 059
Unrestricted investment income from restricted net assets	-	-	-	-	-	-	-	-	-	249 493
Unrestricted investment (loss) income	-	5 126	-	-	-	25 402	-	-	631 282	3 214 438
Gain (loss) on disposal of property and equipment	-	-	-	-	-	-	-	-	-	(38 336)
Restructuring Costs	-	-	-	-	-	13 014	-	-	-	(974 968)
Pre-Acquisition/Merger Costs	-	-	-	-	-	-	-	-	-	(138)
Donations to Other Organizations	-	-	-	-	-	-	-	-	-	(498 834)
Unrealized gain (loss) on derivative	-	-	-	-	-	-	-	-	-	2 006 392
Goodwill Impairment	-	-	-	-	-	-	-	-	-	(547 850)
Gain on Retirement/Purchase of Bonds	-	-	-	-	-	-	-	-	-	1 088 875
Nonoperating gains	-	5 126	-	-	-	38 416	-	-	631 281	13 207 940
Excess (deficiency) of revenue and gains in excess of expenses	(2 683 530)	150 017	-	-	(236 867)	(552 316)	794 185	(166 541)	(40 362 126)	41 547 673
Net assets released from restrictions used for purchase of property and equipment	-	-	-	-	-	-	-	-	-	1 799 151
Contribution of building	-	-	-	-	-	-	-	-	-	722 300
Other Changes in Unrestricted Assets	-	-	-	-	-	-	-	-	-	(886 251)
Net Asset Transfer To/From Affiliate	-	-	-	-	-	(3 262 603)	-	-	2 000 000	-
Net assets released to Specific Purpose Fund	-	(89 873)	-	-	-	-	-	-	-	(89 873)
Change in additional pension liability	-	-	-	-	-	-	-	-	-	72 293 018
Warren Physician Practice Support	2 489 120	-	-	-	240 000	-	(83 554)	-	(368 159)	-
Change in fair market value of total return SWAP	-	-	-	-	-	-	-	-	-	26 862 226
Pocono MRI Beginning unrestricted net assets	-	-	-	-	-	-	-	-	-	293 351
Net unrealized gains on investments	-	23 894	-	-	-	11 546	-	-	-	16 065 163
Extraordinary Gains/(Losses)	-	-	-	-	-	-	-	-	-	(2 661 253)
	(194 410)	84 038	-	-	3 133	(3 803 373)	710 631	(166 541)	(38 730 285)	155 945 505
Increase (decrease) in unrestricted net assets	\$ (194 410)	\$ 84 038	\$ -	\$ -	\$ 3 133	\$ (3 803 373)	\$ 710 631	\$ (166 541)	\$ (38 730 285)	\$ 155 945 505

St. Luke's University Health Network, Inc. and Controlled Entities
Consolidating Statement of Operations
Year Ended 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
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 718,359,631	\$ 130,395,966	\$ 58,961,236	\$ 3,127,122	\$ 13,514	\$ 43,024,962	\$ 55,896,945	\$ 334,275
Provision for bad debts	-	(52,004,386)	(17,590,257)	(5,091,074)	(345,048)	-	(2,459,029)	(7,750,900)	-
Net patient service revenue less provision for bad debts	-	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	-	-	-	-	-	-	-	-
Total revenue	35,388,991	685,453,363	113,806,975	55,560,724	2,860,677	13,514	41,052,703	48,912,936	334,275
Operating expenses									
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
Total expenses	-	634,881,046	157,292,957	50,553,457	3,331,776	-	38,354,675	44,867,532	264,763
Income (loss) from operations	35,388,991	50,572,317	(43,485,982)	5,007,267	(471,099)	13,514	2,698,028	4,045,404	69,512
Nonoperating gains (losses)									
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)	-
Nonoperating gains	-	(12,861,972)	34,288,418	(1,309,251)	4,216	743,957	(1,004,493)	(3,411,915)	-
Excess (deficiency) of revenue and gains in excess of expenses	35,388,991	37,710,345	(9,197,564)	3,698,016	(466,883)	757,471	1,693,535	633,489	69,512
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)	-	-	-	-	-	431,656	-	-	-
	35,388,991	(69,220,203)	(16,122,919)	1,129,481	(467,914)	1,189,127	1,235,676	15,283,804	69,512
Increase (decrease) in unrestricted net assets	\$ 35,388,991	\$ (69,220,203)	\$ (16,122,919)	\$ 1,129,481	\$ (467,914)	\$ 1,189,127	\$ 1,235,676	\$ 15,283,804	\$ 69,512

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
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ -	\$ 1,939,684	\$ 3,592,547	\$ (60)	\$ -	\$ -	\$ -	\$ (576,170)	1,015,069,652
Provision for bad debts	-	-	(122,155)	(918,441)	(5,282)	-	(6,147)	-	-	(86,292,719)
Net patient service revenue less provision for bad debts	-	-	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
Operating expenses										
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
Nonoperating gains (losses)										
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)	-	-	-	-	-	-	-	-	-	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)

SLUHN—Warren Campus Community Health Implementation Plan

Three Year Plan 2012-2014

Approved by the Board of Directors on June 3, 2013

INTRODUCTION

The Patient Protection and Affordable Care Act of 2010 requires all nonprofit hospitals to conduct a needs assessment of their local communities and develop an implementation plan to meet the priority needs every three years. St. Luke's University Health Network (SLUHN) has a long history of promoting community health and has actively partnered with the community to complete a comprehensive needs assessment and strategic plan for the Lehigh Valley area, including Warren County, New Jersey.

PROCESS

St. Luke's Warren Hospital (SLW) commissioned AMK Healthcare Consulting, LLC (AMK), in association with New Solutions, Inc. AMK was established in 2010 by Valerie Sellers, President and CEO. Ms. Sellers holds a Bachelor's degree in Industrial and Labor Relations and a Master's degree in Health Administration—both from Cornell University. Before founding AMK, Ms. Sellers served as Senior Vice President for Health Planning and Research at the New Jersey Hospital Association for more than 17 years.

New Solutions, Inc. (NSI) is a management consulting company formed in 1984. The collective expertise of the NSI team includes health administrators, market researchers, business and financial analysts, strategic planners and marketing professionals, epidemiologists, database experts, and decision support technologists. Lead consultants have an average of 20+ years of health care experience.

On the St. Luke's Warren Campus CHNA project, the lead participant from NSI was principal, Nancy Erickson, a key management advisor to many New Jersey hospitals' senior administrators for more than 20 years. Ms. Erickson holds a Bachelor's degree in Sociology from Drew University and a Master's degree from

Rutgers University, where she specialized in health planning, policy and management.

The complete CHNA analysis and reports for SLW are available on the SLW website.

Steering Committee

A Steering Committee, comprised of members of the community representing public health, human services, behavioral health, education and government, as well as members of hospital administration, oversaw the project. Many of these members became key informant interviewees, providing valuable information based on their expertise about the community and the field of public health. Members of this group included:

Frank Dragotta
County Superintendent of Schools
Warren County Department of Education

Linda Frick, RN
Nurse, Phillipsburg High School

Anne Grogan, MSW
Network Director for Senior Care
St. Luke's University Health Network

Anna Hockenberry
Chief Professional Officer
United Way of Northern New Jersey

Paulette Hussey
Marketing Manager
Phillipsburg Community Health Center (FQHC)

Karen Kubert, MA, CPM
Director
Warren County Department of Human Services

Susan E. Lennon
Executive Director
Warren County Department of Aging & Disability Services

Judith Leone, RN, BSN
Director,
Warren County Health Department

Division of Personal Service
Richard Lowe (retired 2012)
CEO, Abilities of NWNJ

Richard McDonnell, LCSW
Executive Director
Family Guidance Center of Warren County

Liliana Molina
Health Educator, Risk Communicator
Warren County Public Health

Terry Newhard
CEO
NORWESCAP (Northwest New Jersey Community Action Partnership)

Ed Smith
Aide to State Senator Michael J. Doherty

Community representatives from Warren County and the SLW service area also were invited to participate in focus group discussions for the purpose of identifying priority health issues.

RESULTS

The results of the survey are based on four separate components:

1. A random telephone survey of 719 households in the hospital's primary service area, which includes Warren County and its neighboring community of Easton, Pennsylvania.
2. An analysis of existing community health measures and secondary data.
3. Three focus groups conducted by AMK with key patient populations in the Warren Campus service area.
4. Structured interviews with identified key informants in the community.

Priority health needs identified were Lifestyle Behaviors, Elder Health, Mental Health, Access to Medical and Dental Care for the Un- and Under-Insured, and Women's Health.

The implementation plan listed below incorporates ideas and recommendations suggested by the Steering Committee with existing community health initiatives and network-wide plans.

IMPLEMENTATION STRATEGY

In order to implement this plan at St. Luke's Warren Hospital with no additional staffing resources, a committee process will be developed to oversee and implement identified strategies. Members of this committee will meet at least two times per year to identify, research and implement effective strategies and to evaluate progress in meeting established goals. At a minimum, the committee will consist of:

- SLUHN Director of Community Health
- President, SLW
- VP, Patient Care Services, SLW
- Director, Business Development, SLW
- Case Management Representative
- Social Worker
- ER representative
- Other specialists as needed

The possible allocation, on a part-time basis, of an employee who could be dedicated to heading up the implementation plan will also be considered.

COMMUNITY HEALTH INITIATIVES

GOAL: Promote healthy birth outcomes for expectant mothers in the Warren Campus service area

Objective 1: Provide pre- and post-natal health services including more family practice physicians, Ob/Gyns and/or relevant sub-specialists within the Warren Campus service area.

Action steps:

1. Assess resources available through SLUHN
2. Assess SLW medical staff via comprehensive medical staff plan
3. Establish and promote perinatology practice in Phillipsburg

Objective 2: Support low-income women and young families by connecting them with resources for pregnancy, childbirth, child care and ancillary services.

Action steps:

1. Partner with NORWESCAP Family Success Center to help them with its “Healthy Parents, Healthy Babies” event.
 - The event began in 2013, but did not attract many participants.
2. Add physician talks on topics of interest to young women to community education programming.
3. Partner with the county Center for Domestic Abuse and Sexual Assault Crisis Center to reach more women who are underserved and/or in crisis.
4. Explore the availability of “best practice” models (i.e., Nurse Family Partnership and others) in Warren County to connect pregnant and new mothers with education, health information and training

GOAL: Improve behavioral health status for families and individuals in the Warren Campus service area through prevention services and access to appropriate behavioral health services

Objective 1: Perform a comprehensive assessment of current resources vs. outpatient needs working in partnership with the Warren County Community Health Improvement Coalition (CHIC).

- Currently the hospital provides 20 hours of outpatient behavioral health services focused on medication management.
- Analysis should determine whether hours and services should be expanded to provide different kinds of therapy or specific therapy for alcohol and drug abuse.

Objective 2: Investigate the feasibility of partnering with a local agency to provide outpatient behavioral health services.

Action Steps:

1. Identify and meet with all mental health services providers in Warren County, to thoroughly understand their missions, programs and operations and identify partnership opportunities.
2. Explore the delivery of partnering with a community-based agency to provide outpatient mental health services in our family medicine practices—especially the three that have been approved as patient-centered medical homes.

Objective 3: Work with community agencies to develop a comprehensive plan to manage and improve the hand-off process for psychiatric patients who arrive at our Emergency Room.

Action Steps:

1. Formation of a task force that includes the Medical Director of Emergency Medicine, Director of Quality and Network Service Line Director. The group will:
 - Review standing orders for handling and supervision of these patients in the ER
 - Investigate how patients might be transported to behavioral health facilities at SLUHN Bethlehem
 - Explore partnerships for patient hand-offs with other hospitals within our primary and secondary service area,

GOAL: Promote healthy lifestyles and reduce chronic disease burden in the Warren Campus service area

Objective 1: Continue to build on our strong and successful community education programming with increased focus on behaviors and diseases identified as prevalent in our market:

- Pediatric nutrition and obesity
- Heart healthy eating and exercise
- Anti-tobacco programs
- Diabetes education

Action Steps:

1. Develop improved methods of tracking results for existing and new programs.
2. Research grant opportunities that could provide funding to enable the development of more sophisticated tracking tools for classes and programs
3. Supplement current roster of free physician talks and free disease screenings with programs designed for children, in partnership with area schools and child-based service agencies
4. Use the Warren Campus quarterly newsletter to disseminate wellness information and promote programs aimed at high-risk behaviors to a broad constituency

5. Continue to promote healthy activities through the SLW Concussion Center outreach to student athletes and SLUHN-wide programs like *Get Your Tail on the Trail* and other programs involving physical activity

GOAL: Promote access to oral health services for needy families in the Warren Campus service area

Objective 1: Obtain NJ licensing for current HealthStar van staff or recruit a New Jersey-based staff for the van.

- The SLUHN HealthStar Van provides dental services to low income families throughout the Lehigh Valley. Currently, the van and its staff are not licensed to practice in New Jersey.

Objective 2: Explore dental insurance issues and the transferability of Medical Assistance insurance across state lines.

Action Steps:

1. Determine whether or not Medical Assistance patients in New Jersey could be eligible for dental services at the SLUHN dental clinic in Pennsylvania
2. Research other free or low-cost dental services that might be available in New Jersey to determine if a partnership opportunity exists

GOAL: Improve the health and well-being of elder residents in the Warren Campus service area

Objective 1: Implement home health service option for specific diagnoses

- Currently, New Jersey State licensing limitations prevent SLW from offering the service to its patients.

Action Steps:

1. Explore the idea of partnering with the Warren County Department of Health (which holds a NJ home health license) to develop and provide specific protocols and visitations for seniors with specific diseases, which have a high re-admission incidence.

2. Develop a case management strategy using the “super utilizer” or “hot spotting” models to wrap services around patients who are discharged with these diagnoses.
3. Continue to refine the hospital discharge process, including clinical follow-up calls from nursing staff after discharge and ongoing training for clinical staff in patient education.