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|                                                                                                                                                              |                                                                                                                                                                                                  |                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Form <b>990</b><br><br>Department of the Treasury<br>Internal Revenue Service | <b>Return of Organization Exempt From Income Tax</b><br><br><b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b> | OMB No 1545-0047<br><div> <div>2012</div> <div>Open to Public Inspection</div> </div> |
|                                                                                                                                                              | ▶ The organization may have to use a copy of this return to satisfy state reporting requirements                                                                                                 |                                                                                       |

**A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013**

|                                                                                                                                                                                                                                                                                              |                                                                                                                  |                                  |                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>B</b> Check if applicable<br><input type="checkbox"/> Address change<br><input type="checkbox"/> Name change<br><input type="checkbox"/> Initial return<br><input type="checkbox"/> Terminated<br><input type="checkbox"/> Amended return<br><input type="checkbox"/> Application pending | <b>C</b> Name of organization<br>Lehigh Valley Hospital                                                          |                                  | <b>D</b> Employer identification number<br>23-1689692                                                                                                                                                                                                                                                            |
|                                                                                                                                                                                                                                                                                              | Doing Business As                                                                                                |                                  |                                                                                                                                                                                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                              | Number and street (or P O box if mail is not delivered to street address)<br>2100 Mack Blvd                      | Room/suite                       | <b>E</b> Telephone number<br>(484) 884-0130                                                                                                                                                                                                                                                                      |
|                                                                                                                                                                                                                                                                                              | City or town, state or country, and ZIP + 4<br>Allentown, PA 181035622                                           |                                  | <b>G</b> Gross receipts \$ 1,604,591,341                                                                                                                                                                                                                                                                         |
|                                                                                                                                                                                                                                                                                              | <b>F</b> Name and address of principal officer<br>Ronald W Swinfard<br>2100 Mack Blvd<br>Allentown, PA 181035622 |                                  | <b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br><b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No<br>If "No," attach a list (see instructions)<br><b>H(c)</b> Group exemption number ▶ |
| <b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527                                                                                              |                                                                                                                  | <b>J</b> Website: ▶ www.lvhn.org |                                                                                                                                                                                                                                                                                                                  |

Part I Summary

|                                                                                      |                                                                                                                                                                                                                                                                                 |                                                                     |                            |
|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------|
| Activities & Governance                                                              | 1 Briefly describe the organization's mission or most significant activities<br>Our mission is to heal, comfort and care for the people of our community by providing advanced and compassionate health care of superior quality and value, supported by education and research |                                                                     |                            |
|                                                                                      | 2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets                                                                                                                                        |                                                                     |                            |
|                                                                                      | 3 Number of voting members of the governing body (Part VI, line 1a)                                                                                                                                                                                                             | 3                                                                   | 9                          |
|                                                                                      | 4 Number of independent voting members of the governing body (Part VI, line 1b)                                                                                                                                                                                                 | 4                                                                   | 6                          |
|                                                                                      | 5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)                                                                                                                                                                                                  | 5                                                                   | 7,647                      |
|                                                                                      | 6 Total number of volunteers (estimate if necessary)                                                                                                                                                                                                                            | 6                                                                   | 902                        |
|                                                                                      | 7a Total unrelated business revenue from Part VIII, column (C), line 12                                                                                                                                                                                                         | 7a                                                                  | 9,113,884                  |
| b Net unrelated business taxable income from Form 990-T, line 34                     | 7b                                                                                                                                                                                                                                                                              | 1,935,460                                                           |                            |
| Revenue                                                                              | 8 Contributions and grants (Part VIII, line 1h)                                                                                                                                                                                                                                 | Prior Year<br>20,190,637                                            | Current Year<br>17,075,773 |
|                                                                                      | 9 Program service revenue (Part VIII, line 2g)                                                                                                                                                                                                                                  | 1,056,508,268                                                       | 1,101,151,765              |
|                                                                                      | 10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)                                                                                                                                                                                                                | 42,741,574                                                          | 18,745,220                 |
|                                                                                      | 11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)                                                                                                                                                                                                     | 27,756,109                                                          | 25,491,334                 |
|                                                                                      | 12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)                                                                                                                                                                                             | 1,147,196,588                                                       | 1,162,464,092              |
|                                                                                      | Expenses                                                                                                                                                                                                                                                                        | 13 Grants and similar amounts paid (Part IX, column (A), lines 1–3) | 386,971                    |
| 14 Benefits paid to or for members (Part IX, column (A), line 4)                     |                                                                                                                                                                                                                                                                                 | 0                                                                   | 0                          |
| 15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) |                                                                                                                                                                                                                                                                                 | 404,632,987                                                         | 435,434,644                |
| 16a Professional fundraising fees (Part IX, column (A), line 11e)                    |                                                                                                                                                                                                                                                                                 | 0                                                                   | 0                          |
| b Total fundraising expenses (Part IX, column (D), line 25)                          |                                                                                                                                                                                                                                                                                 | 1,959,351                                                           |                            |
| 17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)                      |                                                                                                                                                                                                                                                                                 | 634,130,436                                                         | 684,253,344                |
| 18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)          |                                                                                                                                                                                                                                                                                 | 1,039,150,394                                                       | 1,120,236,921              |
| 19 Revenue less expenses Subtract line 18 from line 12                               |                                                                                                                                                                                                                                                                                 | 108,046,194                                                         | 42,227,171                 |
| Net Assets or Fund Balances                                                          |                                                                                                                                                                                                                                                                                 |                                                                     | Beginning of Current Year  |
|                                                                                      | 20 Total assets (Part X, line 16)                                                                                                                                                                                                                                               | 1,410,048,439                                                       | 1,506,776,822              |
|                                                                                      | 21 Total liabilities (Part X, line 26)                                                                                                                                                                                                                                          | 770,209,921                                                         | 736,975,144                |
|                                                                                      | 22 Net assets or fund balances Subtract line 21 from line 20                                                                                                                                                                                                                    | 639,838,518                                                         | 769,801,678                |

## Part II Signature Block

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

|                               |                                                 |  |                      |            |      |
|-------------------------------|-------------------------------------------------|--|----------------------|------------|------|
| <b>Sign Here</b>              | *****                                           |  |                      | 2014-05-13 |      |
|                               | Signature of officer                            |  |                      | Date       |      |
|                               | Edward F O'Dea Sr VP Finance and CFO            |  |                      |            |      |
|                               | Type or print name and title                    |  |                      |            |      |
| <b>Paid Preparer Use Only</b> | Print/Type preparer's name                      |  | Preparer's signature |            | Date |
|                               | Check <input type="checkbox"/> if self-employed |  |                      | PTIN       |      |
|                               | Firm's name                                     |  |                      | Firm's EIN |      |
|                               | Firm's address                                  |  |                      | Phone no   |      |

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



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 Yes |    |
| d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX                                                                                                         | 11d     | No |
| e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X                                                                                                                                                                      | 11e Yes |    |
| f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X                                               | 11f Yes |    |
| 12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI 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 Yes  |    |
| 18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II                                                                                                            | 18 Yes  |    |
| 19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III                                                                                                                                      | 19      | No |
| 20a Did the organization operate one or more 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? If "Yes," complete Schedule I, Parts I and II . . . . .                                                                                         | 21  |     | No |
| 22  | Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III . . . . .                                                                                                           | 22  | Yes |    |
| 23  | Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J . . . . .                                                      | 23  | Yes |    |
| 24a | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25 . . . . .                             | 24a | Yes |    |
| b   | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .                                                                                                                                                                                                           | 24b |     | No |
| c   | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .                                                                                                                                                                | 24c |     | No |
| d   | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .                                                                                                                                                                                                     | 24d |     | No |
| 25a | <b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I . . . . .                                                                                                      | 25a |     | No |
| b   | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I . . . . .                                       | 25b |     | No |
| 26  | Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II . . . . .                                                                   | 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? If "Yes," complete Schedule L, Part III . . . . . | 27  |     | No |
| 28  | Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)                                                                                                                        |     |     |    |
| a   | A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV . . . . .                                                                                                                                                                                                   | 28a |     | No |
| b   | A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV . . . . .                                                                                                                                                                                | 28b |     | No |
| c   | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV . . . . .                                                                                    | 28c | Yes |    |
| 29  | Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M . . . . .                                                                                                                                                                                                  | 29  | Yes |    |
| 30  | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M . . . . .                                                                                                                                  | 30  | Yes |    |
| 31  | Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I . . . . .                                                                                                                                                                                        | 31  |     | No |
| 32  | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II . . . . .                                                                                                                                                                      | 32  |     | No |
| 33  | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I . . . . .                                                                                                                      | 33  |     | No |
| 34  | Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1 . . . . .                                                                                                                                                                  | 34  | Yes |    |
| 35a | Did the organization have a controlled entity within the meaning of section 512(b)(13)?                                                                                                                                                                                                                             | 35a |     | No |
| 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)? If "Yes," complete Schedule R, Part V, line 2 . . . . .                                                                                         | 35b |     |    |
| 36  | <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2 . . . . .                                                                                                                           | 36  |     | No |
| 37  | Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI . . . . .                                                                             | 37  |     | No |
| 38  | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> 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.                                                                                                                                                                                                | 610   |    |
| 1b  | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.                                                                                                                                                                                             | 0     |    |
| c   | 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.                                                                                               | 7,647 |    |
| b   | If at least one is reported on line 2a, did the organization file all required federal employment tax returns?<br><b>Note.</b> 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?                                                                                                                                                                                | Yes   |    |
| b   | If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.                                                                                                                                                                            | Yes   |    |
| 4a  | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?                                   |       | No |
| b   | If "Yes," enter the name of the foreign country: _____<br>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 |
| b   | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?                                                                                                                                                             |       | No |
| c   | 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 |
| b   | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?                                                                                                                                |       |    |
| 7   | <b>Organizations that may receive deductible contributions under section 170(c).</b>                                                                                                                                                                                         |       |    |
| a   | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?                                                                                                                              | Yes   |    |
| b   | If "Yes," did the organization notify the donor of the value of the goods or services provided?                                                                                                                                                                              | Yes   |    |
| c   | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?                                                                                                                                         |       | No |
| d   | If "Yes," indicate the number of Forms 8282 filed during the year.                                                                                                                                                                                                           | 7d    |    |
| e   | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?                                                                                                                                                              | 7e    | No |
| f   | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?                                                                                                                                                                 | 7f    | No |
| g   | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?                                                                                                                                             | 7g    |    |
| h   | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?                                                                                                                                           | 7h    |    |
| 8   | <b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | 8     |    |
| 9   | <b>Sponsoring organizations maintaining donor advised funds.</b>                                                                                                                                                                                                             |       |    |
| a   | Did the organization make any taxable distributions under section 4966?                                                                                                                                                                                                      | 9a    |    |
| b   | Did the organization make a distribution to a donor, donor advisor, or related person?                                                                                                                                                                                       | 9b    |    |
| 10  | <b>Section 501(c)(7) organizations.</b> Enter                                                                                                                                                                                                                                |       |    |
| a   | Initiation fees and capital contributions included on Part VIII, line 12.                                                                                                                                                                                                    | 10a   |    |
| b   | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.                                                                                                                                                                                 | 10b   |    |
| 11  | <b>Section 501(c)(12) organizations.</b> Enter                                                                                                                                                                                                                               |       |    |
| a   | Gross income from members or shareholders.                                                                                                                                                                                                                                   | 11a   |    |
| b   | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).                                                                                                                                                 | 11b   |    |
| 12a | <b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?                                                                                                                                                            | 12a   |    |
| b   | If "Yes," enter the amount of tax-exempt interest received or accrued during the year.                                                                                                                                                                                       | 12b   |    |
| 13  | <b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>                                                                                                                                                                                                      |       |    |
| a   | Is the organization licensed to issue qualified health plans in more than one state?<br><b>Note.</b> See the instructions for additional information the organization must report on Schedule O.                                                                             | 13a   |    |
| b   | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.                                                                                                                   | 13b   |    |
| c   | Enter the amount of reserves on hand.                                                                                                                                                                                                                                        | 13c   |    |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year?                                                                                                                                                                                   | 14a   | No |
| b   | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.                                                                                                                                                                   | 14b   |    |

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                              |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 17 | List the States with which a copy of this Form 990 is required to be filed                                                                                                                                                                                                                                                                                                                                                           | PA                                                           |
| 18 | Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.<br><input checked="" type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> 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                                                                                                                                                                                                                                                                                                         | The Organization 2100 Mack Blvd Allentown, PA (484) 884-0130 |

Part VII

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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)<br>Name and Title                                         | (B)<br>Average hours per week (list any hours for related organizations below dotted line) | (C)<br>Position (do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W- 2/1099-MISC) | (E)<br>Reportable compensation from related organizations (W- 2/1099-MISC) | (F)<br>Estimated amount of other compensation from the organization and related organizations |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------|---------|--------------|------------------------------|--------|-----------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|                                                               |                                                                                            | Individual trustee or director                                                                            | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former |                                                                       |                                                                            |                                                                                               |
| (1) Richard Fleming<br>Honorary Trustee                       | 1 00                                                                                       | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (2) Stephen K Klasko MD<br>Trustee                            | 1 00                                                                                       | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (3) Matthew M McCambridge MD<br>Trustee                       | 1 00<br>60 00                                                                              | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 82,157                                                                     | 10,546                                                                                        |
| (4) Robert J Motley MD<br>Trustee                             | 1 00<br>60 00                                                                              | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 220,391                                                                    | 34,111                                                                                        |
| (5) Ronald W Swinfard MD<br>Trustee/CEO                       | 60 00                                                                                      | X                                                                                                         |                       | X       |              |                              |        | 1,494,611                                                             | 0                                                                          | 35,977                                                                                        |
| (6) Kathryn P Taylor<br>Chair                                 | 1 00                                                                                       | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (7) Martin K Till<br>Vice Chair                               | 1 00                                                                                       | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (8) Daniel H Weiss<br>Trustee                                 | 1 00                                                                                       | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (9) William F Hecht<br>Trustee                                | 1 00                                                                                       | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (10) John D Stanley<br>Trustee                                | 1 00                                                                                       | X                                                                                                         |                       |         |              |                              |        | 0                                                                     | 0                                                                          | 0                                                                                             |
| (11) Thomas V Whalen<br>Chief Medical Officer                 | 60 00                                                                                      |                                                                                                           |                       | X       |              |                              |        | 851,266                                                               | 0                                                                          | 31,091                                                                                        |
| (12) Edward F O'Dea<br>Sr Vice-President Finance - CFO        | 60 00                                                                                      |                                                                                                           |                       | X       |              |                              |        | 498,723                                                               | 0                                                                          | 36,357                                                                                        |
| (13) James A Rotherham<br>VP Payer Contracting & Revenue Mgmt | 60 00                                                                                      |                                                                                                           |                       | X       |              |                              |        | 252,275                                                               | 0                                                                          | 44,913                                                                                        |
| (14) Terry Capuano<br>Chief Operating Officer                 | 60 00                                                                                      |                                                                                                           |                       |         |              | X                            |        | 767,639                                                               | 0                                                                          | 31,091                                                                                        |
| (15) Harry Lukens<br>Sr Vice-President & CIO                  | 60 00                                                                                      |                                                                                                           |                       |         |              | X                            |        | 430,862                                                               | 0                                                                          | 31,091                                                                                        |
| (16) Charles Lewis<br>Sr Vice-President-Development           | 60 00                                                                                      |                                                                                                           |                       |         |              | X                            |        | 588,070                                                               | 0                                                                          | 35,977                                                                                        |
| (17) Anne Panik<br>Chief Nursing Officer                      | 60 00                                                                                      |                                                                                                           |                       |         |              | X                            |        | 359,901                                                               | 0                                                                          | 31,091                                                                                        |



## Part VII

[illegible]

|           |                                                                        |          |           |         |         |
|-----------|------------------------------------------------------------------------|----------|-----------|---------|---------|
| <b>1b</b> | <b>Sub-Total . . . . .</b>                                             | <b>▼</b> |           |         |         |
| <b>c</b>  | <b>Total from continuation sheets to Part VII, Section A . . . . .</b> | <b>▼</b> |           |         |         |
| <b>d</b>  | <b>Total (add lines 1b and 1c) . . . . .</b>                           | <b>▼</b> | 7,454,896 | 302,548 | 358,222 |

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization: 243

|   |                                                                                                                                                                                                                                               | Yes   | No |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|----|
| 3 | Did the organization list any <b>former</b> 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)<br>Name and business address                                            | (B)<br>Description of services | (C)<br>Compensation |
|-----------------------------------------------------------------------------|--------------------------------|---------------------|
| Sodexho Inc & Affiliates PO Box 360170 Pittsburgh PA 152516170              | Dietary Services               | 9,668,102           |
| Crothall Healthcare 13028 Collection Center Drive Chicago IL 60693          | Housekeeping Services          | 8,183,230           |
| GE Healthcare IITS 15724 Collection Center Drive Chicago IL 60693           | Computer Services              | 7,424,850           |
| Harmelin Media 525 Righters Ferry Rd Bala Cynwyd PA 19004                   | Advertising Services           | 2,840,649           |
| Pulmonary Associates PC 1210 S Cedar Crest Blvd Suite 23 Allentown PA 18103 | Physician Services             | 2,395,420           |

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 ►104

Part VIII

Statement of Revenue

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

|                                                           |                                           |                                                                                                                                               | (A)<br>Total revenue                                                                      | (B)<br>Related or<br>exempt<br>function<br>revenue | (C)<br>Unrelated<br>business<br>revenue | (D)<br>Revenue<br>excluded from<br>tax under<br>sections<br>512, 513, or<br>514 |           |
|-----------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------|-----------|
| Contributions, Gifts, Grants<br>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                                                                                        | 5,551,861                                          |                                         |                                                                                 |           |
|                                                           | f                                         | All other contributions, gifts, grants, and<br>similar amounts not included above                                                             | 1f                                                                                        | 11,523,912                                         |                                         |                                                                                 |           |
|                                                           | g                                         | Noncash contributions included in lines<br>1a-1f \$                                                                                           |                                                                                           | 182,996                                            |                                         |                                                                                 |           |
|                                                           | h                                         | Total. Add lines 1a-1f . . . . .                                                                                                              |                                                                                           | 17,075,773                                         |                                         |                                                                                 |           |
| Program Service Revenue                                   | 2a                                        | Inpatient Revenue                                                                                                                             | Business Code<br>624100                                                                   | 655,485,606                                        | 655,485,606                             |                                                                                 |           |
|                                                           | b                                         | Outpatient Revenue                                                                                                                            | 624100                                                                                    | 444,636,271                                        | 436,626,735                             | 8,009,536                                                                       |           |
|                                                           | c                                         | Physician Fee Revenue                                                                                                                         | 624100                                                                                    | 1,029,888                                          | 1,029,888                               |                                                                                 |           |
|                                                           | d                                         |                                                                                                                                               |                                                                                           |                                                    |                                         |                                                                                 |           |
|                                                           | e                                         |                                                                                                                                               |                                                                                           |                                                    |                                         |                                                                                 |           |
|                                                           | f                                         | All other program service revenue                                                                                                             |                                                                                           |                                                    |                                         |                                                                                 |           |
|                                                           | g                                         | Total. Add lines 2a-2f . . . . .                                                                                                              |                                                                                           | 1,101,151,765                                      |                                         |                                                                                 |           |
|                                                           | Other Revenue                             | 3                                                                                                                                             | Investment income (including dividends, interest,<br>and other similar amounts) . . . . . |                                                    | 8,407,794                               |                                                                                 | 8,407,794 |
| 4                                                         |                                           | Income from investment of tax-exempt bond proceeds . .                                                                                        |                                                                                           |                                                    |                                         |                                                                                 |           |
| 5                                                         |                                           | Royalties . . . . .                                                                                                                           |                                                                                           |                                                    |                                         |                                                                                 |           |
| 6a                                                        |                                           | Gross rents                                                                                                                                   | (i) Real<br>7,613,547                                                                     | (ii) Personal                                      |                                         |                                                                                 |           |
|                                                           |                                           | b                                                                                                                                             | Less rental<br>expenses                                                                   | 6,471,515                                          |                                         |                                                                                 |           |
|                                                           |                                           | c                                                                                                                                             | Rental income<br>or (loss)                                                                | 1,142,032                                          |                                         |                                                                                 |           |
|                                                           |                                           | d                                                                                                                                             | Net rental income or (loss) . . . . .                                                     |                                                    | 1,142,032                               |                                                                                 | 1,142,032 |
| 7a                                                        |                                           | Gross amount<br>from sales of<br>assets other<br>than inventory                                                                               | (i) Securities<br>445,454,403                                                             | (ii) Other                                         |                                         |                                                                                 |           |
|                                                           |                                           | b                                                                                                                                             | Less cost or<br>other basis and<br>sales expenses                                         | 435,116,977                                        |                                         |                                                                                 |           |
|                                                           |                                           | c                                                                                                                                             | Gain or (loss)                                                                            | 10,337,426                                         |                                         |                                                                                 |           |
|                                                           |                                           | d                                                                                                                                             | Net gain or (loss) . . . . .                                                              |                                                    | 10,337,426                              | 10,337,426                                                                      |           |
| 8a                                                        |                                           | Gross income from fundraising<br>events (not including<br>\$ _____<br>of contributions reported on line 1c)<br>See Part IV, line 18 . . . . . | a                                                                                         | 1,285,246                                          |                                         |                                                                                 |           |
|                                                           |                                           | b                                                                                                                                             | Less direct expenses . . . .                                                              | b                                                  | 538,757                                 |                                                                                 |           |
|                                                           |                                           | c                                                                                                                                             | Net income or (loss) from fundraising events . .                                          |                                                    | 746,489                                 |                                                                                 | 746,489   |
| 9a                                                        |                                           | Gross income from gaming activities<br>See Part IV, line 19 . . . . .                                                                         | a                                                                                         |                                                    |                                         |                                                                                 |           |
|                                                           |                                           | b                                                                                                                                             | Less direct expenses . . . .                                                              | b                                                  |                                         |                                                                                 |           |
|                                                           |                                           | c                                                                                                                                             | Net income or (loss) from gaming activities . .                                           |                                                    |                                         |                                                                                 |           |
| 10a                                                       |                                           | Gross sales of inventory, less<br>returns and allowances . . . . .                                                                            | a                                                                                         |                                                    |                                         |                                                                                 |           |
|                                                           |                                           | b                                                                                                                                             | Less cost of goods sold . . . .                                                           | b                                                  |                                         |                                                                                 |           |
|                                                           |                                           | c                                                                                                                                             | Net income or (loss) from sales of inventory . .                                          |                                                    |                                         |                                                                                 |           |
| Miscellaneous Revenue                                     |                                           | Business Code                                                                                                                                 |                                                                                           |                                                    |                                         |                                                                                 |           |
| 11a                                                       |                                           | Research & Misc. Income                                                                                                                       | 900099                                                                                    | 13,275,087                                         | 13,147,330                              | 127,757                                                                         |           |
| b                                                         | Health Network Labs                       | 621500                                                                                                                                        | 10,317,374                                                                                | 9,340,783                                          | 976,591                                 |                                                                                 |           |
| c                                                         | Lehigh Valley PHO                         | 900003                                                                                                                                        | 10,352                                                                                    | 10,352                                             |                                         |                                                                                 |           |
| d                                                         | All other revenue . . . . .               |                                                                                                                                               |                                                                                           |                                                    |                                         |                                                                                 |           |
| e                                                         | Total. Add lines 11a-11d . . . . .        |                                                                                                                                               | 23,602,813                                                                                |                                                    |                                         |                                                                                 |           |
| 12                                                        | Total revenue. See Instructions . . . . . |                                                                                                                                               | 1,162,464,092                                                                             | 1,125,978,120                                      | 9,113,884                               | 10,296,315                                                                      |           |

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)<br>Total expenses | (B)<br>Program service expenses | (C)<br>Management and general expenses | (D)<br>Fundraising expenses |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|----------------------------------------|-----------------------------|
| 1                                                                              | Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.                                                                                                                                       |                       |                                 |                                        |                             |
| 2                                                                              | Grants and other assistance to individuals in the United States. See Part IV, line 22.                                                                                                                                                         | 548,933               | 548,933                         |                                        |                             |
| 3                                                                              | Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.                                                                                                            |                       |                                 |                                        |                             |
| 4                                                                              | Benefits paid to or for members.                                                                                                                                                                                                               |                       |                                 |                                        |                             |
| 5                                                                              | Compensation of current officers, directors, trustees, and key employees.                                                                                                                                                                      | 7,850,160             | 7,850,160                       |                                        |                             |
| 6                                                                              | Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).                                                                                                 |                       |                                 |                                        |                             |
| 7                                                                              | Other salaries and wages.                                                                                                                                                                                                                      | 330,821,928           | 313,117,139                     | 16,390,262                             | 1,314,527                   |
| 8                                                                              | Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).                                                                                                                                            | 30,849,066            | 29,219,387                      | 1,507,997                              | 121,682                     |
| 9                                                                              | Other employee benefits.                                                                                                                                                                                                                       | 40,345,079            | 39,224,960                      | 1,044,236                              | 75,883                      |
| 10                                                                             | Payroll taxes.                                                                                                                                                                                                                                 | 25,568,411            | 24,153,874                      | 1,308,792                              | 105,745                     |
| 11                                                                             | Fees for services (non-employees):                                                                                                                                                                                                             |                       |                                 |                                        |                             |
| a                                                                              | Management.                                                                                                                                                                                                                                    |                       |                                 |                                        |                             |
| b                                                                              | Legal.                                                                                                                                                                                                                                         | 2,116,971             |                                 | 2,116,971                              |                             |
| c                                                                              | Accounting.                                                                                                                                                                                                                                    | 493,682               | 25,000                          | 468,682                                |                             |
| d                                                                              | Lobbying.                                                                                                                                                                                                                                      |                       |                                 |                                        |                             |
| e                                                                              | Professional fundraising services. See Part IV, line 17.                                                                                                                                                                                       |                       |                                 |                                        |                             |
| f                                                                              | Investment management fees.                                                                                                                                                                                                                    |                       |                                 |                                        |                             |
| g                                                                              | Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).                                                                                                                                    | 113,400,118           | 107,524,239                     | 5,844,066                              | 31,813                      |
| 12                                                                             | Advertising and promotion.                                                                                                                                                                                                                     | 5,536,076             | 4,182,886                       | 1,353,190                              |                             |
| 13                                                                             | Office expenses.                                                                                                                                                                                                                               | 2,609,493             | 2,445,731                       | 151,289                                | 12,473                      |
| 14                                                                             | Information technology.                                                                                                                                                                                                                        | 13,381,419            | 13,151,131                      | 230,288                                |                             |
| 15                                                                             | Royalties.                                                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| 16                                                                             | Occupancy.                                                                                                                                                                                                                                     | 28,452,130            | 28,002,079                      | 412,801                                | 37,250                      |
| 17                                                                             | Travel.                                                                                                                                                                                                                                        | 1,516,033             | 1,422,842                       | 82,317                                 | 10,874                      |
| 18                                                                             | Payments of travel or entertainment expenses for any federal, state, or local public officials.                                                                                                                                                |                       |                                 |                                        |                             |
| 19                                                                             | Conferences, conventions, and meetings.                                                                                                                                                                                                        | 2,179,435             | 2,020,790                       | 112,714                                | 45,931                      |
| 20                                                                             | Interest.                                                                                                                                                                                                                                      | 16,794,452            | 16,794,452                      |                                        |                             |
| 21                                                                             | Payments to affiliates.                                                                                                                                                                                                                        |                       |                                 |                                        |                             |
| 22                                                                             | Depreciation, depletion, and amortization.                                                                                                                                                                                                     | 62,940,292            | 62,819,144                      | 120,031                                | 1,117                       |
| 23                                                                             | Insurance.                                                                                                                                                                                                                                     | 6,945,536             | 6,945,536                       |                                        |                             |
| 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.                                                                                                                                                                                                                              | 200,792,685           | 200,791,630                     | 1,055                                  | 0                           |
| b                                                                              | Purchased Services.                                                                                                                                                                                                                            | 117,033,527           | 113,222,965                     | 3,667,394                              | 143,168                     |
| c                                                                              | Bad Debt Expense.                                                                                                                                                                                                                              | 71,894,345            | 71,894,345                      |                                        |                             |
| d                                                                              | Other Supplies.                                                                                                                                                                                                                                | 5,532,976             | 5,528,210                       | 15,060                                 | -10,294                     |
| e                                                                              | All other expenses.                                                                                                                                                                                                                            | 32,634,174            | 32,052,068                      | 512,924                                | 69,182                      |
| 25                                                                             | <b>Total functional expenses.</b> Add lines 1 through 24e.                                                                                                                                                                                     | 1,120,236,921         | 1,082,937,502                   | 35,340,069                             | 1,959,351                   |
| 26                                                                             | <b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> 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                                                                                                                                                                                                                                                                                                    |                  | 13,515            | 1   | 9,668         |
|                             | 2                                                                                                                                                   | Savings and temporary cash investments                                                                                                                                                                                                                                                                                       |                  | 2,920,440         | 2   | 2,151,942     |
|                             | 3                                                                                                                                                   | Pledges and grants receivable, net                                                                                                                                                                                                                                                                                           |                  | 11,268,693        | 3   | 10,985,893    |
|                             | 4                                                                                                                                                   | Accounts receivable, net                                                                                                                                                                                                                                                                                                     |                  | 201,194,989       | 4   | 226,464,429   |
|                             | 5                                                                                                                                                   | Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L                                                                                                                                                           |                  | 90,000            | 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 |                  |                   | 6   |               |
|                             | 7                                                                                                                                                   | Notes and loans receivable, net                                                                                                                                                                                                                                                                                              |                  | 2,238,618         | 7   | 1,772,379     |
|                             | 8                                                                                                                                                   | Inventories for sale or use                                                                                                                                                                                                                                                                                                  |                  | 13,133,075        | 8   | 14,248,874    |
|                             | 9                                                                                                                                                   | Prepaid expenses and deferred charges                                                                                                                                                                                                                                                                                        |                  | 15,764,871        | 9   | 18,645,128    |
|                             | 10a                                                                                                                                                 | Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D                                                                                                                                                                                                                                            | 10a1,085,925,235 |                   |     |               |
|                             | b                                                                                                                                                   | Less accumulated depreciation                                                                                                                                                                                                                                                                                                | 10b626,194,567   | 444,319,280       | 10c | 459,730,668   |
|                             | 11                                                                                                                                                  | Investments—publicly traded securities                                                                                                                                                                                                                                                                                       |                  | 613,111,767       | 11  | 659,179,774   |
|                             | 12                                                                                                                                                  | Investments—other securities See Part IV, line 11                                                                                                                                                                                                                                                                            |                  | 0                 | 12  | 0             |
|                             | 13                                                                                                                                                  | Investments—program-related See Part IV, line 11                                                                                                                                                                                                                                                                             |                  | 102,113,760       | 13  | 109,247,495   |
|                             | 14                                                                                                                                                  | Intangible assets                                                                                                                                                                                                                                                                                                            |                  |                   | 14  |               |
|                             | 15                                                                                                                                                  | Other assets See Part IV, line 11                                                                                                                                                                                                                                                                                            |                  | 3,879,431         | 15  | 4,340,572     |
|                             | 16                                                                                                                                                  | Total assets. Add lines 1 through 15 (must equal line 34)                                                                                                                                                                                                                                                                    |                  | 1,410,048,439     | 16  | 1,506,776,822 |
| Liabilities                 | 17                                                                                                                                                  | Accounts payable and accrued expenses                                                                                                                                                                                                                                                                                        |                  | 89,089,187        | 17  | 89,553,948    |
|                             | 18                                                                                                                                                  | Grants payable                                                                                                                                                                                                                                                                                                               |                  |                   | 18  |               |
|                             | 19                                                                                                                                                  | Deferred revenue                                                                                                                                                                                                                                                                                                             |                  | 2,707,670         | 19  | 4,937,072     |
|                             | 20                                                                                                                                                  | Tax-exempt bond liabilities                                                                                                                                                                                                                                                                                                  |                  | 342,411,615       | 20  | 397,064,649   |
|                             | 21                                                                                                                                                  | Escrow or custodial account liability Complete Part IV of Schedule D                                                                                                                                                                                                                                                         |                  |                   | 21  |               |
|                             | 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                                                                                                                                          |                  |                   | 22  |               |
|                             | 23                                                                                                                                                  | Secured mortgages and notes payable to unrelated third parties                                                                                                                                                                                                                                                               |                  | 34,605,371        | 23  | 34,816,564    |
|                             | 24                                                                                                                                                  | Unsecured notes and loans payable to unrelated third parties                                                                                                                                                                                                                                                                 |                  |                   | 24  |               |
|                             | 25                                                                                                                                                  | Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D                                                                                                                                                         |                  | 301,396,078       | 25  | 210,602,911   |
|                             | 26                                                                                                                                                  | Total liabilities. Add lines 17 through 25                                                                                                                                                                                                                                                                                   |                  | 770,209,921       | 26  | 736,975,144   |
| Net Assets or Fund Balances | Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34. |                                                                                                                                                                                                                                                                                                                              |                  |                   |     |               |
|                             | 27                                                                                                                                                  | Unrestricted net assets                                                                                                                                                                                                                                                                                                      |                  | 502,217,281       | 27  | 620,819,947   |
|                             | 28                                                                                                                                                  | Temporarily restricted net assets                                                                                                                                                                                                                                                                                            |                  | 91,734,168        | 28  | 101,798,547   |
|                             | 29                                                                                                                                                  | Permanently restricted net assets                                                                                                                                                                                                                                                                                            |                  | 45,887,069        | 29  | 47,183,184    |
|                             | Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.                          |                                                                                                                                                                                                                                                                                                                              |                  |                   |     |               |
|                             | 30                                                                                                                                                  | Capital stock or trust principal, or current funds                                                                                                                                                                                                                                                                           |                  |                   | 30  |               |
|                             | 31                                                                                                                                                  | Paid-in or capital surplus, or land, building or equipment fund                                                                                                                                                                                                                                                              |                  |                   | 31  |               |
|                             | 32                                                                                                                                                  | Retained earnings, endowment, accumulated income, or other funds                                                                                                                                                                                                                                                             |                  |                   | 32  |               |
|                             | 33                                                                                                                                                  | Total net assets or fund balances                                                                                                                                                                                                                                                                                            |                  | 639,838,518       | 33  | 769,801,678   |
|                             | 34                                                                                                                                                  | Total liabilities and net assets/fund balances                                                                                                                                                                                                                                                                               |                  | 1,410,048,439     | 34  | 1,506,776,822 |

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  | 1,162,464,092 |
| 2  | Total expenses (must equal Part IX, column (A), line 25) . . . . .                                            | 2  | 1,120,236,921 |
| 3  | Revenue less expenses Subtract line 2 from line 1 . . . . .                                                   | 3  | 42,227,171    |
| 4  | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .           | 4  | 639,838,518   |
| 5  | Net unrealized gains (losses) on investments . . . . .                                                        | 5  | 16,559,380    |
| 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  | 71,176,609    |
| 10 | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 769,801,678   |

Part XII Financial Statements and Reporting

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

|    |                                                                                                                                                                                                                                                                                                                                                                                                                          | Yes | No |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| 1  | Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____<br>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?<br>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<br><input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis |     | No |
| 2b | Were the organization's financial statements audited by an independent accountant?<br>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<br><input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> 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?<br>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<br>Lehigh Valley Hospital | Employer identification number<br>23-1689692 |
|----------------------------------------------------|----------------------------------------------|

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33<sup>1</sup>/<sub>3</sub>% 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<br>Lehigh Valley Hospital | Employer identification number<br><br>23-1689692 |
|----------------------------------------------------|--------------------------------------------------|

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

|   |                                                                                                          |      |
|---|----------------------------------------------------------------------------------------------------------|------|
| 1 | Provide a description of the organization’s direct and indirect political campaign activities 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?   | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 4a | Was a correction made?                                                                  | <input type="checkbox"/> Yes <input type="checkbox"/> 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?                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <input type="checkbox"/> Yes <input type="checkbox"/> 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<br>(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?                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                   | <input type="checkbox"/> Yes <input type="checkbox"/> No |                                    |                    |                              |                                         |                                                 |                                           |                                                   |                                            |                                                  |                   |             |  |  |

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

| 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<br>(150% of line 2a, column(e))    |          |          |          |          |           |
| c Total lobbying expenditures                                |          |          |          |          |           |
| d Grassroots nontaxable amount                               |          |          |          |          |           |
| e Grassroots ceiling amount<br>(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)?                                                                                                                                 | Yes |    |         |
| c                                                                                                                         | Media advertisements?                                                                                                                                                                                                        |     | No |         |
| d                                                                                                                         | Mailings to members, legislators, or the public?                                                                                                                                                                             | Yes |    | 0       |
| e                                                                                                                         | Publications, or published or broadcast statements?                                                                                                                                                                          |     | No |         |
| f                                                                                                                         | Grants to other organizations for lobbying purposes?                                                                                                                                                                         |     | No |         |
| g                                                                                                                         | Direct contact with legislators, their staffs, government officials, or a legislative body?                                                                                                                                  | Yes |    | 98,611  |
| h                                                                                                                         | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?                                                                                                                                    |     | No |         |
| i                                                                                                                         | Other activities?                                                                                                                                                                                                            | Yes |    | 23,427  |
| j                                                                                                                         | Total. Add lines 1c through 1i.                                                                                                                                                                                              |     |    | 122,038 |
| 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                                                   |
|------------------------------------|-------------------|---------------------------------------------------------------|
| Explanation of Lobbying Activities | Part II-B, Line 1 | Indirect lobbying expense incurred by state contract lobbyist |

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  
Lehigh Valley Hospital

Employer identification number  
23-1689692

Part I

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

|   | (a) Donor advised funds                                                                                                                                                                                                                                                                                                                | (b) Funds and other accounts |
|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 1 | Total number at end of year                                                                                                                                                                                                                                                                                                            |                              |
| 2 | Aggregate contributions to (during year)                                                                                                                                                                                                                                                                                               |                              |
| 3 | Aggregate grants from (during year)                                                                                                                                                                                                                                                                                                    |                              |
| 4 | Aggregate value at end of year                                                                                                                                                                                                                                                                                                         |                              |
| 5 | Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>                                                            |                              |
| 6 | Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div> |                              |

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or 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

|    |        |
|----|--------|
|    | Amount |
| 1c |        |
| 1d |        |
| 1e |        |
| 1f |        |

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part 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 . . . . .                     | 110,386,214     | 105,775,895   | 89,400,969          | 78,716,975          | 96,684,736         |
| b Contributions . . . . .                                  | 1,322,044       | 4,304,716     | 1,438,232           | 3,372,844           | 362,255            |
| c Net investment earnings, gains, and losses               | 11,499,784      | 2,562,031     | 16,891,409          | 9,223,571           | -16,234,043        |
| d Grants or scholarships . . . . .                         | 619,560         | 363,340       | 246,433             | 285,893             | 650,019            |
| e Other expenditures for facilities and programs . . . . . | 2,520,512       | 1,892,924     | 1,708,282           | 1,625,502           | 1,445,904          |
| f Administrative expenses . . . . .                        |                 |               |                     |                     |                    |
| g End of year balance . . . . .                            | 120,067,970     | 110,386,378   | 105,775,895         | 89,401,995          | 78,717,025         |

2

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

a

Board designated or quasi-endowment

0 %

b

Permanent endowment

34 000 %

c

Temporarily restricted endowment

66 000 %

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

|       |     |    |
|-------|-----|----|
|       | Yes | No |
| 3a(i) |     | No |

(ii)

related organizations

|        |     |    |
|--------|-----|----|
|        | Yes | No |
| 3a(ii) |     | No |

b

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

|    |     |    |
|----|-----|----|
|    | Yes | No |
| 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 . . . . .                                                                                |                                      | 5,024,338                       |                              | 5,024,338      |
| b Buildings . . . . .                                                                            |                                      | 647,308,868                     | 353,757,091                  | 293,551,777    |
| c Leasehold improvements . . . . .                                                               |                                      | 25,402,491                      | 9,524,512                    | 15,877,979     |
| d Equipment . . . . .                                                                            |                                      | 268,838,461                     | 187,044,111                  | 81,794,350     |
| e Other . . . . .                                                                                |                                      | 139,351,077                     | 75,868,853                   | 63,482,224     |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) |                                      |                                 |                              | 459,730,668    |



|                                                                                                         |                                                                                                          |           |  |           |
|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-----------|--|-----------|
| <b>Part XI    Reconciliation of Revenue per Audited Financial Statements With Revenue per Return</b>    |                                                                                                          |           |  |           |
| <b>1</b>                                                                                                | Total revenue, gains, and other support per audited financial statements . . . . .                       |           |  | <b>1</b>  |
| <b>2</b>                                                                                                | Amounts included on line 1 but not on Form 990, Part VIII, line 12                                       |           |  |           |
| <b>a</b>                                                                                                | Net unrealized gains on investments . . . . .                                                            | <b>2a</b> |  |           |
| <b>b</b>                                                                                                | Donated services and use of facilities . . . . .                                                         | <b>2b</b> |  |           |
| <b>c</b>                                                                                                | Recoveries of prior year grants . . . . .                                                                | <b>2c</b> |  |           |
| <b>d</b>                                                                                                | Other (Describe in Part XIII ) . . . . .                                                                 | <b>2d</b> |  |           |
| <b>e</b>                                                                                                | Add lines <b>2a</b> through <b>2d</b> . . . . .                                                          |           |  | <b>2e</b> |
| <b>3</b>                                                                                                | Subtract line <b>2e</b> from line <b>1</b> . . . . .                                                     |           |  | <b>3</b>  |
| <b>4</b>                                                                                                | Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>                               |           |  |           |
| <b>a</b>                                                                                                | Investment expenses not included on Form 990, Part VIII, line 7b . . . . .                               | <b>4a</b> |  |           |
| <b>b</b>                                                                                                | Other (Describe in Part XIII ) . . . . .                                                                 | <b>4b</b> |  |           |
| <b>c</b>                                                                                                | Add lines <b>4a</b> and <b>4b</b> . . . . .                                                              |           |  |           |
| <b>5</b>                                                                                                | Total revenue Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12 ) . . . . .  |           |  | <b>5</b>  |
| <b>Part XII    Reconciliation of Expenses per Audited Financial Statements With Expenses per Return</b> |                                                                                                          |           |  |           |
| <b>1</b>                                                                                                | Total expenses and losses per audited financial statements . . . . .                                     |           |  | <b>1</b>  |
| <b>2</b>                                                                                                | Amounts included on line 1 but not on Form 990, Part IX, line 25                                         |           |  |           |
| <b>a</b>                                                                                                | Donated services and use of facilities . . . . .                                                         | <b>2a</b> |  |           |
| <b>b</b>                                                                                                | Prior year adjustments . . . . .                                                                         | <b>2b</b> |  |           |
| <b>c</b>                                                                                                | Other losses . . . . .                                                                                   | <b>2c</b> |  |           |
| <b>d</b>                                                                                                | Other (Describe in Part XIII ) . . . . .                                                                 | <b>2d</b> |  |           |
| <b>e</b>                                                                                                | Add lines <b>2a</b> through <b>2d</b> . . . . .                                                          |           |  | <b>2e</b> |
| <b>3</b>                                                                                                | Subtract line <b>2e</b> from line <b>1</b> . . . . .                                                     |           |  | <b>3</b>  |
| <b>4</b>                                                                                                | Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :                               |           |  |           |
| <b>a</b>                                                                                                | Investment expenses not included on Form 990, Part VIII, line 7b . . . . .                               | <b>4a</b> |  |           |
| <b>b</b>                                                                                                | Other (Describe in Part XIII ) . . . . .                                                                 | <b>4b</b> |  |           |
| <b>c</b>                                                                                                | Add lines <b>4a</b> and <b>4b</b> . . . . .                                                              |           |  |           |
| <b>5</b>                                                                                                | Total expenses Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18 ) . . . . . |           |  | <b>5</b>  |

|                                              |
|----------------------------------------------|
| <b>Part XIII    Supplemental Information</b> |
|----------------------------------------------|

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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description of Intended Use of Endowment Funds      | Part V, Line 4   | The endowment funds are used for continuing education, scholarships, research, clinical equipment, and nursing awards                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Description of Uncertain Tax Positions Under FIN 48 | Part X, Line 2   | In 2008, the Organization adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 has become part of ASC 740. FIN 48/ASC 740 establishes that the financial statement effects of a tax position taken or expected to be taken are to be recognized in the financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon IRS examination. FIN 48 became effective for fiscal year 2008 for the Organization. The Organization has analyzed tax positions taken on federal income tax returns for all open tax years for the taxable entities and has determined that as of June 30, 2013, there are no uncertain tax positions taken or expected to be taken that would require recognition in the financial statements. The Organization has analyzed specific criteria regarding the exempt 501(c) 3 status for the tax exempt entities and has determined that as of June 30, 2013 the Organization is compliant with the qualifications for exemption from Federal income tax. |



Additional Data

Software ID:

Software Version:

EIN: 23-1689692

Name: Lehigh Valley Hospital

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

| 1 | (a) Description of Liability                | (b) Book Value |
|---|---------------------------------------------|----------------|
|   | Cost Settlement Reserves with Third Parties | -702,626       |
|   | Deferred Compensation Plan                  | 4,118,223      |
|   | Pension Liability                           | 160,772,343    |
|   | Workers Compensation                        | 941,427        |
|   | Professional Insurance Liability Reserves   | 27,686,900     |
|   | Asset Retirement Obligation                 | 4,071,689      |
|   | Unrealized Loss on Interest Rate Swap       | 12,846,613     |
|   | Other                                       | 868,342        |

SCHEDULE G  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information Regarding  
Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a. Form 990-EZ filers are not required to complete this part.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
Lehigh Valley Hospital

Employer identification number  
23-1689692

Part I Fundraising Activities.

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

- 1

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

a

☒

Mail solicitations

e

☐

Solicitation of non-government grants

b

☒

Internet and email solicitations

f

☐

Solicitation of government grants

c

☒

Phone solicitations

g

☐

Special fundraising events

d

☐

In-person solicitations
- 2a

Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services?

☒ Yes ☐ No
- b

If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

| (i) Name and address of individual or entity (fundraiser)              | (ii) Activity           | (iii) Did fundraiser have custody or control of contributions? |    | (iv) Gross receipts from activity | (v) Amount paid to (or retained by) fundraiser listed in col (i) | (vi) Amount paid to (or retained by) organization |
|------------------------------------------------------------------------|-------------------------|----------------------------------------------------------------|----|-----------------------------------|------------------------------------------------------------------|---------------------------------------------------|
|                                                                        |                         | Yes                                                            | No |                                   |                                                                  |                                                   |
| Harris Connect<br>1511 Route 22 - Suite C-25<br><br>Brewster, NY 10509 | Phone/Mail Solicitation |                                                                | No | 102,345                           | 178,013                                                          | -75,668                                           |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
|                                                                        |                         |                                                                |    |                                   |                                                                  |                                                   |
| Total . . . . . ▶                                                      |                         |                                                                |    | 102,345                           | 178,013                                                          | -75,668                                           |

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

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

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

|                 |    | (a) Event #1                                                           | (b) Event #2            | (c) Other events          | (d) Total events              |
|-----------------|----|------------------------------------------------------------------------|-------------------------|---------------------------|-------------------------------|
|                 |    | <u>Nite Lites</u><br>(event type)                                      | <u></u><br>(event type) | <u></u><br>(total number) | (add col (a) through col (c)) |
| Revenue         | 1  | Gross receipts . . . .                                                 | 1,102,250               |                           | 1,102,250                     |
|                 | 2  | Less Contributions . . .                                               |                         |                           |                               |
|                 | 3  | Gross income (line 1 minus line 2) . . . .                             | 1,102,250               |                           | 1,102,250                     |
| Direct Expenses | 4  | Cash prizes . . . .                                                    |                         |                           |                               |
|                 | 5  | Noncash prizes . . .                                                   |                         |                           |                               |
|                 | 6  | Rent/facility costs . . .                                              |                         |                           |                               |
|                 | 7  | Food and beverages .                                                   |                         |                           |                               |
|                 | 8  | Entertainment . . . .                                                  |                         |                           |                               |
|                 | 9  | Other direct expenses .                                                | 538,757                 |                           | 538,757                       |
|                 | 10 | Direct expense summary Add lines 4 through 9 in column (d) . . . . . ▶ |                         |                           |                               |
|                 | 11 | Net income summary Combine line 3, column (d), and line 10 . . . . . ▶ |                         |                           |                               |
|                 |    |                                                                        |                         |                           | 563,493                       |

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

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

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

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

b If "No," explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

b If "Yes," explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Does the organization operate gaming activities with nonmembers? ☒ **Yes** ☐ **No**

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

**13** Indicate the percentage of gaming activity operated in

|                                      |            |  |
|--------------------------------------|------------|--|
| <b>a</b> The organization's facility | <b>13a</b> |  |
| <b>b</b> An outside facility         | <b>13b</b> |  |

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

Name ▶

Address ▶

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

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

**c** If "Yes," enter name and address of the third party

Name ▶

Address ▶

**16** Gaming manager information

Name ▶

Gaming manager compensation ▶ \$ \_\_\_\_\_

Description of services provided ▶

☐ Director/officer

☐ Employee

☐ Independent contractor

**17** Mandatory distributions

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

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

**Part IV Supplemental Information.** Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

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

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**  
Lehigh Valley Hospital

**Employer identification number**  
23-1689692

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<br><br><input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities<br><input type="checkbox"/> 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<br><br><b>a</b> 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<br><br><input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %<br><br><b>b</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 . . . . .<br><br><input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %<br><br><b>c</b> 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<br><br><b>4</b> 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"? . . . . . | 3a  | Yes |    |
| 5a | Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 3b  | Yes |    |
| b  | If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 4   | Yes |    |
| c  | If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 5a  | Yes |    |
| 6a | Did the organization prepare a community benefit report during the tax year? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 5b  |     | No |
| b  | If "Yes," did the organization make it available to the public? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 5c  |     |    |
|    | Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 6a  | Yes |    |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 6b  | Yes |    |

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) . . . .                                           |                                                 |                               | 17,104,697                          |                               | 17,104,697                        | 1 630 %                      |
| b Medicaid (from Worksheet 3, column a) . . . . .                                                   |                                                 |                               | 133,683,005                         | 82,432,781                    | 51,250,224                        | 4 890 %                      |
| c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .            |                                                 |                               |                                     |                               |                                   |                              |
| d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .                  |                                                 |                               | 150,787,702                         | 82,432,781                    | 68,354,921                        | 6 520 %                      |
| <b>Other Benefits</b>                                                                               |                                                 |                               |                                     |                               |                                   |                              |
| e Community health improvement services and community benefit operations (from Worksheet 4) . . . . |                                                 |                               | 7,383,138                           |                               | 7,383,138                         | 0 700 %                      |
| f Health professions education (from Worksheet 5) . . . . .                                         |                                                 |                               | 14,586,846                          | 5,898,401                     | 8,688,445                         | 0 830 %                      |
| g Subsidized health services (from Worksheet 6) . . . . .                                           |                                                 |                               | 17,129,691                          | 1,877,779                     | 15,251,912                        | 1 450 %                      |
| h Research (from Worksheet 7) . . . . .                                                             |                                                 |                               | 5,872,319                           | 2,790,407                     | 3,081,912                         | 0 290 %                      |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .                 |                                                 |                               | 233,715                             |                               | 233,715                           | 0 020 %                      |
| j <b>Total.</b> Other Benefits . . . . .                                                            |                                                 |                               | 45,205,709                          | 10,566,587                    | 34,639,122                        | 3 290 %                      |
| k <b>Total.</b> Add lines 7d and 7j . . . . .                                                       |                                                 |                               | 195,993,411                         | 92,999,368                    | 102,994,043                       | 9 810 %                      |

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                     |                               | 213,614                              |                               | 213,614                            | 0.020 %                      |
| 8  | Workforce development                                     |                               |                                      |                               |                                    |                              |
| 9  | Other                                                     |                               |                                      |                               |                                    |                              |
| 10 | Total                                                     |                               | 213,614                              |                               | 213,614                            | 0.020 %                      |

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

16,600,864

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

12,033,613

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

236,342,264

6

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

6

243,357,842

7

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

7

-7,015,578

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

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 1 LVHN Reciprocal Risk Retention Group              | Malpractice Insurance                         | 16.670 %                                         | 0 %                                                                                | 0 %                                           |
| 2 2 Health Network Laboratories LLC                   | Laboratory Services                           | 85.000 %                                         | 0 %                                                                                | 0 %                                           |
| 3 3 Health Network Laboratories LP                    | Laboratory Services                           | 81.670 %                                         | 0 %                                                                                | 0 %                                           |
| 4 4 Lehigh Valley Physician Hospital Organization Inc | Health Care Services                          | 45.000 %                                         | 0 %                                                                                | 0 %                                           |
| 5                                                     |                                               |                                                  |                                                                                    |                                               |
| 6                                                     |                                               |                                                  |                                                                                    |                                               |
| 7                                                     |                                               |                                                  |                                                                                    |                                               |
| 8                                                     |                                               |                                                  |                                                                                    |                                               |
| 9                                                     |                                               |                                                  |                                                                                    |                                               |
| 10                                                    |                                               |                                                  |                                                                                    |                                               |
| 11                                                    |                                               |                                                  |                                                                                    |                                               |
| 12                                                    |                                               |                                                  |                                                                                    |                                               |
| 13                                                    |                                               |                                                  |                                                                                    |                                               |

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—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 | Lehigh Valley Hospital<br>1200 S Cedar Crest Blvd<br>Allentown, PA 18103 | X                 | X                          | 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)

Lehigh Valley Hospital

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)

1

|                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                    | 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 . . . . .<br>If "Yes," indicate what the CHNA report describes (check all that apply)                                                                                                                                                              | 1   | Yes |
| a                                                                                                                       | <input checked="" type="checkbox"/> A definition of the community served by the hospital facility                                                                                                                                                                                                                                                                                                                                  |     |     |
| b                                                                                                                       | <input checked="" type="checkbox"/> Demographics of the community                                                                                                                                                                                                                                                                                                                                                                  |     |     |
| c                                                                                                                       | <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community                                                                                                                                                                                                                                                          |     |     |
| d                                                                                                                       | <input checked="" type="checkbox"/> How data was obtained                                                                                                                                                                                                                                                                                                                                                                          |     |     |
| e                                                                                                                       | <input checked="" type="checkbox"/> The health needs of the community                                                                                                                                                                                                                                                                                                                                                              |     |     |
| f                                                                                                                       | <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups                                                                                                                                                                                                                                                                        |     |     |
| g                                                                                                                       | <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs                                                                                                                                                                                                                                                                            |     |     |
| h                                                                                                                       | <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests                                                                                                                                                                                                                                                                                                                 |     |     |
| i                                                                                                                       | <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs                                                                                                                                                                                                                                                                                             |     |     |
| j                                                                                                                       | <input type="checkbox"/> Other (describe in Part VI)                                                                                                                                                                                                                                                                                                                                                                               |     |     |
| 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? . . . . .<br>If "Yes," indicate how the CHNA report was made widely available (check all that apply)                                                                                                                                                                                                                                                | 5   | Yes |
| a                                                                                                                       | <input checked="" type="checkbox"/> Hospital facility's website                                                                                                                                                                                                                                                                                                                                                                    |     |     |
| b                                                                                                                       | <input checked="" type="checkbox"/> Available upon request from the hospital facility                                                                                                                                                                                                                                                                                                                                              |     |     |
| c                                                                                                                       | <input checked="" type="checkbox"/> 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                                                                                                                       | <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA                                                                                                                                                                                                                                                                           |     |     |
| b                                                                                                                       | <input checked="" type="checkbox"/> Execution of the implementation strategy                                                                                                                                                                                                                                                                                                                                                       |     |     |
| c                                                                                                                       | <input checked="" type="checkbox"/> Participation in the development of a community-wide plan                                                                                                                                                                                                                                                                                                                                      |     |     |
| d                                                                                                                       | <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan                                                                                                                                                                                                                                                                                                                                        |     |     |
| e                                                                                                                       | <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans                                                                                                                                                                                                                                                                                                                                  |     |     |
| f                                                                                                                       | <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA                                                                                                                                                                                                                                                                                                   |     |     |
| g                                                                                                                       | <input checked="" type="checkbox"/> Prioritization of health needs in its community                                                                                                                                                                                                                                                                                                                                                |     |     |
| h                                                                                                                       | <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community                                                                                                                                                                                                                                                                                     |     |     |
| i                                                                                                                       | <input type="checkbox"/> Other (describe in Part VI)                                                                                                                                                                                                                                                                                                                                                                               |     |     |
| 7                                                                                                                       | Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .                                                                                                                                                                                                      | 7   | Yes |
| 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  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|-----|
| <b>9</b> 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?                                                                |  | <b>9</b>  | Yes |
| <b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> %<br>If "No," explain in Part VI the criteria the hospital facility used |  | <b>10</b> | Yes |
| <b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 00000000000000</u> %<br>If "No," explain in Part VI the criteria the hospital facility used                  |  | <b>11</b> | Yes |
| <b>12</b> Explained the basis for calculating amounts charged to patients? . . . . .<br>If "Yes," indicate the factors used in determining such amounts (check all that apply)                                                                                                                        |  | <b>12</b> | Yes |
| <b>a</b> <input checked="" type="checkbox"/> Income level                                                                                                                                                                                                                                             |  |           |     |
| <b>b</b> <input type="checkbox"/> Asset level                                                                                                                                                                                                                                                         |  |           |     |
| <b>c</b> <input checked="" type="checkbox"/> Medical indigency                                                                                                                                                                                                                                        |  |           |     |
| <b>d</b> <input type="checkbox"/> Insurance status                                                                                                                                                                                                                                                    |  |           |     |
| <b>e</b> <input checked="" type="checkbox"/> Uninsured discount                                                                                                                                                                                                                                       |  |           |     |
| <b>f</b> <input type="checkbox"/> Medicaid/Medicare                                                                                                                                                                                                                                                   |  |           |     |
| <b>g</b> <input type="checkbox"/> State regulation                                                                                                                                                                                                                                                    |  |           |     |
| <b>h</b> <input type="checkbox"/> Other (describe in Part VI)                                                                                                                                                                                                                                         |  |           |     |
| <b>13</b> Explained the method for applying for financial assistance? . . . . .                                                                                                                                                                                                                       |  | <b>13</b> | Yes |
| <b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . .<br>If "Yes," indicate how the hospital facility publicized the policy (check all that apply)                                                                                      |  | <b>14</b> | Yes |
| <b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website                                                                                                                                                                                                 |  |           |     |
| <b>b</b> <input checked="" type="checkbox"/> The policy was attached to billing invoices                                                                                                                                                                                                              |  |           |     |
| <b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms                                                                                                                                                                        |  |           |     |
| <b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices                                                                                                                                                                                      |  |           |     |
| <b>e</b> <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility                                                                                                                                                                   |  |           |     |
| <b>f</b> <input checked="" type="checkbox"/> The policy was available upon request                                                                                                                                                                                                                    |  |           |     |
| <b>g</b> <input type="checkbox"/> Other (describe in Part VI)                                                                                                                                                                                                                                         |  |           |     |
| Billing and Collections                                                                                                                                                                                                                                                                               |  |           |     |
| <b>15</b> Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .                                                     |  | <b>15</b> | Yes |
| <b>16</b> 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                                                    |  |           |     |
| <b>a</b> <input type="checkbox"/> Reporting to credit agency                                                                                                                                                                                                                                          |  |           |     |
| <b>b</b> <input type="checkbox"/> Lawsuits                                                                                                                                                                                                                                                            |  |           |     |
| <b>c</b> <input type="checkbox"/> Liens on residences                                                                                                                                                                                                                                                 |  |           |     |
| <b>d</b> <input type="checkbox"/> Body attachments                                                                                                                                                                                                                                                    |  |           |     |
| <b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)                                                                                                                                                                                                              |  |           |     |
| <b>17</b> Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . .                                                                 |  | <b>17</b> | No  |
| If "Yes," check all actions in which the hospital facility or a third party engaged                                                                                                                                                                                                                   |  |           |     |
| <b>a</b> <input type="checkbox"/> Reporting to credit agency                                                                                                                                                                                                                                          |  |           |     |
| <b>b</b> <input type="checkbox"/> Lawsuits                                                                                                                                                                                                                                                            |  |           |     |
| <b>c</b> <input type="checkbox"/> Liens on residences                                                                                                                                                                                                                                                 |  |           |     |
| <b>d</b> <input type="checkbox"/> Body attachments                                                                                                                                                                                                                                                    |  |           |     |
| <b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)                                                                                                                                                                                                                         |  |           |     |

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? . . . . . | Yes |    |
|    | If "No," indicate why                                                                                                                                                                                                                                                                                                                             |     |    |
| a  | <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions                                                                                                                                                                                                                                          |     |    |
| b  | <input type="checkbox"/> The hospital facility's policy was not in writing                                                                                                                                                                                                                                                                        |     |    |
| c  | <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)                                                                                                                                                                                                    |     |    |
| d  | <input type="checkbox"/> Other (describe in Part VI)                                                                                                                                                                                                                                                                                              |     |    |

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 <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged                                                                                                                   |  |    |
|    | b <input checked="" type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged                                                                                  |  |    |
|    | c <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged                                                                                                                                                |  |    |
|    | d <input type="checkbox"/> Other (describe in Part VI)                                                                                                                                                                                                                           |  |    |
| 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? . . . . . |  | No |
|    | If "Yes," explain in Part VI                                                                                                                                                                                                                                                     |  |    |
| 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? . . . . .                                                                                                    |  | No |
|    | If "Yes," explain in Part VI                                                                                                                                                                                                                                                     |  |    |

Part V

Facility Information (continued)

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

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

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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                                                                                                                                           |
|------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
|            |                 | Part I, Line 6a The Community Benefit Report is issued by Lehigh Valley Health Network - EIN 22-2458317, the parent company of Lehigh Valley Hospital |
|            |                 | Part I, Line 7 The costing methodology is cost to charge ratio for programs with gross charges and direct costs for programs without gross charges    |

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            |                 | <p>Part I, Line 7g CLINICS SUBSIDYThe clinics subsidy of \$13,981,842 is the difference between clinic payments and clinic costs The clinics subsidy includes the operations of the Medical and Surgical Clinics, Children's Clinic, the Dental Clinic, the Center for Women's Medicine, the Family Health Center, Geriatrics, Maternal Fetal Medicine, and the Mental Health Clinic The clinics subsidy is not included in the Medical Assistance Shortfall or Uncompensated Charity Care value reported above AIDS ACTIVITIES OFFICEEstablished in 1989, Lehigh Valley Hospital's AIDS Activities Office (AAO) provides clinical and social services to children, adolescents and adults infected and affected by HIV/AIDS and HCV (hepatitis C) In FY13 AIDS Activities Office's active patients received one or more of the following services HIV testing and counseling (A free service open to the public as a state-designated, Department of Health lab site) Prevention counseling through evidence based CDC approved programs This counseling targets education to those with high risk behaviors Initial and ongoing medical care (including laboratory evaluation, coordination and referral to diagnostic and specialty service, and pharmaceutical treatment regimens) provided by physicians who specialize in HIV care Coordination and monitoring of clinical therapies, and education provided by registered nurses Nutritional assessments and interventions performed by a registered dietician Adherence counseling performed by RN staff members Case management to insure coverage of basic and social service needs, including housing, employment, outpatient substance abuse treatment, mental health counseling, etc , and providing linkages to care and coordination of specialty treatments This service has required expansion in the past year due to increased patient need Hepatitis C treatment provided by a physician board-certified in internal medicineand specializing in HCV care Hepatitis C education by nurses specially educated in the disease as well as prevention and adherence counseling Support groups for HIV Mental health counseling by a licensed clinical social worker specializing in people living with HIV and HCV The AAO Food Bank, supported by private donations HepA, HepB, &amp; Hep A/B vaccines Funded originally by the Dorothy Rider Pool Health Care Trust and Lehigh Valley Hospital (LVH), the AIDS Activities Office is currently primarily supported by Early Intervention Funding (Title III) from the Ryan White Care Act (Human Resources and Services Administration) and AIDSNET (Ryan White Title II funding), 340B program savings and the PA Department of Health In FY 2013, due to the addition of the 340B savings program the AAO was able to offset all expense utilizing these savings FREE ORAL TRAUMA SURGERY CAREIn FY13, Lehigh Valley Hospital paid \$377,056 to private oral surgery practices to provide oral trauma surgery care to hospital patients AMBULANCE TRANSPORT COSTSLehigh Valley Hospital incurred total ambulance costs of \$184,587 to transport patients to other non-LVHN facilities PHARMACEUTICALS FOR DISCHARGED PATIENTSPharmaceuticals appropriate to the course of treatment are often provided at no charge to indigent patients upon discharge The cost of these medications in FY13 was \$401,295</p> |
|            |                 | <p>Part I, L7 Col(f) The costing methodology for bad debt expense is the Medicare cost to charge ratio The ratio of uninsured charges written off as charity was applied to total charges written off as bad debt to estimate the portion of bad debt that is attributed to patients under the hospital charity policy</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            |                 | Part II School HealthLehigh Valley Hospital's outpatient pediatric department provides free on-site clinical services and health exams for Central Elementary School's student population The net cost of direct services provided at the school in FY'13 was \$213,614                                                                                                                                                                                                                                                                         |
|            |                 | Part III, Line 4 BAD DEBTS-In instances where the Organization believes a patient has the ability to pay for services and, after appropriate collection effort, payment is not made, the amount of services not paid is written-off, at charges, as bad debts Amounts recorded as bad debts expense do not include charity The amount of bad debts expense for the years ended June 30, 2013 and 2012, at charges, was \$71,894,000 and \$66,764,000 respectively, and is reported as Bad Debt expense on the Combined Statements of Operations |

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                       |
|------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            |                 | Part III, Line 8 The source of the Medicare allowable costs relating to revenue received from Medicare is the FY '13 Medicare Cost Report The entire shortfall on Line 7 should be treated as a community benefit The revenue and expenses are both determined using Medicare principles The hospital is providing the community a benefit in excess of Medicare payments         |
|            |                 | Part III, Line 9b Financial Counseling staff will determine whether patients meet eligibility criteria for financial assistance Accounts that do not meet the eligibilty requirements will be referred to an external receivables follow up agency, and if not paid referred to a collection agency and subsequently transferred to bad debt status if the accounts remain unpaid |

| Identifier             | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Lehigh Valley Hospital |                 | Part V , Section B, Line 3 The Council's community needs assessment focused on the health status of the Lehigh Valley (Lehigh and Northampton Counties) The CHNA approach incorporated best practice standards as recommended by the American Public Health Association and the Association for Community Health Improvement of the American Hospital Association The Council employed several health assessment techniques that used both qualitative and quantitative data The assessment began by using existing community health measures from, but not limited to, the Centers for Disease Control and Prevention (CDC), US Census Bureau, Dartmouth Atlas of Healthcare, Pennsylvania's Department of Health, and the University of Wisconsin's County Health Rankings Community input was elicited through health opinion surveys, social reconnaissance with 84 key community members, and interviews with leadinghealth experts Findings from these efforts comprised a community health profile Community dialogues were conducted using a Community-Based Participatory Research (CBPR) approach in two federally-designated medically underserved areas The dialogues were facilitated by a national expert in CBPR in four 3-hour sessions with 170 community members in attendance The findings from the Community Health Profile were discussed at length These findings were strongly corroborated by the community members and stakeholders, who listed mental health, oral health, health disparities, racism, poverty, unhealthy lifestyles, poor education, and limited access to care as major barriers to health |
| Lehigh Valley Hospital |                 | Part V , Section B, Line 4 The Health Care Council of the Lehigh Valley includes representation from Lehigh Valley Health Network, Good Shepherd Rehabilitation Network, Sacred Heart HealthCare System, Saint Luke's University Hospital and Health Network, KidsPeace Psychiatric Hospital, and The Dorothy Rider Pool Health Care Trust                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |



| Identifier             | ReturnReference | Explanation                                                                                                                                                                                                                                                                          |
|------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Lehigh Valley Hospital |                 | Part V, Section B, Line 5c The Community Health Needs Assessment was mailed to key community leaders and was provided press coverage in the community newspaper and local television station                                                                                         |
| Lehigh Valley Hospital |                 | Part V, Section B, Line 16e Collection activities are limited to hospital sending three statements requesting payment The statements include information about the hospital's Financial Assistance Policy, soliciting the patients participation in the Financial Assistance Program |

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            |                 | Part VI, Line 2 The Health Care Council of the Lehigh Valley (HCCLV) used quantitative and qualitative methods to identify both the major causes of death and illness, and the barriers to improving the health andwell-being of community residents The HCCLV's approach has incorporated best practice standards recommended by the American Public Health Association and the Association for Community Health Improvement These procedures included using multiple data sources and input from stakeholders including community organizations and community members Quantitative data were collected from The Centers for Disease Control, US Census Bureau, Dartmouth Atlas of Healthcare, PennsylvaniaDepartment of Health's Vital Statistics and County Profiles, University of Wisconsin's County Health Rankings, National Cancer Institute State Cancer Profiles, Institute for People, community opinion surveys, and a Lehigh Valley disability survey Qualitative data were collected using community focus groups and social reconnaissance, a process that intensely examined community dynamics with regards to health                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|            |                 | Part VI, Line 3 Consistent with the mission and values of Lehigh Valley Health Network, it is the policy to provide medical care to all individuals without regard to their ability to pay for services The Charity Care Policy which incorporates the LVHN Reduced Cost of Care program applies to uninsured and under-insured individuals who participate in the process to evaluate their ability to pay for LVHN services Patients are identified by LVHN registration, Benefits and Verification, Customer Service, and Financial Counselors as being in financial need The Financial Counselors help patients complete the application for Reduced Cost of Care LVHN follows the Federal Poverty Guidelines to evaluate eligibility Patients whose family income falls below 200% of the Federal Poverty guideline will have their entire balance forgiven for their qualifying services at a participating LVHN provider Patients with a family income below 400% of the Federal Poverty guidelines will have a portion of their balance forgiven for qualifying services at a participating LVHN provider Patients are evaluated for no cost or reduced premium insurance plans The LVHN Financial Counselors will offer information to patients who are interested in seeing if they qualify for these programs offered by commercial insurance companies Patients often express financial concern or need by contacting the LVHN Customer Service departments The Customer Service representatives explain the programs available, Reduced Cost of Care, Medical Assistance, and a Reduced Patient responsibility for Self Pay patients Patients will be referred to the Financial Counselors who work with patients to apply for Pennsylvania Medical Assistance The Financial Counselors are located onsite The PATHS representatives visit patients in their inpatient rooms, in the Cancer Center, and in the Emergency Department In addition, LVHN advertises Financial Assistance in the local newspaper, on our public website and on the statements sent to our patients |

| Identifier | ReturnReference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            |                 | <p>Part VI, Line 4 Lehigh Valley Hospital, Inc (LVH) is a Pennsylvania not-for-profit membership corporation exempt from federal income taxes as a corporation described in Section 501(c)(3) of the Internal Revenue Code The primary service area of LVH consists of Lehigh, Northampton and Carbon counties Based on information available from the U S Census Bureau for the 2000 decennial census and the 2010 decennial census, the population of the primary service area was approximately 637,958 people in 2000 and was estimated to be 712,481 in 2010 During fiscal year 2013, 72% of the discharges from LVH were residents of the primary service area The secondary service area consists of Berks, Luzerne, Monroe, and Schuylkill counties as well as northern portions of Bucks and Montgomery counties The 2010 population of the secondary service area was approximately 1,460,603 During fiscal year 2013, 21% of the discharges from LVH were residents of the secondary service area Based on U S Census Bureau data, the current population of the combined primary and secondary LVH service areas is projected, to increase approximately 4.3% (CAGR - 0.86%) by the year 2017, based on the extrapolation of the population CAGR from Census year 2000 - 2010 During fiscal year 2013, 7% of the discharges from LVH were residents outside the primary and secondary service areas</p> |
|            |                 | <p>Part VI, Line 5 Lehigh Valley Hospital qualifies as an Institution of Purely Public Charity in Pennsylvania This regulation is referred to as Act 55 To be considered a purely public charity, nonprofits must (1) advance a charitable purpose, (2) donate or render gratuitously a substantial portion of its services, (3) benefit a substantial and indefinite class of persons who are legitimate subjects of charity, (4) relieve the government of some burden, and (5) operate entirely free from private profit motive LVH is required to reapply for this charitable status every five years and currently qualifies through October 31, 2015</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Lehigh Valley Hospital

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

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

OMB No 1545-0047

2012

Open to Public  
Inspection

Employer identification number  
23-1689692

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

☒ Yes ☐ No

2

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

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

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

2

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

▶

3

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

▶

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.  
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) Nursing Scholarships              | 152                     | 548,333                 | 0                                | Book                                                 |                                       |
| (2) Jirolano Tuition Aide Scholarship | 1                       | 600                     | 0                                | Book                                                 |                                       |
|                                       |                         |                         |                                  |                                                      |                                       |
|                                       |                         |                         |                                  |                                                      |                                       |
|                                       |                         |                         |                                  |                                                      |                                       |
|                                       |                         |                         |                                  |                                                      |                                       |
|                                       |                         |                         |                                  |                                                      |                                       |

Part IV

Supplemental Information.

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

| Identifier                                 | Return Reference | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Procedure for Monitoring Grants in the U S | Part I, Line 2   | Schedule I, Part I, Line 2 Scholarships are awarded to senior nursing students in a Bachelor of Science nursing program, and to 2nd year nursing students in an Associate Degree nursing program, as well as employees who possess a Registered Nurse license who are continuing their education toward either a Bachelor's Degree or Master's Degree in Nursing Criteria for scholarships to students in a Graduate Nurse program are a completed application, 2 letters of recommendation from clinical instructors, an official copy of their current transcript, demonstrating an overall GPA of 3 0 or higher, a one page essay describing why they feel they deserve the scholarship and a completed assessment survey If above information is considered favorable, two interviews are scheduled with selection committee members If considered favorable after all interviews have been conducted, a scholarship award is offered If candidate accepts and signs a contract, their commitment back to the hospital is 2080 hours of employment as a Registered Nurse, after successful completion of an internship/orientation If candidate does not fulfill their commitment, the scholarship dollars are pro-rated and repayment amount is due back For current RN employees, an application is completed along with a letter of recommendation from direct supervisor, a copy of their most recent performance evaluation, demonstrating a performance evaluation score of 3 0 or higher for BSN, 3 2 or higher for MSN If RN is currently in a program, an unofficial copy of their current transcript would also be required Employee must be currently enrolled in a nursing program prior to applying for the scholarship If employee accepts and signs a contract, their commitment back to the hospital is 4160 hours of employment, post-graduation |

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2012

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
Lehigh Valley Hospital

Employer identification number  
23-1689692

Part I

Questions Regarding Compensation

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Yes   | No |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|----|
| <div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input checked="" type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div> |       |    |
| <div><div>b</div><div>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</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 1bYes |    |
| <div><div>2</div><div>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?</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2Yes  |    |
| <div><div>3</div><div>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</div><div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div></div>                                                         |       |    |
| <div><div>4</div><div>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</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |    |
| <div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 4aYes |    |
| <div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 4bYes |    |
| <div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 4c    | No |
| <div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |       |    |
| <div><div>5</div><div>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</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |       |    |
| <div><div>a</div><div>The organization?</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 5a    | No |
| <div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 5b    | No |
| <div><div>6</div><div>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</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |       |    |
| <div><div>a</div><div>The organization?</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 6a    | No |
| <div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 6b    | No |
| <div><div>7</div><div>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</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 7     | No |
| <div><div>8</div><div>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</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 8     | No |
| <div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 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                                                                                                                                                                                                                              |
|------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | Part I, Line 1a    | Travel expenses for companion is paid by Lehigh Valley Hospital for one professional meeting per year for the President/CEO                                                                                                              |
|            | Part I, Lines 4a-b | Ronald W Swinfard, MD 280,128 Terry Capuano 115,612 Harry Lukens 21,326 Charles Lewis 87,304 Anne Panik 17,797 Brian Nester, DO 124,694 Robert J Motley, MD 11,939 James A Rotherham 9,686 Thomas V Whalen 126,966 Edward F O'Dea 28,167 |



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

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 |                           |                         |                                 |                                                            |
| Robert J Motley MD   | (i)  | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
|                      | (ii) | 210,219                                            | 200                                 | 9,972                    | 0                         | 34,111                  | 254,502                         | 0                                                          |
| Ronald W Swinfard MD | (i)  | 920,769                                            | 285,000                             | 288,842                  | 0                         | 35,977                  | 1,530,588                       | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Thomas V Whalen      | (i)  | 577,654                                            | 135,000                             | 138,612                  | 0                         | 31,091                  | 882,357                         | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Edward F O'Dea       | (i)  | 399,859                                            | 75,000                              | 23,864                   | 0                         | 36,357                  | 535,080                         | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| James A Rotherham    | (i)  | 219,648                                            | 34,697                              | -2,070                   | 9,686                     | 35,227                  | 297,188                         | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Terry Capuano        | (i)  | 518,305                                            | 125,000                             | 124,334                  | 0                         | 31,091                  | 798,730                         | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Harry Lukens         | (i)  | 334,495                                            | 70,000                              | 26,367                   | 0                         | 31,091                  | 461,953                         | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Charles Lewis        | (i)  | 307,898                                            | 190,000                             | 90,172                   | 0                         | 35,977                  | 624,047                         | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Anne Panik           | (i)  | 285,149                                            | 53,000                              | 21,752                   | 0                         | 31,091                  | 390,992                         | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Brian Nester DO      | (i)  | 535,700                                            | 118,125                             | 128,635                  | 0                         | 35,977                  | 818,437                         | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Elliot J Sussman MD  | (i)  | 0                                                  | 0                                   | 1,139,160                | 0                         | 0                       | 1,139,160                       | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |
| Joseph G Felkner     | (i)  | 0                                                  | 0                                   | 289,929                  | 0                         | 0                       | 289,929                         | 0                                                          |
|                      | (ii) | 0                                                  | 0                                   | 0                        | 0                         | 0                       | 0                               | 0                                                          |

|                          |                                                                                                                                                                                                                                                                                               |                           |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Schedule K<br>(Form 990) | <div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div> | OMB No 1545-0047          |
|                          |                                                                                                                                                                                                                                                                                               | 2012                      |
|                          |                                                                                                                                                                                                                                                                                               | Open to Public Inspection |

|                                                        |                                                    |                                              |
|--------------------------------------------------------|----------------------------------------------------|----------------------------------------------|
| Department of the Treasury<br>Internal Revenue Service | Name of the organization<br>Lehigh Valley Hospital | Employer identification number<br>23-1689692 |
|--------------------------------------------------------|----------------------------------------------------|----------------------------------------------|

Part I Bond Issues

| (a) Issuer name                           | (b) Issuer EIN | (c) CUSIP # | (d) Date issued | (e) Issue price | (f) Description of purpose                                               | (g) Defeased |    | (h) On behalf of issuer |    | (i) Pool financing |    |
|-------------------------------------------|----------------|-------------|-----------------|-----------------|--------------------------------------------------------------------------|--------------|----|-------------------------|----|--------------------|----|
|                                           |                |             |                 |                 |                                                                          | Yes          | No | Yes                     | No | Yes                | No |
| A Lehigh County General Purpose Authority | 91-1886539     | 5248053F3   | 09-15-2005      | 81,000,000      | construct, renovate & equip facilities                                   |              | X  |                         | X  |                    | X  |
| B Lehigh County General Purpose Authority | 91-1886539     | 52480GAY0   | 06-04-2008      | 53,725,184      | construct, renovate & equip facilities                                   |              | X  |                         | X  |                    | X  |
| C Lehigh County General Purpose Authority | 91-1886539     | 52480GBG8   | 04-01-2011      | 115,096,730     | refund 9/12/96 & 4/21/99A issues, reissuance of 7/7/05 and 6/5/08 issues |              | X  |                         | X  |                    | X  |
| D Lehigh County General Purpose Authority | 91-1886539     | 999999999   | 02-15-2012      | 18,665,000      | refund 4/15/01 & 10/17/01 issues                                         |              | X  |                         | X  |                    | X  |

Part II Proceeds

|    |                                                                                                        | A           |    | B          |    | C           |    | D          |    |
|----|--------------------------------------------------------------------------------------------------------|-------------|----|------------|----|-------------|----|------------|----|
| 1  | Amount of bonds retired                                                                                | 3,552,000   |    | 3,552,000  |    | 8,923,000   |    | 1,780,000  |    |
| 2  | Amount of bonds legally defeased                                                                       |             |    |            |    |             |    |            |    |
| 3  | Total proceeds of issue                                                                                | 82,955,467  |    | 53,885,593 |    | 115,096,730 |    | 18,665,000 |    |
| 4  | Gross proceeds in reserve funds                                                                        | 5,000,000   |    |            |    |             |    |            |    |
| 5  | Capitalized interest from proceeds                                                                     |             |    |            |    |             |    |            |    |
| 6  | Proceeds in refunding escrows                                                                          | 114,976,250 |    |            |    | 114,976,250 |    | 18,330,782 |    |
| 7  | Issuance costs from proceeds                                                                           | 908,575     |    | 704,637    |    | 120,480     |    | 334,218    |    |
| 8  | Credit enhancement from proceeds                                                                       | 2,341,645   |    | 1,323,209  |    |             |    |            |    |
| 9  | Working capital expenditures from proceeds                                                             |             |    |            |    |             |    |            |    |
| 10 | Capital expenditures from proceeds                                                                     | 71,505,488  |    | 51,857,747 |    |             |    |            |    |
| 11 | Other spent proceeds                                                                                   | 3,199,759   |    |            |    |             |    |            |    |
| 12 | Other unspent proceeds                                                                                 |             |    |            |    |             |    |            |    |
| 13 | Year of substantial completion                                                                         | 2007        |    | 2010       |    | 2011        |    | 2012       |    |
| 14 | Were the bonds issued as part of a current refunding issue?                                            | Yes         | No | Yes        | No | Yes         | No | Yes        | No |
|    |                                                                                                        |             | X  |            | X  |             | X  | X          |    |
| 15 | Were the bonds issued as part of an advance refunding issue?                                           |             | X  |            | X  | X           |    | X          |    |
| 16 | Has the final allocation of proceeds been made?                                                        | X           |    | X          |    | X           |    | X          |    |
| 17 | Does the organization maintain adequate books and records to support the final allocation of proceeds? | X           |    | X          |    | X           |    | X          |    |

Part III Private Business Use

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

Part III

Private Business Use (Continued)

|    |                                                                                                                                                                                                                                      | A   |    | B   |    | C   |    | D   |    |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-----|----|-----|----|-----|----|
|    |                                                                                                                                                                                                                                      | Yes | No | Yes | No | Yes | No | Yes | No |
| 3a | Are there any management or service contracts that may result in private business use of bond-financed property?                                                                                                                     |     | X  |     | X  |     | X  |     | X  |
| b  | If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?                                                   |     |    |     |    |     |    |     |    |
| c  | Are there any research agreements that may result in private business use of bond-financed property?                                                                                                                                 |     | X  |     | X  |     | X  |     | X  |
| d  | If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?                                                               |     |    |     |    |     |    |     |    |
| 4  | Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government                                                                      | %   |    | %   |    | %   |    | %   |    |
| 5  | Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government | %   |    | %   |    | %   |    | %   |    |
| 6  | Total of lines 4 and 5                                                                                                                                                                                                               | %   |    | %   |    | %   |    | %   |    |
| 7  | Does the bond issue meet the private security or payment test?                                                                                                                                                                       |     | X  |     | X  |     | X  |     | 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  |     | X  |     | X  |     | 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?                                                                                                                            |     |    |     |    |     |    |     |    |
| 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  |     | X  |     | X  |     | 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  |     | X  |                               | X  |                 | X  |
| 2                                                                                                           | If "No" to line 1, did the following apply?                                                                    |                               |    |     |    |                               |    |                 |    |
| a                                                                                                           | Rebate not due yet?                                                                                            |                               | X  |     | X  |                               | X  |                 | X  |
| b                                                                                                           | Exception to rebate?                                                                                           | X                             |    | X   |    | X                             |    | X               |    |
| c                                                                                                           | No rebate due?                                                                                                 |                               | X  |     | X  |                               | X  |                 | 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  |     | X  | X                             |    | X               |    |
| 4a                                                                                                          | Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue? |                               | X  |     | X  | X                             |    | X               |    |
| b                                                                                                           | Name of provider                                                                                               | Merrill Lynch & Goldman Sachs |    |     |    | Merrill Lynch & Goldman Sachs |    |                 |    |
| c                                                                                                           | Term of hedge                                                                                                  | 20 000000000000               |    |     |    | 20 000000000000               |    | 10 400000000000 |    |
| d                                                                                                           | Was the hedge superintegrated?                                                                                 |                               | X  |     |    |                               | X  |                 | X  |
| e                                                                                                           | Was a hedge terminated?                                                                                        |                               | X  |     |    |                               | X  |                 | X  |

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              |    |     | X  |     | X  |     | X  |
| b  | Name of provider                                                                                | MBIA           |    |     |    |     |    |     |    |
| c  | Term of GIC                                                                                     | 3 300000000000 |    |     |    |     |    |     |    |
| d  | Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?     | X              |    |     |    |     |    |     |    |
| 6  | Were any gross proceeds invested beyond an available temporary period?                          |                | X  |     | X  |     | X  |     | X  |
| 7  | Has the organization established written procedures to monitor the requirements of section 148? |                | X  |     | X  |     | X  |     | 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? |     |    |     |    |     |    |     |    |

Part VI

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

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

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
Lehigh Valley Hospital

Employer identification number  
23-1689692

Part I

Bond Issues

|   | (a) Issuer name                         | (b) Issuer EIN | (c) CUSIP # | (d) Date issued | (e) Issue price | (f) Description of purpose                                                 | (g) Defeased |    | (h) On behalf of issuer |    | (i) Pool financing |    |
|---|-----------------------------------------|----------------|-------------|-----------------|-----------------|----------------------------------------------------------------------------|--------------|----|-------------------------|----|--------------------|----|
|   |                                         |                |             |                 |                 |                                                                            | Yes          | No | Yes                     | No | Yes                | No |
| A | Lehigh County General Purpose Authority | 91-1886539     | 999999999   | 06-01-2012      | 59,745,000      | reissuance of 6/6/08 issue                                                 |              | X  |                         | X  |                    | X  |
| B | Lehigh County General Purpose Authority | 91-1886539     | 52480GCB8   | 12-12-2012      | 79,857,489      | construct, renovate & equip facilities, refund 10/17/01 and 5/21/03 issues |              | X  |                         | X  |                    | X  |

Part II

Proceeds

|    |                                                                                                        | A          |    | B          |    | C          |  | D |  |
|----|--------------------------------------------------------------------------------------------------------|------------|----|------------|----|------------|--|---|--|
| 1  | Amount of bonds retired                                                                                | 1,830,000  |    |            |    |            |  |   |  |
| 2  | Amount of bonds legally defeased                                                                       |            |    |            |    |            |  |   |  |
| 3  | Total proceeds of issue                                                                                | 59,745,000 |    | 79,857,489 |    |            |  |   |  |
| 4  | Gross proceeds in reserve funds                                                                        |            |    |            |    |            |  |   |  |
| 5  | Capitalized interest from proceeds                                                                     |            |    |            |    |            |  |   |  |
| 6  | Proceeds in refunding escrows                                                                          | 59,745,000 |    | 16,088,475 |    |            |  |   |  |
| 7  | Issuance costs from proceeds                                                                           | 963,792    |    | 963,792    |    |            |  |   |  |
| 8  | Credit enhancement from proceeds                                                                       |            |    |            |    |            |  |   |  |
| 9  | Working capital expenditures from proceeds                                                             |            |    |            |    |            |  |   |  |
| 10 | Capital expenditures from proceeds                                                                     | 62,800,000 |    | 62,800,000 |    |            |  |   |  |
| 11 | Other spent proceeds                                                                                   | 5,222      |    | 5,222      |    |            |  |   |  |
| 12 | Other unspent proceeds                                                                                 |            |    |            |    |            |  |   |  |
| 13 | Year of substantial completion                                                                         | 2012       |    | 2012       |    | YesNoYesNo |  |   |  |
|    |                                                                                                        | Yes        | No | Yes        | No |            |  |   |  |
| 14 | Were the bonds issued as part of a current refunding issue?                                            | X          |    | X          |    |            |  |   |  |
| 15 | Were the bonds issued as part of an advance refunding issue?                                           |            | X  | X          |    |            |  |   |  |
| 16 | Has the final allocation of proceeds been made?                                                        | X          |    | X          |    |            |  |   |  |
| 17 | Does the organization maintain adequate books and records to support the final allocation of proceeds? | X          |    | X          |    |            |  |   |  |

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

|    |                                                                                                                                                                                                                                      | A   |    | B   |    | C   |    | D   |    |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-----|----|-----|----|-----|----|
|    |                                                                                                                                                                                                                                      | Yes | No | Yes | No | Yes | No | Yes | No |
| 3a | Are there any management or service contracts that may result in private business use of bond-financed property?                                                                                                                     |     | X  |     | X  |     |    |     |    |
| b  | If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?                                                   |     |    |     |    |     |    |     |    |
| c  | Are there any research agreements that may result in private business use of bond-financed property?                                                                                                                                 |     | X  |     | X  |     |    |     |    |
| d  | If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?                                                               |     |    |     |    |     |    |     |    |
| 4  | Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government                                                                      |     |    |     |    |     |    |     |    |
| 5  | Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government |     |    |     |    |     |    |     |    |
| 6  | Total of lines 4 and 5                                                                                                                                                                                                               |     |    |     |    |     |    |     |    |
| 7  | Does the bond issue meet the private security or payment test?                                                                                                                                                                       |     | X  |     | 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  |     | 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?                                                                                                                            |     |    |     |    |     |    |     |    |
| 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  |     | 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  |     | X  |     |    |     |    |
| 2  | If "No" to line 1, did the following apply?                                                                    |     |    |     |    |     |    |     |    |
| a  | Rebate not due yet?                                                                                            |     | X  |     | X  |     |    |     |    |
| b  | Exception to rebate?                                                                                           | X   |    | X   |    |     |    |     |    |
| c  | No rebate due?                                                                                                 |     | X  |     | 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   |    |     | X  |     |    |     |    |
| 4a | Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue? |     | X  |     | X  |     |    |     |    |
| b  | Name of provider                                                                                               |     |    |     |    |     |    |     |    |
| 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  |     | X  |     |    |     |    |
| b  | Name of provider                                                                                |     |    |     |    |     |    |     |    |
| c  | Term of GIC                                                                                     |     |    |     |    |     |    |     |    |
| d  | Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?     |     |    |     |    |     |    |     |    |
| 6  | Were any gross proceeds invested beyond an available temporary period?                          |     | X  |     | X  |     |    |     |    |
| 7  | Has the organization established written procedures to monitor the requirements of section 148? |     | X  |     | 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? |     |    |     |    |     |    |     |    |

Part VI

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

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

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<br>Lehigh Valley Hospital | Employer identification number<br><br>23-1689692 |
|----------------------------------------------------|--------------------------------------------------|

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

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

| 1 | (a) Name of disqualified person | (b) 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 . . . . . ▶ \$ | 0 |
| 3 | Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ \$                                    | 0 |

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-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 IV Business Transactions Involving Interested Persons.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction                                      | (e) Sharing of organization's revenues? |    |
|-------------------------------|-----------------------------------------------------------------|---------------------------|---------------------------------------------------------------------|-----------------------------------------|----|
|                               |                                                                 |                           |                                                                     | Yes                                     | No |
| (1) Kathryn P Taylor-Trustee  | Board Member of Capital Blue Cross - Trustee of LVHN/LVH/LVHM   | 107,220,190               | Capital BlueCross is a third party insurer doing business with LVHN |                                         | No |
|                               |                                                                 |                           |                                                                     |                                         |    |
|                               |                                                                 |                           |                                                                     |                                         |    |
|                               |                                                                 |                           |                                                                     |                                         |    |
|                               |                                                                 |                           |                                                                     |                                         |    |
|                               |                                                                 |                           |                                                                     |                                         |    |

**Part V Supplemental Information**  
Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

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

SCHEDULE M  
(Form 990)

Noncash Contributions

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization  
Lehigh Valley Hospital

Employer identification number  
23-1689692

Part I

Types of Property

|                                                                            | (a)<br>Check<br>if<br>applicable | (b)<br>Number of contributions<br>or items contributed | (c)<br>Noncash contribution<br>amounts reported on<br>Form 990, Part VIII, line<br>1g | (d)<br>Method of determining<br>noncash contribution amounts |
|----------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 1 Art—Works of art . . . . .                                               | X                                | 9                                                      | 380,254                                                                               | fair market value                                            |
| 2 Art—Historical treasures . . . . .                                       |                                  |                                                        |                                                                                       |                                                              |
| 3 Art—Fractional interests . . . . .                                       |                                  |                                                        |                                                                                       |                                                              |
| 4 Books and publications . . . . .                                         |                                  |                                                        |                                                                                       |                                                              |
| 5 Clothing and household<br>goods . . . . .                                | X                                |                                                        | 12,686                                                                                | fair market value                                            |
| 6 Cars and other vehicles . . . . .                                        |                                  |                                                        |                                                                                       |                                                              |
| 7 Boats and planes . . . . .                                               |                                  |                                                        |                                                                                       |                                                              |
| 8 Intellectual property . . . . .                                          |                                  |                                                        |                                                                                       |                                                              |
| 9 Securities—Publicly traded . . . . .                                     |                                  |                                                        |                                                                                       |                                                              |
| 10 Securities—Closely held stock . . . . .                                 |                                  |                                                        |                                                                                       |                                                              |
| 11 Securities—Partnership, LLC,<br>or trust interests . . . . .            |                                  |                                                        |                                                                                       |                                                              |
| 12 Securities—Miscellaneous . . . . .                                      |                                  |                                                        |                                                                                       |                                                              |
| 13 Qualified conservation<br>contribution—Historic<br>structures . . . . . |                                  |                                                        |                                                                                       |                                                              |
| 14 Qualified conservation<br>contribution—Other . . . . .                  |                                  |                                                        |                                                                                       |                                                              |
| 15 Real estate—Residential . . . . .                                       |                                  |                                                        |                                                                                       |                                                              |
| 16 Real estate—Commercial . . . . .                                        |                                  |                                                        |                                                                                       |                                                              |
| 17 Real estate—Other . . . . .                                             |                                  |                                                        |                                                                                       |                                                              |
| 18 Collectibles . . . . .                                                  |                                  |                                                        |                                                                                       |                                                              |
| 19 Food inventory . . . . .                                                | X                                | 39                                                     | 12,033                                                                                | fair market value                                            |
| 20 Drugs and medical supplies . . . . .                                    |                                  |                                                        |                                                                                       |                                                              |
| 21 Taxidermy . . . . .                                                     |                                  |                                                        |                                                                                       |                                                              |
| 22 Historical artifacts . . . . .                                          |                                  |                                                        |                                                                                       |                                                              |
| 23 Scientific specimens . . . . .                                          |                                  |                                                        |                                                                                       |                                                              |
| 24 Archeological artifacts . . . . .                                       |                                  |                                                        |                                                                                       |                                                              |
| 25 Other ► ( 2 head<br>cooling units<br>& monitors )                       | X                                | 1                                                      | 84,869                                                                                | cost                                                         |
| 26 Other ► ( ICEE<br>machine )                                             | X                                | 1                                                      | 10,000                                                                                | fair market value                                            |
| 27 Other ► ( Playground<br>surface )                                       | X                                | 1                                                      | 7,412                                                                                 | cost                                                         |
| 28 Other ► ( 250 blood<br>glucose<br>meters )                              | X                                | 1                                                      | 5,148                                                                                 | cost                                                         |
| Other ► ( dental x-ray<br>& chairs )                                       | X                                | 1                                                      | 5,000                                                                                 | fair market value                                            |
| Other ► ( i-tunes gift<br>cards & ipad )                                   | X                                | 1                                                      | 3,970                                                                                 | fair market value                                            |
| Other ► ( ( 2 ) ipads )                                                    | X                                | 1                                                      | 1,334                                                                                 | cost                                                         |
| Other ► ( ipad )                                                           | X                                | 1                                                      | 499                                                                                   | cost                                                         |
| Other ► ( Blue Ray<br>DVD Player )                                         | X                                | 1                                                      | 200                                                                                   | fair market value                                            |

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

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period? . . . . .

b If "Yes," describe the arrangement in Part II

31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions? . . . . .

b If "Yes," describe in Part II

33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

Yes

No

No

Yes

No

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

Cat No 51227J

Schedule M (Form 990) (2012)

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

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

**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<br>Lehigh Valley Hospital | <b>Employer identification number</b><br><br>23-1689692 |
|----------------------------------------------------|---------------------------------------------------------|

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

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

| Identifier | Return Reference                      | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | Form 990, Part VI, Section B, line 15 | <p>The Executive Compensation Committee ("Committee") of the Board of Trustees of Lehigh Valley Health Network ("LVHN") is authorized to perform its functions for and on behalf of LVHN. The purpose of the Committee is to discharge the obligations of the Board of Trustees relating to the oversight and approval of Senior Management Council compensation and their ongoing professional development in accordance with applicable rules and regulations.</p> <p><b>Committee Organization</b></p> <p>1 The Committee shall be composed of at least four (4) members of the Board of Trustees, one of whom shall serve as Chair of the Committee. The Committee shall be composed entirely of Trustees who are entirely disinterested members of the Board. The Trustees will have no material relationship to LVHN and/or its Senior Management Council members that may limit their disinterestedness in this role, including that the Trustees (i) must not have any personal interest in the compensation arrangement, (ii) must not be related to or under the control of the person whose compensation is being evaluated, and (iii) must have no material business relationship with LVHN. If a proposed member of the Committee has identified a potential conflict of interest, the issue shall be reviewed by the disinterested members of the Audit Committee which shall report its findings to the Chair of the Executive Compensation Committee. Based on that review, the Chair and the Committee, absent the member with a potential conflict, will make the final determination as to the disinterestedness of the Trustee and the appropriateness of service. From time to time, there may be specific situations which pose a potential conflict of interest. In such instances, the Committee will make the appropriate determination. The Committee may also establish such other procedures as it may deem appropriate with respect to the disinterested status of its members, subject to Board approval.</p> <p>2 The members and the Chair of the Committee shall be appointed each year by the Board of Trustees in accordance with its policies, and shall serve at the pleasure of the Board of Trustees for such term or terms as the Board of Trustees may determine. The Committee shall conduct its activities in conformity with the requirements of the LVHN By-Laws and the requirements of the Internal Revenue Code of 1986, and Regulations promulgated thereunder, together with any further obligations or requirements as directed by the Board.</p> <p>3 Each Committee Member shall have the following qualifications:</p> <ul style="list-style-type: none"> <li>Ability to critically review performance and market practice data and apply relevant information fairly, while properly balancing the competing needs of LVHN's stakeholders.</li> <li>Ability to consider the objectives of linking compensation to performance and retaining high-performing personnel, all in the best interests of LVHN and in accordance with its charitable mission.</li> <li>An understanding of the marketplace regarding the attraction and retention of Senior Management Council employees and other key personnel.</li> </ul> <p><b>Functions, Duties and Authorities</b></p> <p>The Committee on an annual basis shall:</p> <ul style="list-style-type: none"> <li>Assess the performance of the Chief Executive Officer, determine the Chief Executive Officer's compensation, discuss the appraisal with the CEO and report its determination generally to the full Board.</li> <li>Review the performance of all other members of the Senior Management Council and approve their compensation considering the recommendations of the Chief Executive Officer, and report its determinations generally to the full Board.</li> <li>Review the performance of disqualified persons and other individuals in key leadership positions as determined by the Committee.</li> <li>Review the succession plan and professional and career development of senior management in the organization.</li> <li>Review the compensation plan for selected physicians, including LVPG.</li> </ul> <p>Assure that any applicable compensation arrangement is reviewed by the Committee in accordance with all applicable rules and regulations, including Section 4958 of the Internal Revenue Code or its successor. In particular, the Committee intends that its determinations qualify for the "Rebuttable Presumption of Reasonableness" and thus it will ensure that:</p> <ul style="list-style-type: none"> <li>A compensation arrangement is approved in advance only by Committee members who do not have a conflict of interest with respect to the arrangement.</li> <li>It relies upon appropriate, independent comparability data prior to making its determination.</li> <li>The basis for the determination is adequately documented concurrent with the Committee's approval.</li> </ul> <p>Adequate documentation requires:</p> <ul style="list-style-type: none"> <li>(i) the terms of compensation,</li> <li>(ii) date of approval,</li> <li>(iii) members present,</li> <li>(iv) the source of comparability information and the data,</li> <li>(v) rationale for compensation levels that fall at the upper end of the comparability data, and</li> <li>(vi) any actions taken with respect to conflicts of interest of any member of the Committee.</li> </ul> <p>The documentation must be prepared by the later of the next meeting of the Committee.</p> |

| Identifier | Return Reference                               | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | Form 990,<br>Part VI,<br>Section B,<br>line 15 | <p>ittee or 60 days after final action and approved within a reasonable time thereafter The Committee, with respect to the administration of the Retirement Plan shall Appoint the Plan Administrator Delegate the day-to-day functions of Plan administration to the Plan Administrator Specifically these delegated duties shall include convening a pension administration committee, compliance with ERISA and IRS documentation and reporting requirements, oversight and management of the benefit claims appeal process, and preparation and distribution of disclosures to Plan participants, make recommendations to the LVHN Board regarding Retirement Plan design Specific responsibilities shall include reviewing and making recommendations on benefit structure, the Plan Document or the Trust Agreement, reviewing and recommending additions or deletions of organizational divisions covered by the Plan The Committee shall also Consider and make recommendations to the Board regarding the compensation philosophy for the Senior Management Council Annually evaluate the performance and function of the Committee, including a review of its compliance with this Charter Direct the establishment of a process that ensures compensation information is fully and fairly disclosed on the Form 990 Discharge such additional duties and responsibilities as the Board of Trustees may from time to time assign to it</p> |

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



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

| Identifier | Return Reference            | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Other Fees | Form 990, Part IX, line 11g | Other Program Service Fees   Program service expenses 68,641,945   Management and general expenses 5,844,066   Fundraising expenses 31,813   Total expenses 74,517,824   Physician Fees   Program service expenses 36,761,831   Management and general expenses 0   Fundraising expenses 0   Total expenses 36,761,831   Other Professional Fees   Program service expenses 2,120,463   Management and general expenses 0   Fundraising expenses 0   Total expenses 2,120,463 |

| Identifier                             | Return Reference          | Explanation                                                                                                                   |
|----------------------------------------|---------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Changes in Net Assets or Fund Balances | Form 990, Part XI, line 9 | Unfunded Pension Liability 69,310,347 Equity Transfer to LVPG -9,494,232 Temporarily & Permanently Restricted Cash 11,360,494 |

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

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

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

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  
Lehigh Valley Hospital

Employer identification number  
23-1689692

Part I

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

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

Part III

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

| (a)<br>Name, address, and EIN of<br>related organization                                                         | (b)<br>Primary activity | (c)<br>Legal<br>domicile<br>(state or<br>foreign<br>country) | (d)<br>Direct<br>controlling<br>entity | (e)<br>Predominant<br>income(related,<br>unrelated,<br>excluded from<br>tax under<br>sections 512-<br>514) | (f)<br>Share of total<br>income | (g)<br>Share of end-of-<br>year<br>assets | (h)<br>Disproprrtionate<br>allocations? |    | (i)<br>Code V—UBI<br>amount in<br>box 20 of<br>Schedule K-1<br>(Form 1065) | (j)<br>General or<br>managing<br>partner? |    | (k)<br>Percentage<br>ownership |
|------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------------------------|-----------------------------------------|----|----------------------------------------------------------------------------|-------------------------------------------|----|--------------------------------|
|                                                                                                                  |                         |                                                              |                                        |                                                                                                            |                                 |                                           | Yes                                     | No |                                                                            | Yes                                       | No |                                |
| (1) LVHN Reciprocal Risk Retention Group<br><br>151 Meeting Street Ste 301<br>Charleston, SC 29401<br>20-0037118 | Insurance               | PA                                                           | Lehigh Valley Health Network           | Related                                                                                                    |                                 | 2,106,085                                 |                                         | No |                                                                            |                                           | No |                                |
| (2) Health Network Laboratories LLC<br><br>2024 Lehigh Street<br>Allentown, PA 18103<br>23-2932802               | Laboratory Services     | PA                                                           | Lehigh Valley Hospital                 | Related                                                                                                    |                                 | 828,750                                   |                                         | No |                                                                            |                                           | No |                                |
| (3) Health Network Laboratories LP<br><br>2024 Lehigh Street<br>Allentown, PA 18103<br>23-2948774                | Laboratory Services     | PA                                                           | Lehigh Valley Hospital                 | Related                                                                                                    | 15,700,763                      | 109,714,644                               |                                         | No |                                                                            |                                           | No |                                |
| (4) Lehigh Magnetic Imaging Center<br><br>1230 S Cedar Crest Blvd<br>Allentown, PA 18103<br>23-2429077           | Imaging Center          | PA                                                           | N/A                                    |                                                                                                            |                                 |                                           |                                         |    |                                                                            |                                           |    |                                |
|                                                                                                                  |                         |                                                              |                                        |                                                                                                            |                                 |                                           |                                         |    |                                                                            |                                           |    |                                |
|                                                                                                                  |                         |                                                              |                                        |                                                                                                            |                                 |                                           |                                         |    |                                                                            |                                           |    |                                |
|                                                                                                                  |                         |                                                              |                                        |                                                                                                            |                                 |                                           |                                         |    |                                                                            |                                           |    |                                |

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" 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)<br>Name, address, and EIN of<br>related organization                                                             | (b)<br>Primary activity      | (c)<br>Legal<br>domicile<br>(state or foreign<br>country) | (d)<br>Direct controlling<br>entity | (e)<br>Type of entity<br>(C corp, S corp,<br>or trust) | (f)<br>Share of total<br>income | (g)<br>Share of end-<br>of-year<br>assets | (h)<br>Percentage<br>ownership | (i)<br>Section 512<br>(b)(13)<br>controlled<br>entity? |    |
|----------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------------------------------|-------------------------------------|--------------------------------------------------------|---------------------------------|-------------------------------------------|--------------------------------|--------------------------------------------------------|----|
|                                                                                                                      |                              |                                                           |                                     |                                                        |                                 |                                           |                                | Yes                                                    | No |
| (1) Lehigh Valley Health Services Inc<br><br>2100 Mack Blvd<br>Allentown, PA 181035622<br>23-2263665                 | Health Care Related Services | PA                                                        | Lehigh Valley Health Network        | C                                                      |                                 |                                           |                                |                                                        | No |
| (2) Lehigh Valley Anesthesia Services PC<br><br>2100 Mack Blvd<br>Allentown, PA 181035622<br>23-3096124              | Anesthesia Services          | PA                                                        | Lehigh Valley Health Network        | C                                                      |                                 |                                           |                                |                                                        | No |
| (3) Westgate Professional Center Inc<br><br>2100 Mack Blvd<br>Allentown, PA 181035622<br>23-1657333                  | Real Estate Rentals          | PA                                                        | Lehigh Valley Hospital - Muhlenberg | C                                                      |                                 |                                           |                                |                                                        | No |
| (4) Lehigh Valley Physician Hospital Organization Inc<br><br>2100 Mack Blvd<br>Allentown, PA 181035622<br>23-2750430 | Health Care Related Services | PA                                                        | Lehigh Valley Hospital              | C                                                      |                                 |                                           |                                |                                                        | No |
|                                                                                                                      |                              |                                                           |                                     |                                                        |                                 |                                           |                                |                                                        |    |
|                                                                                                                      |                              |                                                           |                                     |                                                        |                                 |                                           |                                |                                                        |    |
|                                                                                                                      |                              |                                                           |                                     |                                                        |                                 |                                           |                                |                                                        |    |



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

No

1b

No

1c

No

1d

Yes

1e

Yes

1f

No

1g

No

1h

Yes

1i

No

1j

Yes

1k

Yes

1l

Yes

1m

Yes

1n

Yes

1o

Yes

1p

Yes

1q

Yes

1r

No

1s

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)<br>Name of other organization | (b)<br>Transaction<br>type (a-s) | (c)<br>Amount involved | (d)<br>Method of determining amount involved |
|-----------------------------------|----------------------------------|------------------------|----------------------------------------------|
|                                   |                                  |                        |                                              |
|                                   |                                  |                        |                                              |
|                                   |                                  |                        |                                              |
|                                   |                                  |                        |                                              |
|                                   |                                  |                        |                                              |
|                                   |                                  |                        |                                              |

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:** 23-1689692  
**Name:** Lehigh Valley Hospital

**Part VII** Supplemental Information

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

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

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**LEHIGH VALLEY HEALTH NETWORK  
AND COMPONENT ENTITIES**

**Combined Financial Statements  
As of and for the Years Ended June 30, 2013 and 2012  
and Independent Auditors' Report**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Lehigh Valley Health Network  
Allentown, Pennsylvania

We have audited the accompanying combined financial statements of Lehigh Valley Health Network and Component Entities (the "Organization"), which comprise the combined statement of financial position as of June 30, 2013 and 2012, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error

### Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Lehigh Valley Health Network and Component Entities as of June 30, 2013 and 2012, and the results of their combined operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

## **Emphasis-of-Matter**

As discussed in Note 1 to the combined financial statements, the Organization adopted the requirements of accounting guidance related to the presentation of the provision for bad debts in the 2013 and 2012 combined statements of operations. Our opinion is not modified with respect to this matter.

*Deloitte & Touche LLP*

September 4, 2013

**Lehigh Valley Health Network and Component Entities**  
**Combined Statements of Financial Position**  
**June 30, 2013 and 2012**  
(In Thousands)

|                                                                                                                          | <u>2013</u>        | <u>2012</u>        |
|--------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b><u>Assets</u></b>                                                                                                     |                    |                    |
| <b>Current assets:</b>                                                                                                   |                    |                    |
| Cash and cash equivalents                                                                                                | \$25 989           | \$26 062           |
| Patient accounts receivable net                                                                                          | 223 856            | 209 002            |
| Other accounts receivable                                                                                                | 17 777             | 19 697             |
| Inventories                                                                                                              | 18 696             | 16 983             |
| Prepays                                                                                                                  | 15 048             | 12 487             |
| Assets limited under bond debt service fund - current portion                                                            | 15 186             | 14 984             |
| Assets limited under primary professional liability arrangements - current portion                                       | 5 392              | 4 790              |
| Total current assets                                                                                                     | <u>321 944</u>     | <u>304 005</u>     |
| <b>Noncurrent assets:</b>                                                                                                |                    |                    |
| Assets whose use is limited or restricted                                                                                |                    |                    |
| Assets limited by board of trustees for capital improvements                                                             | 804 304            | 716 810            |
| Assets limited by board of trustees for retained excess professional liability arrangements                              | 16 745             | 17 755             |
| Assets limited under primary professional liability arrangements                                                         | 45 675             | 42 637             |
| Assets limited by management                                                                                             | 29 475             | 30 632             |
| Assets limited under bond indenture bond construction debt service and debt service reserve agreements - held by trustee | 5 274              | 11 084             |
| Assets restricted by donors or grantors                                                                                  | 151 123            | 139 693            |
| Assets limited to fund deferred compensation and other liabilities                                                       | 49 147             | 39 874             |
| Property and equipment net                                                                                               | 638 460            | 620 635            |
| Partnership investments                                                                                                  | 9 481              | 10 665             |
| Deferred financing costs net and other noncurrent assets                                                                 | 38 919             | 35 501             |
| Total noncurrent assets                                                                                                  | <u>1 788 603</u>   | <u>1 665 286</u>   |
| <b>Total assets</b>                                                                                                      | <u>\$2,110,547</u> | <u>\$1,969,291</u> |
| <b><u>Liabilities and net assets</u></b>                                                                                 |                    |                    |
| <b>Current liabilities:</b>                                                                                              |                    |                    |
| Accounts payable                                                                                                         | \$59 714           | \$60 178           |
| Accrual for estimated third-party payer settlements                                                                      | 2 419              | 3 475              |
| Accrued compensation                                                                                                     | 49 444             | 53 282             |
| Other accrued expenses                                                                                                   | 32 054             | 34 562             |
| Pension                                                                                                                  | 4 054              | 3 154              |
| Professional liability                                                                                                   | 5 892              | 4 790              |
| Current portion of long-term debt                                                                                        | 12 303             | 11 530             |
| Total current liabilities                                                                                                | <u>165 880</u>     | <u>170 971</u>     |
| <b>Noncurrent liabilities:</b>                                                                                           |                    |                    |
| Long-term debt net of current portion                                                                                    | 569 369            | 502 276            |
| Deferred compensation and other liabilities funded with matching assets                                                  | 49 147             | 39 874             |
| Pension                                                                                                                  | 176 836            | 267 849            |
| Professional liability                                                                                                   | 55 273             | 54 177             |
| Other liabilities                                                                                                        | 28 249             | 37 443             |
| Total noncurrent liabilities                                                                                             | <u>878 874</u>     | <u>901 619</u>     |
| Total liabilities                                                                                                        | <u>1 044 754</u>   | <u>1 072 590</u>   |
| <b>Net assets:</b>                                                                                                       |                    |                    |
| Unrestricted                                                                                                             |                    |                    |
| Lehigh Valley Health Network and component entities                                                                      | 895 304            | 737 944            |
| Noncontrolling interests in subsidiaries                                                                                 | 19 366             | 19 064             |
| Total unrestricted net assets                                                                                            | 914 670            | 757 008            |
| Temporarily restricted                                                                                                   | 103 382            | 93 252             |
| Permanently restricted                                                                                                   | 47 741             | 46 441             |
| Total net assets                                                                                                         | <u>1 065 793</u>   | <u>896 701</u>     |
| <b>Total liabilities and net assets</b>                                                                                  | <u>\$2,110,547</u> | <u>\$1,969,291</u> |

See notes to combined financial statements

**Lehigh Valley Health Network and Component Entities**  
**Combined Statements of Operations**  
**Years Ended June 30, 2013 and 2012**  
**(In Thousands)**

|                                                                         | <b><u>2013</u></b> | <b><u>2012</u></b> |
|-------------------------------------------------------------------------|--------------------|--------------------|
| <b><u>Patient services and supporting operations</u></b>                |                    |                    |
| <b>Revenues</b>                                                         |                    |                    |
| Net patient service revenue (net of contractual allowances & discounts) | \$1,637,519        | \$1,579,506        |
| Provision for bad debts                                                 | <u>(117,493)</u>   | <u>(106,247)</u>   |
| Net patient service revenue (net of bad debts)                          | 1,520,026          | 1,473,259          |
| Other supporting operations revenue                                     | 36,988             | 36,941             |
| Net assets released from restrictions used for operations               | <u>4,858</u>       | <u>4,083</u>       |
| Total revenues                                                          | <u>1,561,872</u>   | <u>1,514,283</u>   |
| <b>Expenses</b>                                                         |                    |                    |
| Salaries and wages                                                      | 741,399            | 688,013            |
| Benefits                                                                | 146,794            | 129,552            |
| Supplies                                                                | 272,036            | 259,176            |
| Purchased services                                                      | 155,487            | 148,084            |
| Other                                                                   | 105,879            | 100,355            |
| Depreciation and amortization                                           | 84,574             | 83,867             |
| Interest expense                                                        | <u>22,719</u>      | <u>22,318</u>      |
| Total expenses                                                          | <u>1,528,888</u>   | <u>1,431,365</u>   |
| Operating income                                                        | 32,984             | 82,918             |
| <b><u>Other nonoperating gains and losses</u></b>                       |                    |                    |
| Realized investment earnings                                            | 27,823             | 64,500             |
| Change in net unrealized gains (losses) on swaps                        | 8,459              | (11,459)           |
| Loss on refinancing of debt                                             | (4,537)            | (309)              |
| Nonoperating (losses) gains, net                                        | <u>(1,890)</u>     | <u>212</u>         |
| Other nonoperating gains and losses, net                                | <u>29,855</u>      | <u>52,944</u>      |
| Revenues and gains in excess of expenses and losses before income taxes | 62,839             | 135,862            |
| Provision for income taxes                                              | <u>(2,935)</u>     | <u>(3,430)</u>     |
| Revenues and gains in excess of expenses and losses attributed to       |                    |                    |
| Lehigh Valley Health Network and component entities                     | 59,904             | 132,432            |
| Net assets released from restrictions - capital acquisitions            | 1,846              | 3,270              |
| Contribution of long lived assets                                       | 491                | 2,114              |
| Adjustment to funded status of pension plan                             | 69,310             | (148,920)          |
| Change in noncontrolling interests                                      | 302                | 5,335              |
| Change in net unrealized gains (losses) on swaps                        | 290                | (170)              |
| Change in net unrealized gains (losses) on investments                  | <u>25,519</u>      | <u>(56,058)</u>    |
| Increase (decrease) in unrestricted net assets                          | <u>\$157,662</u>   | <u>(\$61,997)</u>  |

*See notes to combined financial statements*



**Lehigh Valley Health Network and Component Entities**  
**Combined Statements of Changes in Net Assets**  
**Years Ended June 30, 2013 and 2012**  
**(In Thousands)**

|                                                                             | <b><u>2013</u></b>        | <b><u>2012</u></b>      |
|-----------------------------------------------------------------------------|---------------------------|-------------------------|
| <b><u>Unrestricted net assets</u></b>                                       |                           |                         |
| Revenues and gains in excess of expenses and losses attributed to           |                           |                         |
| Lehigh Valley Health Network and component entities                         | \$59,904                  | \$132,432               |
| Net assets released from restrictions - capital acquisitions                | 1,846                     | 3,270                   |
| Contribution of long lived assets                                           | 491                       | 2,114                   |
| Adjustment to funded status of pension plans                                | 69,310                    | (148,920)               |
| Change in noncontrolling interests                                          | 302                       | 5,335                   |
| Change in net unrealized gains (losses) on swaps                            | 290                       | (170)                   |
| Change in net unrealized gains (losses) on investments                      | <u>25,519</u>             | <u>(56,058)</u>         |
| Increase (decrease) in unrestricted net assets                              | <u>157,662</u>            | <u>(61,997)</u>         |
| <b><u>Temporarily restricted net assets</u></b>                             |                           |                         |
| Contributions                                                               | 2,969                     | 1,977                   |
| Reclassification from permanently restricted net assets                     | 231                       | 464                     |
| Increase in assets temporarily held in trust                                | 1                         | 2                       |
| Realized and unrealized investment gains, net                               | 14,124                    | 1,408                   |
| Net assets released from restrictions                                       | <u>(7,195)</u>            | <u>(9,467)</u>          |
| Increase (decrease) in temporarily restricted net assets                    | <u>10,130</u>             | <u>(5,616)</u>          |
| <b><u>Permanently restricted net assets</u></b>                             |                           |                         |
| Contributions                                                               | 1,252                     | 4,193                   |
| Reclassification (to) from temporarily restricted & unrestricted net assets | (236)                     | 185                     |
| Increase (decrease) in beneficial interest in perpetual trusts              | <u>284</u>                | <u>(459)</u>            |
| Increase in permanently restricted net assets                               | <u>1,300</u>              | <u>3,919</u>            |
| <b>Increase (decrease) in net assets</b>                                    | 169,092                   | (63,694)                |
| <b>Net assets, beginning of year</b>                                        | <u>896,701</u>            | <u>960,395</u>          |
| <b>Net assets, end of period</b>                                            | <u><u>\$1,065,793</u></u> | <u><u>\$896,701</u></u> |

*See notes to combined financial statements*

**Lehigh Valley Health Network and Component Entities**  
**Combined Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**  
**(In Thousands)**

|                                                                                                            | <b><u>2013</u></b>     | <b><u>2012</u></b>     |
|------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                        |                        |                        |
| Increase (decrease) in net assets                                                                          | \$169,092              | (\$63,694)             |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities               |                        |                        |
| Depreciation and amortization                                                                              | 84,574                 | 83,867                 |
| Loss on refinancing of debt                                                                                | 4,537                  | 309                    |
| Net realized and unrealized (gains) losses on unrestricted investments                                     | (37,626)               | 7,277                  |
| Restricted contributions received for capital and endowments and related investment (gains)                | (11,586)               | (4,810)                |
| Adjustment to funded status of pension plans                                                               | (69,310)               | 148,920                |
| Increase in capital leases obligation                                                                      | 212                    | 242                    |
| Change in net unrealized (gains) losses on swaps                                                           | (8,749)                | 11,629                 |
| Provision for bad debts                                                                                    | 117,493                | 106,247                |
| Adjustment to noncontrolling interests due to a change in control of equity investee                       | (80)                   | (3,420)                |
| Changes in assets and liabilities                                                                          |                        |                        |
| Increase in patient accounts receivable, net                                                               | (132,347)              | (130,124)              |
| Increase in prepaids, inventories and other current assets                                                 | (2,354)                | (11,595)               |
| Increase in other noncurrent assets                                                                        | (4,562)                | (7,023)                |
| Increase in interest earned but not received on assets whose use is limited or restricted                  | (41)                   | (147)                  |
| (Decrease) increase in accounts payable                                                                    | (1,750)                | 10,586                 |
| (Decrease) in other accrued expenses                                                                       | (2,508)                | (748)                  |
| (Decrease) increase in accrual for estimated third party payer settlements                                 | (1,056)                | 877                    |
| (Decrease) in accrued compensation                                                                         | (3,838)                | (13,136)               |
| (Decrease) in pension liability                                                                            | (20,803)               | (35,987)               |
| Increase in professional liability                                                                         | 2,198                  | 6,303                  |
| Increase in deferred compensation and other liabilities funded with matching assets, and other liabilities | <u>3,983</u>           | <u>1,746</u>           |
| Net cash provided by operating activities                                                                  | <u>85,479</u>          | <u>107,319</u>         |
| <b><u>Cash flows from investing activities:</u></b>                                                        |                        |                        |
| Purchases of property and equipment                                                                        | (100,272)              | (84,509)               |
| Purchase of investment in partnerships                                                                     | 0                      | (9,813)                |
| Purchases of investments                                                                                   | (1,040,778)            | (1,169,232)            |
| Proceeds from sales of investments                                                                         | <u>990,578</u>         | <u>1,162,630</u>       |
| Net cash (used in) investing activities                                                                    | <u>(150,472)</u>       | <u>(100,924)</u>       |
| <b><u>Cash flows from financing activities:</u></b>                                                        |                        |                        |
| Proceeds from issuance of long-term debt                                                                   | 166,085                | 7,512                  |
| Payment of financing costs                                                                                 | (2,066)                | (274)                  |
| Repayment of debt                                                                                          | (101,177)              | (18,762)               |
| Proceeds from restricted contributions for capital and endowments                                          | <u>2,078</u>           | <u>1,396</u>           |
| Net cash provided by (used in) financing activities                                                        | <u>64,920</u>          | <u>(10,128)</u>        |
| Net (decrease) in cash and cash equivalents                                                                | (73)                   | (3,733)                |
| Cash and cash equivalents, beginning of year                                                               | <u>26,062</u>          | <u>29,795</u>          |
| Cash and cash equivalents, end of year                                                                     | <u><u>\$25,989</u></u> | <u><u>\$26,062</u></u> |
| <b><u>Supplemental cash flow information:</u></b>                                                          |                        |                        |
| Cash paid for interest                                                                                     | \$19,757               | \$20,070               |
| Cash paid for income taxes                                                                                 | \$2,208                | \$1,408                |
| Non-cash increase in capital lease obligation                                                              | \$212                  | \$242                  |
| Amounts accrued for purchase of property and equipment in excess of amounts paid                           | \$9,762                | \$8,476                |

See notes to combined financial statements

# LEHIGH VALLEY HEALTH NETWORK AND COMPONENT ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (AMOUNTS IN THOUSANDS OF DOLLARS)

## 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Lehigh Valley Health Network ("LVHN") is a not-for-profit 501(c)(3) corporation that controls related organizations in a health care delivery network providing a wide array of health care services and products to the Lehigh Valley and surrounding communities in Pennsylvania. The combined financial statements of Lehigh Valley Health Network and Component Entities (the "Organization") at June 30, 2013 and 2012 include the accounts of the following entities:

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

All significant intercompany balances and transactions have been eliminated. Fairgrounds Surgical Center became 100% owned by Lehigh Valley Hospital effective November 1, 2011.

On April 3, 2012 the Organization acquired an additional 33.18% of limited partnership interest in Lehigh Magnetic Imaging Center ("LMIC"), giving the Organization a total of 76.51% ownership interest in LMIC. The acquisition was accounted for as a business combination. The allocation of the purchase price to the assets acquired was based on their fair values as of the acquisition date, with the amount of \$7.092 exceeding fair value recorded as goodwill. Goodwill largely represents synergies resulting from the business combination and has been recorded in the Combined Statements of Financial Position in other noncurrent assets. The Organization has recorded in the Combined Statements of Financial Position, the fair value as of the acquisition date for property and equipment of \$10.656, other assets of \$4.702, and current liabilities of \$799. The fair value of plant and equipment was quantified primarily using a market approach, by analyzing recent sales or offerings of comparable property consistent with assumptions market participants would use.

Prior to the acquisition date, the Organization accounted for its 43.33% interest in LMIC as an equity method investment. The acquisition date fair value of the previously held equity interest was valued at \$6.308. A gain of \$2.064 has been recorded as a result of revaluing the previously held equity interest to fair value as of the acquisition date. This gain is recorded in the June 30, 2012, Combined Statements of Operations in Nonoperating gains (losses), net.

### Acquisition/Merger

On April 24, 2013, Lehigh Valley Health Network (LVHN) and the Greater Hazleton Health Alliance (GHHA) signed an agreement and announced plans for a full asset merger. The GHHA Board of Directors approved the merger on April 3, 2013, with the LVHN Board of Trustees approving the same on May 1, 2013.

## 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Acquisition/Merger (continued)

GHHA is a not-for-profit healthcare system that is dedicated to providing high quality, state-of-the-art, customer-focused healthcare services. Its affiliated entities include the 150 bed Hazleton General Hospital (for inpatient acute and rehab care, emergency care, maternity and home care), the Hazleton Health & Wellness Center (for outpatient surgery, diagnostic testing, and rehabilitation services), and Alliance Medical Group (a multi-specialty physician network). GHHA employs over 1,000 people and has a medical staff of more than 100 physicians. The multi-specialty medical group includes a network of primary care and specialty care physicians in 15 offices throughout the northeast region.

The merger is pending regulatory approvals.

### Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Entities*, and other pronouncements applicable to not-for-profit healthcare organizations. The Organization evaluated subsequent events through September 4, 2013, the date the financial statements were issued, and determined there were no subsequent events requiring disclosure.

### Use of Estimates

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

### Trusts

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

### Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments purchased with an initial maturity of three months or less, excluding amounts included in assets whose use is limited or restricted. At June 30, 2013 and 2012, the Organization had cash balances at financial institutions that exceeded federal depository insurance limits. Management believes that credit risk related to these deposits is minimal. Cash and cash equivalents are carried at cost, which approximate fair value.

### Inventories

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

### Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets or equity acquired. Effective July 1, 2012, the Organization adopted ASU 2011-08 and no longer amortizes goodwill.

The Organization evaluates goodwill for impairment annually and whenever events or changes in circumstances indicate that the value of the asset may be impaired. Impairment testing consists of performing internal qualitative assessment and considers other publicly available market information. If the carrying amount of the goodwill exceeds the estimated fair value, an impairment charge to current operations is recorded to reduce the carrying value to the estimated fair value. As of June 30, 2013 and 2012, there was no indication of impairment of goodwill.

### Temporarily and Permanently Restricted Net Assets

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

## 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Donor Restricted Gifts

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

### Income Taxes

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

### Property and Equipment

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

|                                   | <u>Lives</u> |
|-----------------------------------|--------------|
| Land improvements                 | 2 - 25 years |
| Buildings and building equipment  | 5 - 40 years |
| Fixed and major movable equipment | 2 - 20 years |

Assets under capital lease are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets. Such amortization is included in depreciation and amortization in the Combined Statements of Operations. Interest costs, net of related interest earnings, incurred on related funds acquired through the issuance of tax-exempt bonds is capitalized during the period of construction of capital assets as a component of the cost of acquiring those assets. No interest costs were capitalized for the years ended June 30, 2013 and 2012. Leasehold improvements and software licenses are amortized over the shorter of their useful lives or the term of the lease using the straight-line method. The cost of assets and the related accumulated depreciation are removed from the records upon retirement or other disposition and any gain or loss is included in the Combined Statements of Operations.

### Asset Retirement Obligations

The Organization recognizes the fair value of a liability for legal obligations associated with conditional asset retirement obligations ("ARO's") in the period in which the liability is incurred. ARO's are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life. ARO's are adjusted each year for any liabilities incurred or settled during the period, accretion expense, and any revisions made to the estimated cash flows. The Organization has identified ARO's related to the legally required remediation of asbestos existing within the Organization's facilities. While all hazardous materials within the Organization's facilities are currently contained and meet existing safety standards, the capitalized asset and liability recorded relate to the eventual remediation and removal that is legally required upon the ultimate repair, renovation, or demolition of facilities containing the hazardous materials. ARO liabilities recorded at June 30, 2013 and 2012 were \$4,867 and \$4,975, respectively.

### Long-Lived Assets

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

### Deferred Financing Costs

Deferred financing costs, principally legal fees and bond issuance costs, are amortized over the period of financing. Gross deferred financing costs at June 30, 2013 and 2012 were \$14,904 and \$15,346 respectively. Accumulated amortization of deferred financing costs was \$3,817 and \$3,944 at June 30, 2013 and 2012, respectively.

### Partnership Investments

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

## 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Pledges

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

### Estimated Third-Party Payer Settlements

The Organization has agreements with third party payers that provide for payments at amounts different than the Organization's established rates. Payment arrangements include primarily prospectively determined rates per discharge, per visit, and per diem payments and to a lesser extent, reimbursed costs at discounted charges.

Estimated third-party payer settlement liabilities recorded at June 30, 2013 and 2012 were \$2.419 and \$3.475, respectively. Estimated third-party payer settlement assets recorded at June 30, 2013 and 2012 were \$2.967 and \$7.882, respectively, and were recorded in Other accounts receivable on the Combined Statements of Financial Position.

### Noncontrolling Interests in Subsidiaries

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

### Combined Statements of Operations

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

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

### Performance Indicator

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

### Net Patient Service Revenue

Effective July 1, 2012, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2011-07, "Health Care Entities (Topic 954) *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*." This ASU requires a health care organization to change the presentation of their statement of operations by reclassifying the Provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). All periods presented have been reclassified in accordance with the provisions of ASU 2011-07.

The Organization records gross patient service revenue in the period that the services are rendered. Net revenue before the provision for bad debts represents gross patient service revenue less provisions for contractual adjustments. Payments for services rendered to patients covered by Medicare, Medicaid and other government programs are generally less than billed charges and, therefore, provisions for contractual adjustments are made to reduce gross patient service revenue to the estimated cash receipts based on each program's principles of payment/reimbursement. Estimates of contractual allowances for services rendered to patients covered by commercial insurance, including managed care health plans, are primarily based on the payment terms of contractual arrangements, such as predetermined rates per diagnosis, per diem rates or discounted fee for service rates. Revenue related to uninsured patients may have uninsured discounts applied. The Organization records a Provision for bad debts related to uninsured accounts to record the net self pay accounts receivable at the estimated amounts the Organization expects to collect. Coinsurance and deductibles within the third-party payer agreements are the patient's responsibility and the Organization includes these amounts in the self pay accounts receivable and considers these amounts in its determination of the provision for bad debts based on collection experience.

# 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Net Patient Service Revenue (continued)

Net patient accounts receivable includes reserves for bad debts of \$150,905 and \$135,085 at June 30, 2013 and 2012, respectively. Bad debt reserves are estimated based on the Organization's belief that a patient has the ability to pay for services but payment is not expected to be received. The reserve for bad debt is based on management's assessment of historical and expected collections, business economic conditions, trends in health care coverage, and other collection indicators. Accounts receivable are written off against the reserve for bad debt when management determines that recovery is unlikely and the Organization ceases collection efforts. The total bad debt and charity write offs have not changed significantly for the year ended June 30, 2013. The Organization has not experienced significant changes in write off trends nor has the Organization changed its charity care policy.

Patient service revenue, net of contractual allowances, discounts, and provisions for bad debts recognized is as follows at June 30, 2013:

|                                                | <u>2013</u>        |             |
|------------------------------------------------|--------------------|-------------|
| Medicare                                       | \$372,316          | 24%         |
| Medicare Managed Care                          | 138,320            | 9%          |
| Medicaid                                       | 63,610             | 4%          |
| Medicaid Managed Care                          | 76,303             | 5%          |
| Commercial Insurance                           | 754,673            | 50%         |
| Other                                          | 101,102            | 7%          |
| Uninsured                                      | <u>13,702</u>      | <u>1%</u>   |
| Net patient service revenue (net of bad debts) | <u>\$1,520,026</u> | <u>100%</u> |

Net patient service revenue also includes estimates for retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered or when known by the Organization and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in prior year estimates increased net patient service revenue by \$7,344 and \$13,484 in the fiscal years ended June 30, 2013 and 2012, respectively.

## Other Supporting Operations Revenue

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

## Meaningful Use

Under the Health Information Technology for Economic and Clinical Health (HITECH) Act, qualifying acute care hospitals are eligible for incentive payments from both Medicare and Medicaid for achieving prescribed standards for the meaningful use of electronic health records. The Organization records amounts earned as Other supporting operations revenue when the Organization has met the compliance requirements as set forth by Medicare and Medicaid. During the year ended June 30, 2013, the Organization recorded as Other supporting operations revenue an estimated \$4,580 from both Medicare and Medicaid.

## Patient Accounts Receivable

Patient accounts receivable for which the Organization receives payment under cost reimbursement, prospective payment formulas or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payers, which are generally less than the established billing rates of the Organization. Patient accounts receivable is reported at its net realizable value.

## Concentrations of Credit Risk

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

|                       | <u>2013</u> | <u>2012</u> |
|-----------------------|-------------|-------------|
| Medicare              | 19%         | 18%         |
| Medicare Managed Care | 6%          | 7%          |
| Medicaid              | 10%         | 10%         |
| Medicaid Managed Care | 6%          | 5%          |
| Commercial Insurance  | 34%         | 37%         |
| Other                 | 5%          | 8%          |
| Self Pay              | <u>20%</u>  | <u>15%</u>  |
| Total                 | <u>100%</u> | <u>100%</u> |

## 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Estimated Medical Malpractice Costs

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

Self-insured loss reserves are the Organization's best estimate based on actuarial estimates of the ultimate net cost of settling losses on incurred claims. The estimates are reviewed and adjusted, as necessary, as experience develops or new information becomes known. The Organization believes that the loss reserves are adequate, however, the ultimate settlement of losses may vary significantly from the amounts recorded in the accompanying combined financial statements.

The June 30, 2013 and 2012 combined financial statements include actuarially determined self-insured medical malpractice expenses of \$9,618 and \$8,757, respectively, and are reported as Other expense in the Combined Statements of Operations. Corresponding reserves are reported as current and non-current Professional liability in the Combined Statements of Financial Position. Commercial excess insurance expense and MCARE assessments totaled \$5,243 and \$4,726 for the years ended June 30, 2013 and 2012, respectively, and were recorded in Other expense in the Combined Statements of Operations.

### Assets Whose Use is Limited

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the Combined Statements of Financial Position. The Organization also invests in a diversified program of alternative investment funds. These investments utilize a "fund of funds" approach resulting in diversified multistrategy, multimanager investments. Certain investments include liquidation restrictions of 5 to 90 days notice prior to withdrawal. The Organization reports these investments at their net asset value, which approximates fair value.

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

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

Assets whose use is limited includes (1) assets set aside by the Board of Trustees (the "Board") for future purposes over which the Board retains control and may, at its discretion subsequently, use for capital improvements, (2) Assets limited by the Board for retained excess professional liability arrangements, (3) Assets limited under primary professional liability arrangements, (4) Assets internally designated by management for various purposes, (5) Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements—held by trustee, (6) Assets restricted by donors and grantors, and (7) Assets limited to fund deferred compensation and other liabilities.

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



## 2 ASSETS WHOSE USE IS LIMITED OR RESTRICTED AND PARTNERSHIP INVESTMENTS

Investments carried primarily at fair value and other assets carried at cost at June 30, 2013 and 2012 are summarized as follows:

|                                                                                                                                | Short-term<br>investments | U.S.<br>government<br>agencies and<br>authorities | Corporate<br>bonds | Marketable<br>equity<br>securities (C) | Equity<br>investments in<br>partnerships | Pledges<br>receivable<br>perpetual trust<br>& other<br>investments (A) | Accrued<br>interest | Total              |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------------------------------|--------------------|----------------------------------------|------------------------------------------|------------------------------------------------------------------------|---------------------|--------------------|
| <b>2013</b>                                                                                                                    |                           |                                                   |                    |                                        |                                          |                                                                        |                     |                    |
| Assets limited under bond debt service fund-current portion                                                                    | \$15,186                  | \$0                                               | \$0                | \$0                                    | \$0                                      | \$0                                                                    | \$0                 | \$15,186           |
| Assets limited under primary professional liability arrangements - current portion                                             | 65                        | 1,930                                             | 1,871              | 1,512                                  | 0                                        | 0                                                                      | 14                  | 5,392              |
| Assets limited by board of trustees for capital improvements                                                                   | 36,362                    | 212,552                                           | 187,994            | 365,806                                | 0                                        | 0                                                                      | 1,590               | 804,304            |
| Assets limited by board of trustees for retained excess professional liability arrangements                                    | 802                       | 4,261                                             | 4,029              | 7,619                                  | 0                                        | 0                                                                      | 34                  | 16,745             |
| Assets limited under primary professional liability arrangements                                                               | 703                       | 15,850                                            | 15,337             | 13,666                                 | 0                                        | 0                                                                      | 119                 | 45,675             |
| Assets limited by management (B)                                                                                               | 1,446                     | 2,897                                             | 2,829              | 13,800                                 | 0                                        | 8,477                                                                  | 26                  | 29,475             |
| Assets limited under bond indenture, bond construction, debt service, and<br>debt service reserve agreements - held by trustee | 5,274                     | 0                                                 | 0                  | 0                                      | 0                                        | 0                                                                      | 0                   | 5,274              |
| Assets restricted by donors or grantors                                                                                        | 8,340                     | 17,605                                            | 18,031             | 92,380                                 | 0                                        | 14,612                                                                 | 155                 | 151,123            |
| Partnership investments                                                                                                        | 0                         | 0                                                 | 0                  | 0                                      | 9,481                                    | 0                                                                      | 0                   | 9,481              |
| Assets limited to fund deferred compensation and other liabilities                                                             | <u>3,872</u>              | <u>6,073</u>                                      | <u>8,742</u>       | <u>27,734</u>                          | <u>0</u>                                 | <u>2,662</u>                                                           | <u>64</u>           | <u>49,147</u>      |
| Total Investments                                                                                                              | <u>\$72,050</u>           | <u>\$261,168</u>                                  | <u>\$238,833</u>   | <u>\$522,517</u>                       | <u>\$9,481</u>                           | <u>\$25,751</u>                                                        | <u>\$2,002</u>      | <u>\$1,131,802</u> |
| <b>2012</b>                                                                                                                    |                           |                                                   |                    |                                        |                                          |                                                                        |                     |                    |
| Assets limited under bond debt service fund-current portion                                                                    | \$14,984                  | \$0                                               | \$0                | \$0                                    | \$0                                      | \$0                                                                    | \$0                 | \$14,984           |
| Assets limited under primary professional liability arrangements - current portion                                             | 327                       | 1,833                                             | 1,198              | 1,417                                  | 0                                        | 0                                                                      | 15                  | 4,790              |
| Assets limited by board of trustees for capital improvements                                                                   | 64,713                    | 205,025                                           | 124,107            | 321,410                                | 0                                        | 0                                                                      | 1,555               | 716,810            |
| Assets limited by board of trustees for retained excess professional liability arrangements                                    | 1,640                     | 4,865                                             | 3,150              | 8,061                                  | 0                                        | 0                                                                      | 39                  | 17,755             |
| Assets limited under primary professional liability arrangements                                                               | 2,996                     | 15,912                                            | 10,401             | 13,200                                 | 0                                        | 0                                                                      | 128                 | 42,637             |
| Assets limited by management (B)                                                                                               | 1,755                     | 3,269                                             | 2,155              | 14,950                                 | 0                                        | 8,477                                                                  | 26                  | 30,632             |
| Assets limited under bond indenture, bond construction, debt service, and<br>debt service reserve agreements - held by trustee | 11,084                    | 0                                                 | 0                  | 0                                      | 0                                        | 0                                                                      | 0                   | 11,084             |
| Assets restricted by donors or grantors                                                                                        | 9,952                     | 16,740                                            | 11,980             | 85,301                                 | 0                                        | 15,586                                                                 | 134                 | 139,693            |
| Partnership investments                                                                                                        | 0                         | 0                                                 | 0                  | 0                                      | 10,665                                   | 0                                                                      | 0                   | 10,665             |
| Assets limited to fund deferred compensation and other liabilities                                                             | <u>3,499</u>              | <u>6,626</u>                                      | <u>5,592</u>       | <u>21,615</u>                          | <u>0</u>                                 | <u>2,478</u>                                                           | <u>64</u>           | <u>39,874</u>      |
| Total Investments                                                                                                              | <u>\$110,950</u>          | <u>\$254,270</u>                                  | <u>\$158,583</u>   | <u>\$465,954</u>                       | <u>\$10,665</u>                          | <u>\$26,541</u>                                                        | <u>\$1,961</u>      | <u>\$1,028,924</u> |

(A) Includes \$6,939 and \$6,655 representing the Organization's interest in certain perpetual trusts stated at net present value at June 30, 2013 and 2012, respectively (see Note 1). Includes \$5,176 and \$6,456 of pledges receivable at June 30, 2013 and 2012, respectively (see Note 14). Includes other investments, primarily cash surrender value of life insurance of \$4,336 and \$4,130 at June 30, 2013 and 2012, respectively.

Includes an unrestricted gift of land valued at \$8,250 at June 30, 2013 and 2012. Includes \$1,050 representing LVH's remaining interest in the Elsa K. Farr Trust at June 30, 2013 and 2012, respectively.

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

(C) Includes \$92,900 and \$89,694 in alternative investments at June 30, 2013 and 2012, respectively. Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market existed, and such differences could be material (see Note 13).

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

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

|                                                                                   | <u>2013</u>     | <u>2012</u>     |
|-----------------------------------------------------------------------------------|-----------------|-----------------|
| Income                                                                            |                 |                 |
| Interest and dividend income                                                      | \$18,372        | \$17,887        |
| Net realized gains on investments                                                 | 15,474          | 56,367          |
| Net unrealized gains (losses) on investments                                      | <u>33,620</u>   | <u>(64,404)</u> |
| Total                                                                             | <u>\$67,466</u> | <u>\$9,850</u>  |
| Reported as follows                                                               |                 |                 |
| Combined Statements of Operations                                                 |                 |                 |
| Other nonoperating gains and losses - Realized investment earnings                | \$27,823        | \$64,500        |
| Change in net unrealized gains (losses) on investments                            | 25,519          | (56,058)        |
| Combined Statements of Changes in Net Assets                                      |                 |                 |
| Temporarily restricted net assets - Realized and unrealized investment gains, net | <u>14,124</u>   | <u>1,408</u>    |
| Total                                                                             | <u>\$67,466</u> | <u>\$9,850</u>  |

### Other Than Temporary Impairment

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

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

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

During years ended June 30, 2013 and 2012, assessments of other than temporary impairment were performed on each security held by the Organization. Factors considered in determining whether an other than temporary impairment existed included the financial condition, business prospects and creditworthiness of the issuer, and the length of time and extent to which fair value had been less than cost for equity securities or amortized cost for fixed income securities.

The other than temporary impairment losses recorded during the years ended June 30, 2013 and 2012 were \$4,388 and \$4,787, respectively. These losses are reported in Realized investment earnings in the Combined Statements of Operations.

In addition to the above, certain other investments had fair values below cost at June 30, 2013 and 2012 but were determined to not be other than temporarily impaired due to the Organization's ability and intent to hold the securities until recovery of fair value. The following table presents the unrealized losses and fair value of these investments, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position.

|                              | <u>Less than 12 months</u> |                 | <u>Greater than 12 months</u> |                 | <u>Total</u> |                 |
|------------------------------|----------------------------|-----------------|-------------------------------|-----------------|--------------|-----------------|
|                              | Fair Value                 | Unrealized loss | Fair Value                    | Unrealized loss | Fair Value   | Unrealized loss |
| <u>2013</u>                  |                            |                 |                               |                 |              |                 |
| Marketable equity securities | \$49,458                   | (\$5,886)       | \$133,499                     | (\$1,023)       | \$182,957    | (\$6,909)       |
| <u>2012</u>                  |                            |                 |                               |                 |              |                 |
| Marketable equity securities | \$25,338                   | (\$3,890)       | \$103,266                     | (\$15,855)      | \$128,604    | (\$19,745)      |

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

### Other Than Temporary Impairment (continued)

The unrealized losses on investments in marketable equity securities were caused by a combination of economic, industry, and company factors. The Organization's marketable equity securities portfolios are diversified. The nature of a diversified portfolio is that at any point in time some holdings are reasonably expected to reflect market losses. Since the declines in market value of equity securities are not considered severe in nature on a security by security basis, the financial condition and near term prospects of the issuer are not in question, and the Organization has the ability and intent to hold to recovery, the Organization does not consider those investments to be other than temporarily impaired at June 30, 2013 and 2012.

## 3 LONG-TERM DEBT

| Long-term debt consists of the following at June 30                                                                                                                                                                                                                                                                                         | <u>2013</u> | <u>2012</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Hospital Revenue Bonds, Series of 1994<br>(net of unamortized bond discount of \$3 and \$4 at June 30, 2013 and 2012, respectively) at a fixed rate of 7.000% due in various amounts through July 1, 2016                                                                                                                                   | \$5,127     | \$6,206     |
| Hospital Revenue Bonds, Series B of 2001<br>(net of unamortized bond discount of \$0 and \$153 at June 30, 2013 and 2012, respectively) at fixed rates ranging from 4.400% to 5.375% due in various amounts through July 1, 2031. These bonds were refinanced with the issuance of the Hospital Revenue Bonds, Series B of 2012 (see below) | 0           | 27,242      |
| Hospital Revenue Bonds, Series A of 2003<br>(net of unamortized bond discount of \$0 and \$445 at June 30, 2013 and 2012, respectively) at fixed rates ranging from 5.000% to 5.250% due in various amounts through July 1, 2033. These bonds were refinanced with the issuance of the Hospital Revenue Bonds, Series B of 2012 (see below) | 0           | 60,380      |
| Hospital Revenue Bonds, Series A of 2005<br>At variable rates of interest (0.134% and 0.167% at June 30, 2013 and 2012, respectively) due in various amounts through July 1, 2025. These bonds are privately held and the interest rate is indexed and resets on a monthly basis. See Page 17 "Swap Agreements"                             | 48,400      | 49,850      |
| Hospital Revenue Bonds, Series B of 2005<br>At a fixed rate of 5.000% due in various amounts through July 1, 2035                                                                                                                                                                                                                           | 81,000      | 81,000      |
| Hospital Revenue Bonds, Series A of 2008<br>(net of unamortized bond premium of \$292 and \$304 at June 30, 2013 and 2012, respectively) at fixed rates ranging from 4.000% to 5.000% due in various amounts through July 1, 2038                                                                                                           | 67,742      | 69,024      |
| Hospital Revenue Bonds, Series B of 2008<br>At variable rates of interest (0.134% and 0.167% at June 30, 2013 and 2012, respectively) due in various amounts through July 1, 2028. These bonds are privately held and the interest rate is indexed and resets on a monthly basis. See Page 16 "Swap Agreements"                             | 86,235      | 88,235      |
| Hospital Revenue Bonds, Series C of 2008<br>At variable rates of interest (0.143% and 0.176% at June 30, 2013 and 2012, respectively) due in various amounts through July 1, 2029. These bonds reprice daily                                                                                                                                | 57,915      | 58,790      |
| Hospital Revenue Bonds, Series A of 2011<br>At variable rates of interest (0.134% and 0.167% at June 30, 2013 and 2012, respectively) due in various amounts through July 1, 2029. These bonds reprice daily                                                                                                                                | 23,685      | 25,755      |
| Hospital Revenue Bonds, Series A of 2012<br>At variable rates of interest (0.185% at June 30, 2013 and 2012) due in various amounts through July 1, 2021. These bonds are privately held and the interest rate is indexed and resets on a monthly basis. See Page 16 "Swap Agreements"                                                      | 16,885      | 7,512       |
| Hospital Revenue Bonds, Series B of 2012<br>(net of unamortized bond premium of \$2,576 and \$0 at June 30, 2013 and 2012, respectively) at fixed rates ranging from 2.000% to 4.000% due in various amounts through July 1, 2043                                                                                                           | 154,856     | 0           |

### 3 LONG-TERM DEBT (Continued)

|                                                                                                                                                                                                                                       | <u>2013</u>      | <u>2012</u>      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Capital Lease Liability on parking deck and The Center for Advanced Health Care MOB located on LVH campus at Cedar Crest & 178 Payable in monthly installments through February 2027 with subsequent renewal options                  | \$34,817         | \$34,605         |
| Mortgage liability to Firsttrust Bank on property located at 2649 Schoenersville Road, Bethlehem, PA containing a medical office building on the LVHM campus At a fixed rate of 5.5% with monthly payments of \$37 through March 2016 | 5,010            | 5,189            |
| Other long term debt                                                                                                                                                                                                                  | <u>0</u>         | <u>18</u>        |
| Subtotal (net of unamortized bond premium and discount of \$2,865 and \$298 at June 30, 2013 and 2012, respectively)                                                                                                                  | 581,672          | 513,806          |
| Less current maturities                                                                                                                                                                                                               | <u>(12,303)</u>  | <u>(11,530)</u>  |
| Total long-term debt                                                                                                                                                                                                                  | <u>\$569,369</u> | <u>\$502,276</u> |

#### Maturities of Long-Term Debt

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

|                                    |                  |
|------------------------------------|------------------|
| 2014                               | \$12,303         |
| 2015                               | 12,756           |
| 2016                               | 17,681           |
| 2017                               | 13,645           |
| 2018                               | 14,205           |
| Thereafter                         | <u>473,400</u>   |
| Total principal for long-term debt | <u>\$543,990</u> |

#### Long-Term Debt – Authority Bond Issues

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

#### Swap Agreements

The Organization has hedged its long term exposure to rising interest rates on portions of its variable rate debt through the participation in interest rate swaps. As of June 30, 2013, interest rate swap agreements with external counter parties were in place on the Series A of 2005 Bonds (the “2005 Swap”), the Series B of 2008 Bonds (the “2006 Swaps”), and Series A of 2012 (the “2012 Swap”) bonds. These interest rate swaps effectively convert these variable rate bonds to a fixed rate. The Swaps carry a fair value based on long term interest rates and are further described in the table below.

|                                                          |                                                             | <u>Asset Derivatives</u>     |                 |
|----------------------------------------------------------|-------------------------------------------------------------|------------------------------|-----------------|
|                                                          |                                                             | <u>Fair Value</u>            |                 |
| <u>Derivatives designated as hedging instruments</u>     | <u>Combined Statements of Financial Position - location</u> | <u>2013</u>                  | <u>2012</u>     |
| Interest rate contracts - 2012 Swaps                     | Deferred financing costs net and other noncurrent assets    | \$120                        | \$0             |
|                                                          |                                                             | <u>Liability Derivatives</u> |                 |
|                                                          |                                                             | <u>Fair Value</u>            |                 |
| <u>Derivatives not designated as hedging instruments</u> | <u>Combined Statements of Financial Position - location</u> | <u>2013</u>                  | <u>2012</u>     |
| Interest rate contracts - 2005 Swap                      | Other liabilities                                           | \$6,288                      | \$9,280         |
| Interest rate contracts - 2006 Swaps                     | Other liabilities                                           | <u>11,891</u>                | <u>17,358</u>   |
| Total derivatives not designated as hedging instruments  |                                                             | \$18,179                     | \$26,638        |
| <u>Derivatives designated as hedging instruments</u>     |                                                             |                              |                 |
| Interest rate contracts - 2012 Swaps                     | Other liabilities                                           | <u>\$0</u>                   | <u>\$170</u>    |
| Total derivatives net                                    |                                                             | <u>\$18,059</u>              | <u>\$26,808</u> |

### 3 LONG-TERM DEBT (Continued)

#### Swap Agreements (continued)

For the years ended June 30, 2013 and 2012, the 2005 and 2006 Swaps were determined to be ineffective hedges for accounting purposes and as a result did not qualify for hedge accounting treatment. Consequently, changes in the Swaps' fair values are reported as a component of Other nonoperating gains and losses. The 2012 Swaps are considered to be effective hedges and qualify for hedge accounting treatment where all changes in the Swaps' fair values are reported below Revenues and gains in excess of expenses and losses.

The below table presents the unrealized gains and losses on the 2005, 2006, and 2012 Swaps within the Combined Statements of Operations for the years ended June 30, 2013 and 2012.

| <u>Derivatives not designated as hedging instruments</u> | <u>Location of losses on ineffective portion</u>                                       | <u>Amount of unrealized gains (losses) recognized in</u> |                   |
|----------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------|
|                                                          |                                                                                        | <u>2013</u>                                              | <u>2012</u>       |
| Interest rate contracts - 2005 Swap                      | Other nonoperating gains and losses - Change in net unrealized gains (losses) on swaps | \$2,992                                                  | (\$4,177)         |
| Interest rate contracts - 2006 Swaps                     | Other nonoperating gains and losses - Change in net unrealized gains (losses) on swaps | 5,467                                                    | (7,282)           |
| Total derivatives not designated as hedging instruments  |                                                                                        | <u>\$8,459</u>                                           | <u>(\$11,459)</u> |
| <br><u>Derivatives designated as hedging instruments</u> |                                                                                        | <br><u>Location of losses on effective portion</u>       |                   |
| Interest rate contracts - 2012 Swaps                     | Change in net unrealized gains (losses) on swaps                                       | <u>\$290</u>                                             | <u>(\$170)</u>    |
| Total derivatives                                        |                                                                                        | <u>\$8,749</u>                                           | <u>(\$11,629)</u> |

In addition to the above, the 2005, 2006, and 2012 Swaps also impose collateralization requirements on both parties if certain conditions occur. Collateralization for the 2005, 2006, or 2012 Swaps was not required as of June 30, 2013 and 2012.

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

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

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

As of June 30, 2013, the 2005 and 2006 Swaps where Merrill Lynch is the counter party had negative market values of \$6.288 and \$5.957 respectively, and the 2006 Swap where Goldman Sachs is the counter party had a market value of negative \$5.934, and the 2012 Swaps where JPMorgan is the counterpart had positive market values of \$52 and \$68 for the 2012A and 2012B, respectively. Accordingly, collateralization for the 2005, 2006, and 2012 Swaps was not required as of June 30, 2013.

### 3 LONG-TERM DEBT (Continued)

#### Issuance of Tax-Exempt Bonds – Series A of 2012

In February 2012, the Obligated Group issued \$7.512 in variable rate Hospital Revenue Bonds, Series A of 2012 to refinance \$7.255 of fixed rate Hospital Revenue Bonds, Series 01A and pay for cost of issuance fees of \$334. A loss on refinancing of \$309 was recorded and is reported as Loss on refinancing of debt in Other nonoperating gains and losses in the 2012 Combined Statements of Operations. In July 2012, the Obligated Group issued \$10.905 in variable rate Hospital Revenue Bonds, Series A of 2012 to refinance \$10.905 of fixed rate Hospital Revenue Bonds, Series 01B. A loss on refinancing of \$547 was recorded and is reported as Loss on refinancing of debt in Other nonoperating gains and losses in the 2013 Combined Statements of Operations.

#### Issuance of Tax-Exempt Bonds – Series C of 2008

In June 2012, the Obligated Group restructured \$58.790 in variable rate Hospital Revenue Bonds, Series C of 2008 by converting the interest mode from variable rate demand bonds to variable index rate bonds. In accordance with accounting standards for modification or extinguishment of debt the refinancing was determined to represent a modification of the debt instrument and therefore no loss on refinancing was recorded.

#### Issuance of Tax-Exempt Bonds – Series B of 2012

In December 2012, the Obligated Group issued \$152.280 net of issuance premium of \$2.645 in fixed rate Hospital Revenue Bonds, Series B of 2012 to finance a variety of capital investments and refinance \$80.641 of fixed rate Hospital Revenue Bonds. Proceeds from the issuance included \$78.675 to pay for capital projects and related costs, \$15.950 to refinance the 2001B bonds, \$57.655 to refinance the 2003A bonds, and cost of issuance fees of \$1.860. A loss on refinancing of \$3.990 was recorded and is reported as Loss on refinancing of debt in Other nonoperating gains and losses in the 2013 Combined Statements of Operations.

#### Capital Lease

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

Lease payments are approximately \$2,319 to \$2,525 annually over the next five years and are subject to annual adjustments. Interest expense related to this financing is recorded throughout the life of the financing.

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

|                          | Principal       | Interest        | Scheduled<br>Payments |
|--------------------------|-----------------|-----------------|-----------------------|
| 2014                     | \$0             | \$2,319         | \$2,319               |
| 2015                     | 0               | 2,369           | 2,369                 |
| 2016                     | 0               | 2,420           | 2,420                 |
| 2017                     | 0               | 2,472           | 2,472                 |
| 2018                     | 0               | 2,525           | 2,525                 |
| Thereafter               | <u>34,817</u>   | <u>50,197</u>   | <u>85,014</u>         |
| Totals for capital lease | <u>\$34,817</u> | <u>\$62,302</u> | <u>\$97,119</u>       |

#### Lines of Credit

LVHN and LVH have a combined line of credit, expiring January 31, 2014, available which provide for borrowings and letters of credit up to an aggregate of \$19,000 at June 30, 2013 and 2012. Although no borrowings were outstanding against this line of credit at June 30, 2013 and 2012, a total of \$5,015 and \$5,714, respectively, in the form of letters of credit was committed as of June 30, 2013 and 2012, respectively, and is described further in the table below. The remaining amount available under the line of credit at June 30, 2013 and 2012 was \$13,985 and \$13,286, respectively.

### 3 LONG-TERM DEBT (Continued)

#### Lines of Credit (continued)

The following schedule summarizes the letters of credit commitments outstanding at June 30

| <u>Beneficiary</u>                              | <u>Purpose</u>                                   | <u>2013</u>    | <u>2012</u>    |
|-------------------------------------------------|--------------------------------------------------|----------------|----------------|
| South Carolina Dept Of Insurance                | RRG capitalization collateral                    | \$4,980        | \$4,980        |
| Commonwealth of PA                              | LVH Cedar Crest highway expansion collateral     | 0              | 648            |
| City of Bethlehem PA                            | LVHM North Campus expansion collateral           | 35             | 35             |
| Township of Salisbury                           | LVH Cedar Crest Family Lodging Center collateral | <u>0</u>       | <u>51</u>      |
| Total letters of credit commitments outstanding |                                                  | <u>\$5,015</u> | <u>\$5,714</u> |

#### Restrictive Covenants

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

The 1994 Series A bonds include requirements to maintain a Debt Service Coverage Ratio of at least 110%, or if such percentage cannot be achieved in any fiscal year as a result of restrictions imposed under applicable laws and regulations (including cost containment requirements, restrictions on rates or revenues or reimbursement regulations or policies imposed by governmental third-party payers) or as a result of restrictions or policies imposed by private third-party payers affecting any particular Obligated Issuer or Issuers, at least 100%. If the covenant is not met, the engagement of a consultant is required. However, failure to meet the covenant will not be an event of default as long as the Debt Service Coverage Ratio for the Obligated Group is at least 100%, the Debt Service Coverage Ratio for all Obligated Issuers which were not affected by such laws or regulations, as referred to above, is at least 110%, a consultant is engaged and a good faith effort is made to implement the recommendations of the consultant.

The 2005 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3%. However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter. Failure to maintain a Debt Service Coverage Ratio of 1.00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default. In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have at least 30 days to repurchase some or all of the bonds from the bank or remarket the bonds. Failure to maintain a Debt Service Coverage Ratio of 1.25, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 0.67 to 1 requires the engagement of a consultant. Also, failure to maintain a Debt Service Coverage Ratio of at least 1.75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of \$6.1 million.

The 2005 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an Indebtedness Ratio not to exceed 0.67 to 1. If any of the preceding covenants are not met, the engagement of a consultant is required. Also, failure to maintain a Debt Service Coverage Ratio of at least 1.75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of \$8.1 million. Upon issuance the 2005 Series B bonds required the establishment of a Debt Service Reserve account in the amount of \$5.0 million which remained in place at June 30, 2013 and 2012. If additional funding of the Series B Debt Service Reserve is required as described above, the amount of funding required will be reduced by the current \$5.0 million Series 2005 B Debt Service Reserve, resulting in an additional funding requirement of \$3.1 million. This debt service account is reported under Noncurrent assets as Assets Limited under bond indenture, bond construction, debt service, and debt service reserve agreements – held by trustee in the Combined Statements of Financial Position.

### 3 LONG-TERM DEBT (Continued)

#### Restrictive Covenants (continued)

The 2008 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an Indebtedness Ratio not to exceed 0.67 to 1. If any of the preceding covenants are not met the engagement of a consultant is required. Also, failure to maintain a Debt Service Coverage Ratio of at least 1.75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of \$4.7 million.

The 2008 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3%. However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter. Failure to maintain a Debt Service Coverage Ratio of 1.00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default. In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have at least 30 days to repurchase some or all of the bonds from the bank or remarket the bonds. Failure to maintain a Debt Service Coverage Ratio of 1.25, Days Cash on Hand of at least 65 days or an Indebtedness Ratio of not greater than 0.67 to 1 requires the engagement of a consultant. Also, failure to maintain a Debt Service Coverage Ratio of at least 1.75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of \$9.5 million.

The 2008 Series C bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 70%. However, failure to maintain the Debt Service Coverage or Days Cash on Hand covenants will not be a violation if it is remedied by the end of the next fiscal quarter. Failure to maintain a Debt Service Coverage Ratio of 1.00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default. In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have to repurchase some or all of the bonds from the bank or remarket the bonds.

The 2011 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3%. However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter. Failure to maintain a Debt Service Coverage Ratio of 1.00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default. In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have at least 30 days to repurchase some or all of the bonds from the bank or remarket the bonds.

The 2012 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1.25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 70%. However, failure to maintain the Debt Service Coverage or Days Cash on Hand covenants will not be a violation if it is remedied by the end of the next fiscal quarter. Failure to maintain a Debt Service Coverage Ratio of 1.00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default. In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have to repurchase some or all of the bonds from the bank or remarket the bonds.

The 2012 Series B bonds include requirements to maintain a Debt Service Coverage Ratio of at least 1.25, or if such percentage cannot be achieved in any fiscal year as a result of restrictions imposed under applicable laws and regulations (including cost containment requirements, restrictions on rates or revenues or reimbursement regulations or policies imposed by governmental third-party payers) or as a result of restrictions or policies imposed by private third-party payers affecting any particular Obligated Issuer or Issuers, at least 1.0. If the covenant is not met, the engagement of a consultant is required. However, failure to meet the covenant will not be an event of default as long as the Debt Service Coverage Ratio for the Obligated Group is at least 1.0, the Debt Service Coverage Ratio for all Obligated Issuers which were not affected by such laws or regulations, as referred to above, is at least 1.0, a consultant is engaged and a good faith effort is made to implement the recommendations of the consultant.

For the years ended June 30, 2013 and 2012, the financial covenants noted above were met and the Obligated Group was not aware of any instances of non-compliance with its other covenants.



#### 4 PROPERTY AND EQUIPMENT, NET

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

|                                           | <u>2013</u>      | <u>2012</u>      |
|-------------------------------------------|------------------|------------------|
| Land and land improvements                | \$67,156         | \$66,332         |
| Buildings and building equipment          | 848,311          | 819,061          |
| Fixed and major movable equipment         | 446,473          | 418,621          |
| Assets under capital lease                | 32,188           | 32,188           |
| Construction in progress                  | <u>46,728</u>    | <u>31,681</u>    |
| Total original cost                       | 1,440,856        | 1,367,883        |
| Accumulated depreciation and amortization | <u>(802,396)</u> | <u>(747,248)</u> |
| Property and equipment, net               | <u>\$638,460</u> | <u>\$620,635</u> |

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$83,362 and \$82,498, respectively. Depreciation of assets under capital lease included in depreciation and amortization expense was \$1,414 at June 30, 2013 and 2012. Accumulated depreciation relating to the assets under capital lease was \$9,182 and \$7,768 at June 30, 2013 and 2012, respectively, and is included in accumulated depreciation.

#### 5 FUNCTIONAL EXPENSES

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

|                            | <u>2013</u>        | <u>%</u>    | <u>2012</u>        | <u>%</u>    |
|----------------------------|--------------------|-------------|--------------------|-------------|
| Health care services       | \$1,433,517        | 94%         | \$1,342,411        | 94%         |
| General and administrative | <u>98,306</u>      | <u>6%</u>   | <u>92,384</u>      | <u>6%</u>   |
| Total                      | <u>\$1,531,823</u> | <u>100%</u> | <u>\$1,434,795</u> | <u>100%</u> |

General and administrative expenses include expenses for organizational administrative activities, primarily human resources, management, legal, and financial services. The categorization of expenses as health care services versus general and administrative follows the guidance provided for similar expense reporting in the annual Internal Revenue Service (IRS) Form 990.

Effective July 1, 2012, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2011-07, "Health Care Entities (Topic 954) *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*." As a result of retrospectively reclassifying the Provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts), the Functional expenses disclosure above is also reported on a retrospective basis.

#### 6 FUNDS HELD BY FIDUCIARY

LVH is the primary beneficiary of the Dorothy Rider Pool Health Care Trust (the "Pool Trust") which was established through the estate of a former director of LVH. The fair value of the Pool Trust at June 30, 2013 and 2012 was \$79,538 and \$76,336, respectively. The assets of the Pool Trust are not included in the accompanying combined financial statements. Under the general provisions of the Trust, distributions from the Pool Trust are to be made to or for the benefit of LVH to supplement, not replace, LVH's ordinary operating expenses, so that LVH can be operated and managed in a manner that will improve its medical standards, knowledge and procedures, and sustain at the highest level of quality the health maintenance and hospital care it provides to members of the community it serves. Under certain circumstances, distributions from the Pool Trust may be made to other designated health care related organizations. Distributions to LVH from the Pool Trust were \$3,518 and \$3,531 during the years ended June 30, 2013 and 2012, respectively, and are reported as a component of Other supporting operations revenue.

## 7 CHARITY CARE

As a community organization, all revenues and gains in excess of expenses and losses of the Organization are, or will be, used for the repayment of debt, acquisition of equipment and facilities, and to provide for the present and future health care needs of the patients and communities it serves. The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates regardless of their ability to pay. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenues. The amount of charity care to patients for the years ended June 30, 2013 and 2012, at cost, was \$25,767 and \$23,903 respectively. Costs of these services were estimated by calculating a ratio of overall cost to gross charges for all patients and then applying this ratio to gross charges for patients receiving charity care.

## 8 BAD DEBTS

In instances where the Organization believes a patient has the ability to pay for services and, after appropriate collection effort, payment is not made, the amount of services not paid is written-off, at charges, as bad debts. Amounts recorded as Provision for bad debts do not include charity care. The amount of Provision for bad debts for the years ended June 30, 2013 and 2012, at charges, was \$117,493 and \$106,247, respectively.

## 9 RETIREMENT PLAN

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

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

Information for the noncontributory defined benefit option regarding funded status, net periodic pension cost, benefit obligation, assumptions, etc., as of June 30, 2013 and 2012, is presented below and on the following pages and includes the impact of employee selection of pension benefit options. The Plan's assets described below and on the following pages are not included in the combined financial statements of the Organization.

### Description of Investment Policies

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

### Plan Assets

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

| <u>Investment category</u> | <u>2013</u>   |               | <u>2012</u>   |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | <u>Actual</u> | <u>Target</u> | <u>Actual</u> | <u>Target</u> |
| Domestic equity            | 32.4%         | 30.0%         | 33.0%         | 30.0%         |
| International equity       | 21.2%         | 20.0%         | 20.5%         | 20.0%         |
| Private equity             | 2.2%          | 5.0%          | 2.5%          | 5.0%          |
| Hedge funds                | 5.3%          | 5.0%          | 4.4%          | 5.0%          |
| Real estate securities     | 4.8%          | 5.0%          | 5.1%          | 5.0%          |
| Commodities contracts      | 5.1%          | 5.0%          | 5.1%          | 5.0%          |
| Fixed income               | <u>29.0%</u>  | <u>30.0%</u>  | <u>29.4%</u>  | <u>30.0%</u>  |
| Total                      | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

9 RETIREMENT PLAN (Continued)

Determination of Expected Return on Plan Assets

To develop the expected return on Plan assets assumption reported below, the Organization considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each class. The expected return for each asset class was weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 7.0% return on plan assets assumptions for 2013 and 2012.

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

2013

| <u>Type of Investment</u>                   | <u>Level 1</u>   | <u>Level 2</u>   | <u>Level 3</u>  | <u>Total</u>     |
|---------------------------------------------|------------------|------------------|-----------------|------------------|
| Cash and cash equivalents                   | \$0              | \$8,398          | \$0             | \$8,398          |
| Equity securities                           |                  |                  |                 |                  |
| Domestic equity                             | 195,269          | 0                | 0               | 195,269          |
| International equity                        | 128,082          | 0                | 0               | 128,082          |
| Real estate equity                          | 28,516           | 0                | 0               | 28,516           |
| Fixed income                                |                  |                  |                 |                  |
| U.S. Treasury securities and obligations of |                  |                  |                 |                  |
| U.S. Government agencies                    | 101,921          | 21,896           | 0               | 123,817          |
| Corporate bonds                             | 0                | 41,196           | 0               | 41,196           |
| Asset-backed securities                     | 0                | 1,596            | 0               | 1,596            |
| Collateralized mortgage obligations         | 0                | 232              | 0               | 232              |
| Hedge funds (multi-strategy)                | 0                | 13,140           | 18,639          | 31,779           |
| Commodities contracts                       | 0                | 30,827           | 0               | 30,827           |
| Private equity                              | 0                | 0                | 13,132          | 13,132           |
| Total assets at fair value                  | <u>\$453,788</u> | <u>\$117,285</u> | <u>\$31,771</u> | <u>\$602,844</u> |

2012

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

For the years ended June 30, 2013 and 2012, respectively, there were no transfers between valuation levels.

## 9 RETIREMENT PLAN (Continued)

The Plan's use of Level 3 unobservable inputs as of June 30, 2013 and 2012 accounted for 5.3% and 6.8%, respectively, of the total fair value of investments. The following table summarizes changes in Level 3 assets measured at fair value at June 30.

| <u>2013</u>                                     | <u>Private<br/>equity</u> | <u>Hedge<br/>funds</u> | <u>Total</u>    |
|-------------------------------------------------|---------------------------|------------------------|-----------------|
| Beginning balance at July 1, 2012               | \$13,602                  | \$21,926               | \$35,528        |
| Realized investment earnings                    | \$673                     | \$27                   | 700             |
| Net appreciation in market value of investments | 671                       | 1,886                  | 2,557           |
| Purchases                                       | 171                       | 16,728                 | 16,899          |
| Sales                                           | <u>(1,985)</u>            | <u>(21,928)</u>        | <u>(23,913)</u> |
| Ending balance at June 30, 2013                 | <u>\$13,132</u>           | <u>\$18,639</u>        | <u>\$31,771</u> |

  

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

### Additional Pension Information

The Organization uses a June 30 measurement date for the Plan. The following tables set forth the Plan's funded status at June 30, benefits paid, and employer contributions made during the years ended June 30, 2013 and 2012 and certain other information and amounts recognized in the combined financial statements at June 30.

|                                                                        | <u>2013</u>        | <u>2012</u>        |
|------------------------------------------------------------------------|--------------------|--------------------|
| Change in benefit obligation                                           |                    |                    |
| Projected benefit obligation at beginning of year                      | \$787,465          | \$578,196          |
| Service cost                                                           | 26,356             | 21,097             |
| Interest cost                                                          | 36,450             | 35,281             |
| Actuarial (gain) loss                                                  | (57,086)           | 164,411            |
| Benefits paid                                                          | <u>(13,505)</u>    | <u>(11,520)</u>    |
| Projected benefit obligation at end of year                            | <u>\$779,680</u>   | <u>\$787,465</u>   |
| Change in plan assets                                                  |                    |                    |
| Fair value of plan assets at beginning of year                         | \$519,616          | \$423,070          |
| Actual return on plan assets                                           | 39,096             | 46,732             |
| Employer contributions                                                 | 57,637             | 61,334             |
| Benefits paid                                                          | <u>(13,505)</u>    | <u>(11,520)</u>    |
| Fair value of plan assets at end of year                               | <u>\$602,844</u>   | <u>\$519,616</u>   |
| Funded status at end of year                                           | <u>(\$176,836)</u> | <u>(\$267,849)</u> |
| Amounts recognized in the statements of financial position consists of |                    |                    |
| Accrued pension liability - noncurrent portion                         | <u>(176,836)</u>   | <u>(267,849)</u>   |
| Net amount recognized                                                  | <u>(\$176,836)</u> | <u>(\$267,849)</u> |

9 RETIREMENT PLAN (Continued)

Additional Pension Information (continued)

|                                                                                                   | <u>2013</u>        | <u>2012</u>        |
|---------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Amounts recognized in unrestricted net assets but not yet recognized in net periodic benefit cost |                    |                    |
| Prior service costs                                                                               | \$5                | \$14               |
| Net loss                                                                                          | <u>136,721</u>     | <u>205,993</u>     |
| Total amount recognized in unrestricted net assets                                                | <u>\$136,726</u>   | <u>\$206,007</u>   |
| Components of net periodic benefit cost (NPBC)                                                    |                    |                    |
| Service cost                                                                                      | \$26,356           | \$21,097           |
| Interest cost                                                                                     | 36,450             | 35,281             |
| Expected return on plan assets                                                                    | (37,726)           | (31,786)           |
| Amortization of prior service cost                                                                | 9                  | 9                  |
| Recognized actuarial loss                                                                         | <u>10,815</u>      | <u>649</u>         |
| Net periodic benefit cost (pension expense)                                                       | <u>\$35,904</u>    | <u>\$25,250</u>    |
| Other changes in plan assets and benefit obligation recognized in unrestricted net assets         |                    |                    |
| Net actuarial (gain) loss                                                                         | (\$58,456)         | \$149,465          |
| Amortization of loss                                                                              | (10,815)           | (649)              |
| Amortization of prior service cost                                                                | <u>(9)</u>         | <u>(9)</u>         |
| Total (gain) loss recognized in unrestricted net assets                                           | <u>(\$69,280)</u>  | <u>\$148,807</u>   |
| Reconciliation of accrued pension cost                                                            |                    |                    |
| Balance at beginning of year                                                                      | (\$267,849)        | (\$155,126)        |
| Annual pension expense                                                                            | (35,904)           | (25,250)           |
| Adjustments to funded status of pension plan                                                      | 69,280             | (148,807)          |
| Annual contributions                                                                              | <u>57,637</u>      | <u>61,334</u>      |
| Balance at end of year                                                                            | <u>(\$176,836)</u> | <u>(\$267,849)</u> |
| Accumulated benefit obligation at year end                                                        | \$705,824          | \$699,551          |
| Weighted - average assumptions used to determine projected benefit obligation                     |                    |                    |
| Discount rate                                                                                     | 5.124%             | 4.689%             |
| Rate of compensation increase                                                                     | 3.500%             | 3.500%             |
| Weighted - average assumptions used for NPBC development                                          |                    |                    |
| Discount rate                                                                                     | 4.689%             | 6.076%             |
| Expected return on plan assets                                                                    | 7.000%             | 7.000%             |
| Rate of compensation increase                                                                     | 3.500%             | 4.000% *           |
| * (used 4% for 2 years, 3.5% thereafter)                                                          |                    |                    |

The actuarial net loss and prior service cost that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$5,074 and \$5,1 respectively.

Estimated Future Benefit Payments

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

|                  |                  |
|------------------|------------------|
| Fiscal 2014      | \$18,666         |
| Fiscal 2015      | 21,670           |
| Fiscal 2016      | 24,875           |
| Fiscal 2017      | 28,246           |
| Fiscal 2018      | 32,130           |
| Fiscal 2019-2023 | <u>224,321</u>   |
| Total            | <u>\$349,908</u> |

## 9 RETIREMENT PLAN (Continued)

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

### Fiscal Year 2013 Activity

During the years ended June 30, 2013 and 2012, the Organization made contributions of \$12.2 million and \$10.5 million, respectively, to the defined contribution component of the Plan and recorded \$13.0 million and \$11.0 million, respectively, in related pension expense. The liability recognized under the Current portion "Pension" in the Combined Statements of Financial Position at June 30, 2013 and 2012 for the defined contribution component of the Plan was \$3.9 million and \$3.1 million, respectively. Total expected contributions to the defined contribution component of the Plan in fiscal year 2014 are \$14.3 million.

During the years ended June 30, 2013 and 2012, the Organization made contributions of \$6.6 million and \$6.1 million, respectively, to the matched savings benefit component of the Plan and recorded \$6.6 million and \$5.8 million, respectively, in related pension expense. The liability recognized under the Current portion "Pension" in the Combined Statements of Financial Position at June 30, 2013 and 2012 for the matched savings benefit component of the Plan was \$0.1 million and \$0.1 million, respectively. Total expected contributions to the matched savings component of the Plan in fiscal year 2013 are \$7.4 million.

## 10 COMMITMENTS AND CONTINGENCIES

### Operating Leases

Rental expense reported on the Other expense line of the Combined Statements of Operations for the years ended June 30, 2013 and 2012 was \$25,296 and \$23,784, respectively.

Minimum future rentals under non-cancelable operating leases with terms in excess of one year as of June 30, 2013 are as follows:

| <u>Fiscal Year</u> | <u>Real Estate</u> | <u>Vehicles</u> | <u>Equipment</u> | <u>Total</u> |
|--------------------|--------------------|-----------------|------------------|--------------|
| 2014               | \$13,755           | \$363           | \$204            | \$14,322     |
| 2015               | \$14,281           | \$204           | \$122            | \$14,607     |
| 2016               | \$13,647           | \$96            | \$15             | \$13,758     |
| 2017               | \$12,675           | \$53            | \$0              | \$12,728     |
| 2018               | \$10,869           | \$25            | \$0              | \$10,894     |
| Thereafter         | \$55,140           | \$0             | \$0              | \$55,140     |

### Litigation

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

## 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

|                                             | <u>2013</u>      | <u>2012</u>     |
|---------------------------------------------|------------------|-----------------|
| Purchase of capital assets                  | \$245            | \$244           |
| Specific health care services and education | <u>103,137</u>   | <u>93,008</u>   |
| Total temporarily restricted net assets     | <u>\$103,382</u> | <u>\$93,252</u> |

Permanently restricted net assets, which total \$47,741 and \$46,441 at June 30, 2013 and 2012, respectively, are required to be held in perpetuity with the expendable income earned thereon to be used to support health care services and education.

## 12 ENDOWMENT FUNDS

Endowment funds are defined as funds established by donors or the Board of Trustees to provide the Organization with either a permanent source of income or a source of income for a specified period of time. The Organization's endowment funds consist of 113 and 103 individual donor-restricted funds at June 30, 2013 and 2012, respectively, established for a variety of purposes hereinafter referred to as the "LVHN Endowment Fund". The Organization does not have Board Designated endowment funds or unrestricted endowment funds.

### Interpretation of Relevant Law

The Organization has interpreted Pennsylvania law as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds when explicit donor stipulations requiring permanent maintenance of the historical fair value are present. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present, (b) the original value of the subsequent gifts to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present, and (c) accumulations of investment earnings to the permanent endowment in cases where the donor explicitly instructed a portion of investment earnings be added to the permanent fund. The remaining portion of the donor-restricted endowment funds comprised of accumulated investment earnings not required to be maintained in perpetuity is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with donor's stipulations. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, purposes of the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

The net asset composition of the LVHN Endowment Fund at June 30, 2013 and 2012 was as follows:

|                                  | Temporarily<br><u>restricted</u> | Permanently<br><u>restricted</u> | <u>Total</u> |
|----------------------------------|----------------------------------|----------------------------------|--------------|
| <u>2013</u>                      |                                  |                                  |              |
| Donor restricted endowment funds | \$80,032                         | \$40,802                         | \$120,834    |
| <u>2012</u>                      |                                  |                                  |              |
| Donor restricted endowment funds | \$71,329                         | \$39,786                         | \$111,115    |

Changes in the LVHN Endowment Fund Net Assets during the years ended June 30, 2013 and 2012 were as follows:

|                                                                        | Temporarily<br><u>restricted</u> | Permanently<br><u>restricted</u> | <u>Total</u>     |
|------------------------------------------------------------------------|----------------------------------|----------------------------------|------------------|
| <u>2013</u>                                                            |                                  |                                  |                  |
| Endowment net assets, beginning of year                                | \$71,329                         | \$39,786                         | \$111,115        |
| Investment Return                                                      |                                  |                                  |                  |
| Investment income                                                      | 1,785                            | 0                                | 1,785            |
| Net appreciation (realized and unrealized)                             | <u>9,754</u>                     | <u>0</u>                         | <u>9,754</u>     |
| Total investment return                                                | 11,539                           | 0                                | 11,539           |
| Contributions                                                          | 74                               | 1,252                            | 1,326            |
| Reclassification to temporarily restricted from permanently restricted | 0                                | (236)                            | (236)            |
| Appropriation of endowment assets for expenditures (expense)           | <u>(2,910)</u>                   | <u>0</u>                         | <u>(2,910)</u>   |
| Endowment net assets, end of year                                      | <u>\$80,032</u>                  | <u>\$40,802</u>                  | <u>\$120,834</u> |

## 12 ENDOWMENT FUNDS (Continued)

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

### Investment Return Objectives

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

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The actual and target investment allocations were as follows for the LVHN Endowment Fund Assets as of June 30, 2013:

| LVHN Endowment assets | <u>Actual %</u> | <u>Target %</u> |
|-----------------------|-----------------|-----------------|
| Domestic equity       | 34%             | 34%             |
| International equity  | 22%             | 23%             |
| Real estate           | 6%              | 6%              |
| Fixed income          | 26%             | 25%             |
| Hedge funds           | 6%              | 6%              |
| Commodities           | <u>6%</u>       | <u>6%</u>       |
| Total                 | <u>100%</u>     | <u>100%</u>     |

### Spending Policy and How the Investment Objectives Relate to Spending Policy

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



### 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The availability of observable inputs for valuation of investments varies and is affected by a wide variety of factors. When the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. The degree of judgment exercised by management in determining fair value is greatest for investments categorized as Level 3. For investments in this category, the Organization considers prices and inputs that are current as of the measurement date. In periods of market dislocation, the observability of prices and inputs may be reduced.

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

**Level 2** – Valuations based on quoted prices in active markets for *similar* assets or liabilities, quoted in markets that are not active or for which an identical asset or liability was not traded on the financial statement date or where all significant inputs are not observable, directly or indirectly. Level 2 primarily includes investments in U.S. Treasury securities and obligations of U.S. government agencies, together with municipal bonds, corporate debt securities, commercial mortgage and asset-backed securities, certain residential mortgage-backed securities that are generally investment grade, certain equity securities, hedge funds, commodities, and perpetual trusts. The Organization based the fair value of hedge funds and commodity contracts on the fair value of the underlying reported net asset values of each fund held. The hedge funds, a fund of funds investment, totaling \$42.476 and \$0 at June 30, 2013 and 2012, respectively, has a redemption period of 15 days. Commodity contracts, a fund of commodity contracts, totaling \$45.137 and \$40.256 at June 30, 2013 and 2012, respectively, has a redemption period of 5 days.

**Level 3** – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally organization or individual investment manager generated inputs and are not observable market based inputs. Material assumptions and factors considered in the valuation may include, but are not limited to, operational activity of private equity holdings, reliance on third party estimates, share valuations, and appraisals. Level 3 investments include investments in hedge funds and perpetual trusts. The Organization based the fair value of Hedge funds, a fund of funds investment of \$50.424 and \$89.694 at June 30, 2013 and 2012, respectively, on the fair value of the underlying reported net asset values of each fund held. The hedge fund requires a redemption period of 60-90 days.

### 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

| <u>2013</u>                                 |                  |                  |                 |                    |
|---------------------------------------------|------------------|------------------|-----------------|--------------------|
| <u>Type of Investment</u>                   | <u>Level 1</u>   | <u>Level 2</u>   | <u>Level 3</u>  | <u>Total</u>       |
| Cash and cash equivalents                   | \$6,012          | \$22,730         | \$0             | \$28,742           |
| Equity securities                           |                  |                  |                 |                    |
| Domestic equity                             | 238,645          | 0                | 0               | 238,645            |
| International equity                        | 141,437          | 0                | 0               | 141,437            |
| Real estate equity                          | 49,673           | 0                | 0               | 49,673             |
| Fixed income                                |                  |                  |                 |                    |
| U S Treasury securities and obligations of  |                  |                  |                 |                    |
| U S Government agencies                     | 131,008          | 63,445           | 0               | 194,453            |
| Corporate bonds                             | 13,606           | 155,528          | 0               | 169,134            |
| Asset-backed securities                     | 0                | 69,121           | 0               | 69,121             |
| Collateralized mortgage obligations         | 0                | 67,394           | 0               | 67,394             |
| Hedge funds (multi-strategy )               | 0                | 42,476           | 50,424          | 92,900             |
| Commodities contracts                       | 0                | 45,137           | 0               | 45,137             |
| Perpetual trust                             | 0                | 0                | 6,939           | 6,939              |
| Other                                       | 0                | 4,108            | 0               | 4,108              |
| Other assets - swap assets                  | <u>0</u>         | <u>120</u>       | <u>0</u>        | <u>120</u>         |
| Total assets at fair value                  | <u>\$580,381</u> | <u>\$470,059</u> | <u>\$57,363</u> | <u>\$1,107,803</u> |
| Liabilities at Fair Value                   |                  |                  |                 |                    |
| Deferred compensation and other liabilities |                  |                  |                 |                    |
| funded with matching assets                 | \$29,976         | \$15,430         | \$0             | \$45,406           |
| Other liabilities - swap liabilities        | <u>0</u>         | <u>18,179</u>    | <u>0</u>        | <u>18,179</u>      |
| Total liabilities at fair value             | <u>\$29,976</u>  | <u>\$33,609</u>  | <u>\$0</u>      | <u>\$63,585</u>    |

### 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

|                                             | <u>2012</u>      |                  |                 |                    |
|---------------------------------------------|------------------|------------------|-----------------|--------------------|
| <u>Type of Investment</u>                   | <u>Level 1</u>   | <u>Level 2</u>   | <u>Level 3</u>  | <u>Total</u>       |
| Cash and cash equivalents                   | \$1.700          | \$41.517         | \$0             | \$43.217           |
| Equity securities                           |                  |                  |                 |                    |
| Domestic equity                             | 200.376          | 0                | 0               | 200.376            |
| International equity                        | 129.444          | 0                | 0               | 129.444            |
| Real estate equity                          | 45.352           | 0                | 0               | 45.352             |
| Fixed income                                |                  |                  |                 |                    |
| U S Treasury securities and obligations of  |                  |                  |                 |                    |
| U S Government agencies                     | 127.668          | 60.463           | 0               | 188.131            |
| Corporate bonds                             | 13.354           | 114.345          | 0               | 127.699            |
| Asset-backed securities                     | 0                | 86.863           | 0               | 86.863             |
| Collateralized mortgage obligations         | 0                | 40.751           | 0               | 40.751             |
| Hedge funds (multi-strategy )               | 0                | 0                | 89.694          | 89.694             |
| Commodities contracts                       | 0                | 40.256           | 0               | 40.256             |
| Perpetual trust                             | 0                | 6.655            | 0               | 6.655              |
| Other                                       | <u>0</u>         | <u>3.903</u>     | <u>0</u>        | <u>3.903</u>       |
| Total assets at fair value                  | <u>\$517.894</u> | <u>\$394.753</u> | <u>\$89.694</u> | <u>\$1,002.341</u> |
| Liabilities at Fair Value                   |                  |                  |                 |                    |
| Deferred compensation and other liabilities |                  |                  |                 |                    |
| funded with matching assets                 | \$24.803         | \$15.071         | \$0             | \$39.874           |
| Other liabilities - swap liabilities        | <u>0</u>         | <u>26.808</u>    | <u>0</u>        | <u>26.808</u>      |
| Total liabilities at fair value             | <u>\$24.803</u>  | <u>\$41.879</u>  | <u>\$0</u>      | <u>\$66.682</u>    |

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

The Organization's use of Level 3 unobservable inputs at June 30, 2013 and 2012 accounted for 5.12% and 8.95%, respectively, of the total fair value of investments. The following tables summarize changes in Level 3 assets measured at fair value at June 30, 2013 and 2012.

|                                                      | <u>2013</u> | <u>Perpetual<br/>Trusts</u> | <u>Hedge<br/>funds</u> | <u>Total</u>    |
|------------------------------------------------------|-------------|-----------------------------|------------------------|-----------------|
| Balance at July 1, 2012                              |             | \$0                         | \$89.694               | \$89.694        |
| Realized investment earnings                         |             | 0                           | 1.569                  | 1.569           |
| Change in net unrealized gains (loss) on investments |             | 0                           | 4.603                  | 4.603           |
| Transfer from level 2                                |             | 6.655                       | 0                      | 6.655           |
| Increase in beneficial interest in perpetual trusts  |             | 284                         | 0                      | 284             |
| Purchases                                            |             | 0                           | 44.258                 | 44.258          |
| Sales                                                |             | <u>0</u>                    | <u>(89,700)</u>        | <u>(89,700)</u> |
| Balance at June 30, 2013                             |             | <u>\$6.939</u>              | <u>\$50.424</u>        | <u>\$57.363</u> |
|                                                      |             |                             |                        |                 |
|                                                      | <u>2012</u> |                             |                        |                 |
| Balance at July 1, 2011                              |             | \$0                         | \$90.497               | \$90.497        |
| Change in net unrealized gains (loss) on investments |             | 0                           | (1.803)                | (1.803)         |
| Purchases                                            |             | <u>0</u>                    | <u>1,000</u>           | <u>1,000</u>    |
| Balance at June 30, 2012                             |             | <u>\$0</u>                  | <u>\$89.694</u>        | <u>\$89.694</u> |

### 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of long-term debt, which was estimated at \$565,079 and \$525,208 at June 30, 2013 and 2012, respectively, was determined using the Organization's current borrowing rates for similar types of borrowing arrangements. The recorded value of long-term debt reported in the combined Statements of Financial Position at June 30, 2013 and 2012 was \$581,672 and \$513,806, respectively. The excess of recorded value over fair value for long-term debt at June 30, 2013 and 2012 indicates market interest rates for debt of similar term and quality were higher than the weighted average interest rates of the Organization's outstanding debt. The excess of fair value over recorded value for long-term debt at June 30, 2013 and 2012 indicates market interest rates for debt of similar term and quality were lower than the weighted average interest rates of the Organization's outstanding debt.

### 14 PLEDGES RECEIVABLE

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

|                                                              | <u>2013</u>    | <u>2012</u>    |
|--------------------------------------------------------------|----------------|----------------|
| Pledges receivable within next fiscal year                   | \$3,112        | \$3,125        |
| Pledges receivable in future periods beyond next fiscal year | <u>2,538</u>   | <u>3,943</u>   |
| Total pledges receivable before unamortized discount         |                |                |
| and allowance for uncollectible pledges                      | 5,650          | 7,068          |
| Less: unamortized discount                                   | (258)          | (360)          |
| Less: allowance for uncollectible pledges                    | <u>(216)</u>   | <u>(252)</u>   |
| Net pledges receivable                                       | <u>\$5,176</u> | <u>\$6,456</u> |
| Amounts due in:                                              |                |                |
| Less than one year                                           | \$3,112        | \$3,125        |
| One to five years                                            | 2,064          | 3,204          |
| More than five years                                         | <u>474</u>     | <u>739</u>     |
| Total                                                        | <u>\$5,650</u> | <u>\$7,068</u> |

Cash payments received applicable to prior pledges were \$2,002 and \$2,825 for the years ended June 30, 2013 and 2012, respectively. Pledges written off as uncollectible were \$1 and \$31 for the years ended June 30, 2013 and 2012, respectively. The Organization's policy regarding the recording of pledges receivable in the combined financial statements requires pledges to be in writing, signed by the donor, and to indicate the specific amount of the pledge and expected timing the pledge payment will be received. LVHN does not record pledges based on bequests or life insurance. The Organization's historical write off of pledges receivable has been in the 1-5% range. The allowance for uncollectible pledges as of June 30, 2013 and 2012 was \$216 (4%) and \$252 (4%), respectively.

### 15 RECENT ACCOUNTING PRONOUNCEMENTS

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

In August 2010, the FASB issued ASU 2010-24, "Health Care Entities (Topic 954) *Presentation of Insurance Claims and Related Insurance Recoveries*." This ASU requires a HCO to present a liability related to medical malpractice claims (and other contingent claims) gross, such a liability would not be offset against related insurance recoveries unless the criteria in ASC 210-20 for offsetting were met. Also, the industry specific guidance for the accrual of legal fees associated with resolving contingent claims would be eliminated and HCO's should follow the guidance for such fees in ASC 450-20-S99-2. This guidance is effective for annual reporting periods beginning after December 15, 2010. On July 1, 2011, the Organization adopted this guidance which did not have a material impact on the combined financial statements.

## 15 RECENT ACCOUNTING PRONOUNCEMENTS (continued)

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

In July 2011, the FASB issued ASU 2011-07, *"Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities"*. This ASU requires a HCO to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, a HCO is required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. This guidance is effective for annual reporting periods ending after December 15, 2012. The income statement presentation change was required to be adopted on a retrospective basis but the enhanced disclosures were permitted to be adopted either retrospectively or prospectively. On July 1, 2012, the Organization adopted this guidance and included the enhanced disclosures on a prospective basis in Note 1.