



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



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

**Return of Organization Exempt From Income Tax**  
**Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)**  
 Do not enter Social Security numbers on this form as it may be made public. By law, the IRS generally cannot redact the information on the form.  
 Information about Form 990 and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990)

OMB No 1545-0047  
**2013**  
**Open to Public Inspection**

**A For the 2013 calendar year, or tax year beginning 07-01-2013, 2013, and ending 06-30-2014**

|   |   |  |
|---|---|--|
| <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>CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC<br>Doing Business As<br>Number and street (or P O box if mail is not delivered to street address) Room/suite<br>801 OSTRUM STREET<br>Suite<br>City or town, state or province, country, and ZIP or foreign postal code<br>BETHLEHEM, PA 180151000 | <b>D</b> Employer identification number<br>25-1550350<br><b>E</b> Telephone number<br>(484) 526-4000<br><b>G</b> Gross receipts \$ 49,850,314  |
| <b>F</b> Name and address of principal officer<br>THOMAS P LICHTENWALNER<br>801 OSTRUM STREET<br>BETHLEHEM, PA 180151000  |   | <b>H(a)</b> Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br><b>H(b)</b> Are all subordinates 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.SLHN.ORG  |   |  |
| <b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other  |   | <b>L</b> Year of formation 1987 <b>M</b> State of legal domicile PA  |

**Part I Summary**

|  |   |                                  |            |                     |
|--|---|----------------------------------|------------|---------------------|
| <b>1</b>   | Briefly describe the organization's mission or most significant activities<br>TO PROVIDE COMPASSIONATE, EXCELLENT QUALITY AND COST EFFECTIVE HEALTHCARE TO THE RESIDENTS OF THE COMMUNITIES WE SERVE IN A NON-DISCRIMINATORY MANNER |                                  |            |                     |
| <b>2</b>   | Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets  |                                  |            |                     |
| <b>3</b>   | Number of voting members of the governing body (Part VI, line 1a)   | <b>3</b>                         |            | 11                  |
| <b>4</b>   | Number of independent voting members of the governing body (Part VI, line 1b)   | <b>4</b>                         |            | 9                   |
| <b>5</b>   | Total number of individuals employed in calendar year 2013 (Part V, line 2a)  | <b>5</b>                         |            | 428                 |
| <b>6</b>   | Total number of volunteers (estimate if necessary)  | <b>6</b>                         |            | 11                  |
| <b>7a</b>  | Total unrelated business revenue from Part VIII, column (C), line 12  | <b>7a</b>                        |            | 0                   |
| <b>b</b>   | Net unrelated business taxable income from Form 990-T, line 34  | <b>7b</b>                        |            |                     |
| <b>Revenue</b>   | <b>8</b> Contributions and grants (Part VIII, line 1h)  | <b>Prior Year</b>                |            | <b>Current Year</b> |
|  | <b>9</b> Program service revenue (Part VIII, line 2g)   | 246,491                          |            | 138,853             |
|  | <b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)   | 46,865,188                       |            | 50,049,434          |
|  | <b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)  | 711,680                          |            | -260,103            |
|  | <b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)  | 170,226                          |            | 137,227             |
| <b>Expenses</b>  | <b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3)  | 47,993,585                       |            | 50,065,411          |
|  | <b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)   | 3,800                            |            | 24,000              |
|  | <b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)   | 0                                |            | 0                   |
|  | <b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)  | 24,753,601                       |            | 25,138,263          |
|  | <b>b</b> Total fundraising expenses (Part IX, column (D), line 25) $\rightarrow$ 0  | 0                                |            | 0                   |
|  | <b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)  | 18,076,014                       |            | 20,598,681          |
| <b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 42,833,415  |                                  | 45,760,944 |                     |
| <b>19</b> Revenue less expenses Subtract line 18 from line 12                      | 5,160,170   |                                  | 4,304,467  |                     |
| <b>Net Assets or Fund Balances</b>   | <b>20</b> Total assets (Part X, line 16)  | <b>Beginning of Current Year</b> |            | <b>End of Year</b>  |
|  | <b>21</b> Total liabilities (Part X, line 26)   | 30,015,208                       |            | 32,118,914          |
|  | <b>22</b> Net assets or fund balances Subtract line 21 from line 20   | 9,387,759                        |            | 7,168,832           |
|  |   | 20,627,449                       |            | 24,950,082          |

**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>              | *****<br>Signature of officer  | 2015-05-11<br>Date   |      |
|                               | THOMAS P LICHTENWALNER SVP FINANCE/CFO<br>Type or print name and title       |  |      |
| <b>Paid Preparer Use Only</b> | Prnt/Type preparer's name<br>Scott J Mariani                                 | Preparer's signature   | Date |
|                               | Firm's name $\rightarrow$ WithumSmithBrown PC                                | Check <input type="checkbox"/> if self-employed PTIN P00642486 |      |
|                               | Firm's address $\rightarrow$ 465 South St Ste 200<br>Mornstown, NJ 079606497 | Firm's EIN $\rightarrow$<br>Phone no (973) 898-9494            |      |

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

**Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response or note to any line in this Part III

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

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

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

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

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

If "Yes," describe these changes on Schedule O

**4** Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

**4a** (Code ) (Expenses \$ 6,031,989 including grants of \$ 0 ) (Revenue \$ 7,602,760 )  
 Inpatient general medicine many of the hospital's most common inpatient general medicine diagnoses reflect the region's long history as a robust coal mining region These diagnoses include pulmonary/respiratory infections, edema, chronic obstructive pulmonary disease, pneumonia and pleurisy Additional common diagnoses include gastrointestinal disorders, GI hemorrhage, inflammatory bowel disease, GI obstruction, diabetes, renal failure, kidney and urinary tract infections As a member of St Luke's UNIVERSITY Health Network, the hospital provides its patients with access to some of the most advanced technology and medical expertise available Diabetes is a major health concern in the region and patients can access the network's highly trained endocrinologists through a sophisticated telemedicine service PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT

**4b** (Code ) (Expenses \$ 5,324,061 including grants of \$ 0 ) (Revenue \$ 6,199,281 )  
 Outpatient emergency department as a member of St Luke's Hospital & Health Network, the hospital is able to provide a wide range of emergency department services PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT

**4c** (Code ) (Expenses \$ 3,874,670 including grants of \$ 0 ) (Revenue \$ 4,654,499 )  
 Outpatient same day surgery as a member of St Luke's Hospital & Health Network, the hospital is able to provide a wide range of same day surgical procedures PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT

**4d** Other program services (Describe in Schedule O )  
 (Expenses \$ 25,956,529 including grants of \$ 24,000 ) (Revenue \$ 31,592,894 )

**4e Total program service expenses** 41,187,249

**Part IV Checklist of Required Schedules**

|   | Yes | No |
|---|-----|----|
| <b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>   | Yes |    |
| <b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?   | Yes |    |
| <b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>  |     | No |
| <b>4 Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>  | Yes |    |
| <b>5</b> Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>   |     | No |
| <b>6</b> Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>  |     | No |
| <b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>  |     | No |
| <b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>   |     | No |
| <b>9</b> 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? <i>If "Yes," complete Schedule D, Part IV</i>             |     | No |
| <b>10</b> Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>   | Yes |    |
| <b>11</b> If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable  |     |    |
| <b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>   | Yes |    |
| <b>b</b> Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>   |     | No |
| <b>c</b> Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>   |     | No |
| <b>d</b> Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>  |     | No |
| <b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>   | Yes |    |
| <b>f</b> Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>  |     | No |
| <b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>  |     | No |
| <b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>   | Yes |    |
| <b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>  |     | No |
| <b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States?  |     | No |
| <b>b</b> Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i> |     | No |
| <b>15</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>   |     | No |
| <b>16</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>   |     | No |
| <b>17</b> Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>  |     | No |
| <b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>   | Yes |    |
| <b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>   |     | No |
| <b>20a</b> Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>   | Yes |    |
| <b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?   | Yes |    |

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

|            |  |            |     |    |
|------------|--|------------|-----|----|
| <b>21</b>  | Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .  | <b>21</b>  | Yes |    |
| <b>22</b>  | Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .  | <b>22</b>  | Yes |    |
| <b>23</b>  | Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .  | <b>23</b>  | Yes |    |
| <b>24a</b> | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i> . . . . .                            | <b>24a</b> |     | No |
| <b>b</b>   | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .  | <b>24b</b> |     |    |
| <b>c</b>   | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .   | <b>24c</b> |     |    |
| <b>d</b>   | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .  | <b>24d</b> |     |    |
| <b>25a</b> | <b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .  | <b>25a</b> |     | No |
| <b>b</b>   | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .                                       | <b>25b</b> |     | No |
| <b>26</b>  | Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i> . . . . .                                    | <b>26</b>  |     | No |
| <b>27</b>  | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . . | <b>27</b>  |     | No |
| <b>28</b>  | Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)   |            |     |    |
| <b>a</b>   | A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .   | <b>28a</b> |     | No |
| <b>b</b>   | A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .  | <b>28b</b> |     | No |
| <b>c</b>   | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .  | <b>28c</b> |     | No |
| <b>29</b>  | Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .  | <b>29</b>  |     | No |
| <b>30</b>  | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .  | <b>30</b>  |     | No |
| <b>31</b>  | Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .  | <b>31</b>  |     | No |
| <b>32</b>  | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .  | <b>32</b>  |     | No |
| <b>33</b>  | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .  | <b>33</b>  |     | No |
| <b>34</b>  | Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .  | <b>34</b>  | Yes |    |
| <b>35a</b> | Did the organization have a controlled entity within the meaning of section 512(b)(13)?  | <b>35a</b> |     | No |
| <b>b</b>   | If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .   | <b>35b</b> |     |    |
| <b>36</b>  | <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .   | <b>36</b>  |     | No |
| <b>37</b>  | Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .   | <b>37</b>  |     | No |
| <b>38</b>  | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .  | <b>38</b>  | Yes |    |

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

Check if Schedule O contains a response or note to any line in this Part V

|            |  | Yes | No |
|------------|--|-----|----|
| <b>1a</b>  | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.  |     |    |
| <b>1b</b>  | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.   |     |    |
| <b>1c</b>  | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?   |     |    |
| <b>2a</b>  | 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.   |     |    |
| <b>2b</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 |    |
| <b>3a</b>  | Did the organization have unrelated business gross income of \$1,000 or more during the year?  |     | No |
| <b>3b</b>  | If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.   |     |    |
| <b>4a</b>  | 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>b</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.   |     |    |
| <b>5a</b>  | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?  |     | No |
| <b>5b</b>  | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?   |     | No |
| <b>5c</b>  | If "Yes," to line 5a or 5b, did the organization file Form 8886-T?   |     |    |
| <b>6a</b>  | 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>6b</b>  | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?  |     |    |
| <b>7</b>   | <b>Organizations that may receive deductible contributions under section 170(c).</b>   |     |    |
| <b>a</b>   | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?  |     | No |
| <b>7b</b>  | If "Yes," did the organization notify the donor of the value of the goods or services provided?  |     |    |
| <b>7c</b>  | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?   |     | No |
| <b>7d</b>  | If "Yes," indicate the number of Forms 8282 filed during the year.   |     |    |
| <b>7e</b>  | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  |     | No |
| <b>7f</b>  | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?   |     | No |
| <b>7g</b>  | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?   |     |    |
| <b>7h</b>  | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?   |     |    |
| <b>8</b>   | <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? |     |    |
| <b>9</b>   | <b>Sponsoring organizations maintaining donor advised funds.</b>   |     |    |
| <b>9a</b>  | Did the organization make any taxable distributions under section 4966?  |     |    |
| <b>9b</b>  | Did the organization make a distribution to a donor, donor advisor, or related person?   |     |    |
| <b>10</b>  | <b>Section 501(c)(7) organizations.</b> Enter  |     |    |
| <b>10a</b> | Initiation fees and capital contributions included on Part VIII, line 12.  |     |    |
| <b>10b</b> | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.   |     |    |
| <b>11</b>  | <b>Section 501(c)(12) organizations.</b> Enter   |     |    |
| <b>11a</b> | Gross income from members or shareholders.   |     |    |
| <b>11b</b> | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).   |     |    |
| <b>12a</b> | <b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?  |     |    |
| <b>12b</b> | If "Yes," enter the amount of tax-exempt interest received or accrued during the year.   |     |    |
| <b>13</b>  | <b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>  |     |    |
| <b>13a</b> | 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.   |     |    |
| <b>13b</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.   |     |    |
| <b>13c</b> | Enter the amount of reserves on hand.  |     |    |
| <b>14a</b> | Did the organization receive any payments for indoor tanning services during the tax year?   |     | No |
| <b>14b</b> | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.   |     |    |

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

Check if Schedule O contains a response or note to any line in this Part VI

**Section A. Governing Body and Management**

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

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

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

**Section C. Disclosure**

- 17** List the States with which a copy of this Form 990 is required to be filed
- 18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
 Own website  Another's website  Upon request  Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization  
 THOMAS P LICHTENWALNER 801 OSTRUM STREET  
 BETHLEHEM, PA 180151000 (484) 526-4000

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

Check if Schedule O contains a response or note to any line 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) JAMES D BOHRI MD<br>CHAIRMAN - DIRECTOR     | 1 0  | X   |                       | X       |              |                              | 0       | 0   | 0  |   |
| (2) MAUREEN DONOVAN<br>VICE CHAIRMAN - DIRECTOR | 1 0  | X   |                       | X       |              |                              | 0       | 0   | 0  |   |
| (3) JOHN P KWEDER JR<br>SECRETARY - DIRECTOR    | 1 0  | X   |                       | X       |              |                              | 0       | 0   | 0  |   |
| (4) BARBARA CONWAY<br>DIRECTOR                  | 1 0  | X   |                       |         |              |                              | 0       | 0   | 0  |   |
| (5) JOHN HART<br>DIRECTOR                       | 1 0  | X   |                       |         |              |                              | 0       | 0   | 0  |   |
| (6) MARK KENDER MD<br>DIRECTOR                  | 55 0   | X   |                       |         |              |                              | 0       | 192,432   | 91,844   |   |
| (7) JOHN F PATTON<br>DIRECTOR                   | 1 0  | X   |                       |         |              |                              | 0       | 0   | 0  |   |
| (8) MICHAEL SABOL DO<br>DIRECTOR                | 55 0   | X   |                       |         |              |                              | 0       | 249,101   | 81,667   |   |
| (9) ROBERT STEVENSON<br>DIRECTOR                | 1 0  | X   |                       |         |              |                              | 0       | 0   | 0  |   |
| (10) MARK SVERCHEK<br>DIRECTOR                  | 1 0  | X   |                       |         |              |                              | 0       | 0   | 0  |   |
| (11) DOUGLAS TOPKIS<br>DIRECTOR                 | 1 0  | X   |                       |         |              |                              | 0       | 0   | 0  |   |
| (12) WILLIAM E MOYER<br>PRESIDENT - CSCH        | 55 0   |   |                       | X       |              |                              | 0       | 311,859   | 90,185   |   |
| (13) THOMAS P LICHTENWALNER<br>SVP FINANCE/CFO  | 55 0   |   |                       | X       |              |                              | 0       | 660,466   | 207,102  |   |
| (14) KIMBERLY B SARGENT<br>VP PATIENT CARE      | 55 0   |   |                       |         |              | X                            | 137,879 | 0   | 39,493   |   |
| (15) MELISSA A HARTMAN<br>PHARMACY MANAGER      | 55 0   |   |                       |         |              | X                            | 135,863 | 0   | 39,989   |   |
| (16) KIMBERLY A OTTO<br>NURSE PRACTITIONER      | 55 0   |   |                       |         |              | X                            | 133,533 | 0   | 28,733   |   |
| (17) KENNETH D SHERRY<br>PHYSICIAN ASSISTANT    | 55 0   |   |                       |         |              | X                            | 120,346 | 0   | 29,690   |   |



**Part VIII Statement of Revenue**

Check if Schedule O contains a response or note to any line in this Part VIII

|   |  |   | (A)  | (B)                                | (C)                        | (D)  |  |
|---|--|---|--|------------------------------------|----------------------------|--|--|
|   |  |   | Total revenue  | Related or exempt function revenue | Unrelated business revenue | Revenue excluded from tax under sections 512-514 |  |
| <b>Contributions, Gifts, Grants and Other Similar Amounts</b> | <b>1a</b>  | Federated campaigns . . . . . <b>1a</b>   |  |                                    |                            |  |  |
|   | <b>b</b>   | Membership dues . . . . . <b>1b</b>   |  |                                    |                            |  |  |
|   | <b>c</b>   | Fundraising events . . . . . <b>1c</b>  | 7,701  |                                    |                            |  |  |
|   | <b>d</b>   | Related organizations . . . . . <b>1d</b>   |  |                                    |                            |  |  |
|   | <b>e</b>   | Government grants (contributions) <b>1e</b>   | 7,586  |                                    |                            |  |  |
|   | <b>f</b>   | All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>  | 123,566  |                                    |                            |  |  |
|   | <b>g</b>   | Noncash contributions included in lines 1a-1f \$  |  |                                    |                            |  |  |
|   | <b>h</b>   | <b>Total.</b> Add lines 1a-1f . . . . .   | 138,853  |                                    |                            |  |  |
| <b>Program Service Revenue</b>                                | <b>2a</b>  | NET PATIENT SERVICE REVENUE   | 541900   | 48,253,108                         | 48,253,108                 |  |  |
|   | <b>b</b>   | OTHER HEALTHCARE RELATED REVENUE  | 541900   | 1,796,326                          | 1,796,326                  |  |  |
|   | <b>c</b>   |   |  |                                    |                            |  |  |
|   | <b>d</b>   |   |  |                                    |                            |  |  |
|   | <b>e</b>   |   |  |                                    |                            |  |  |
|   | <b>f</b>   | All other program service revenue   |  |                                    |                            |  |  |
|   | <b>g</b>   | <b>Total.</b> Add lines 2a-2f . . . . .   |  | 50,049,434                         |                            |  |  |
| <b>Other Revenue</b>  | <b>3</b>   | Investment income (including dividends, interest, and other similar amounts) . . . . .  |  | -3,842                             |                            | -3,842   |  |
|   | <b>4</b>   | Income from investment of tax-exempt bond proceeds . . . . .  |  | 0                                  |                            |  |  |
|   | <b>5</b>   | Royalties . . . . .   |  | 0                                  |                            |  |  |
|   | <b>6a</b>  | Gross rents   | (i) Real   | 5,923                              |                            |  |  |
|   |  |   | (ii) Personal  |                                    |                            |  |  |
|   |  |   | <b>b</b> Less rental expenses                        |                                    |                            |  |  |
|   |  |   | <b>c</b> Rental income or (loss)                     | 5,923                              | 0                          |  |  |
|   | <b>d</b>   | Net rental income or (loss) . . . . .   |  | 5,923                              |                            | 5,923  |  |
|   | <b>7a</b>  | Gross amount from sales of assets other than inventory  | (i) Securities                                       |                                    |                            |  |  |
|   |  |   | (ii) Other   |                                    | 0                          |  |  |
|   |  |   | <b>b</b> Less cost or other basis and sales expenses |                                    | -256,261                   |  |  |
|   |  |   | <b>c</b> Gain or (loss)                              |                                    | 256,261                    |  |  |
|   | <b>d</b>   | Net gain or (loss) . . . . .  |  | -256,261                           |                            | -256,261   |  |
|   | <b>8a</b>  | Gross income from fundraising events (not including \$ 7,701 of contributions reported on line 1c) See Part IV, line 18 . . . . . |  |                                    |                            |  |  |
|   | <b>a</b>   |   | 41,164   |                                    |                            |  |  |
| <b>b</b>  | Less direct expenses . . . . . <b>b</b>                            | 41,164  |  |                                    |                            |  |  |
| <b>c</b>  | Net income or (loss) from fundraising events . . . . .             |   | 0  |                                    |                            |  |  |
| <b>9a</b>   | Gross income from gaming activities See Part IV, line 19 . . . . . |   |  |                                    |                            |  |  |
| <b>a</b>  |  |   |  |                                    |                            |  |  |
| <b>b</b>  | Less direct expenses . . . . . <b>b</b>                            |   |  |                                    |                            |  |  |
| <b>c</b>  | Net income or (loss) from gaming activities . . . . .              |   | 0  |                                    |                            |  |  |
| <b>10a</b>  | Gross sales of inventory, less returns and allowances . . . . .    |   |  |                                    |                            |  |  |
| <b>a</b>  |  |   |  |                                    |                            |  |  |
| <b>b</b>  | Less cost of goods sold . . . . . <b>b</b>                         |   |  |                                    |                            |  |  |
| <b>c</b>  | Net income or (loss) from sales of inventory . . . . .             |   | 0  |                                    |                            |  |  |
|   | Miscellaneous Revenue  | Business Code   |  |                                    |                            |  |  |
| <b>11a</b>  | CAFETERIA REVENUE  | 900099  | 131,304  |                                    | 131,304                    |  |  |
| <b>b</b>  |  |   |  |                                    |                            |  |  |
| <b>c</b>  |  |   |  |                                    |                            |  |  |
| <b>d</b>  | All other revenue . . . . .  |   |  |                                    |                            |  |  |
| <b>e</b>  | <b>Total.</b> Add lines 11a-11d . . . . .                          |   | 131,304  |                                    |                            |  |  |
| <b>12</b>   | <b>Total revenue.</b> See Instructions . . . . .                   |   | 50,065,411   | 50,049,434                         | -122,876                   |  |  |

**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 or note to any line in this Part IX

| <b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b> |   | <b>(A)</b><br>Total expenses | <b>(B)</b><br>Program service expenses | <b>(C)</b><br>Management and general expenses | <b>(D)</b><br>Fundraising expenses |
|---|---|------------------------------|--|---|------------------------------------|
| <b>1</b>  | Grants and other assistance to governments and organizations in the United States. See Part IV, line 21   | 17,500                       | 17,500                                 |   |                                    |
| <b>2</b>  | Grants and other assistance to individuals in the United States. See Part IV, line 22   | 6,500                        | 6,500                                  |   |                                    |
| <b>3</b>  | Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16  | 0                            |  |   |                                    |
| <b>4</b>  | Benefits paid to or for members   | 0                            |  |   |                                    |
| <b>5</b>  | Compensation of current officers, directors, trustees, and key employees  | 0                            |  |   |                                    |
| <b>6</b>  | Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)   | 0                            |  |   |                                    |
| <b>7</b>  | Other salaries and wages  | 19,981,474                   | 17,983,326                             | 1,998,148                                     |                                    |
| <b>8</b>  | Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)  | 408,862                      | 367,976                                | 40,886  |                                    |
| <b>9</b>  | Other employee benefits   | 3,406,199                    | 3,065,579                              | 340,620                                       |                                    |
| <b>10</b>   | Payroll taxes   | 1,341,728                    | 1,207,554                              | 134,174                                       |                                    |
| <b>11</b>   | Fees for services (non-employees)   |                              |  |   |                                    |
| <b>a</b>  | Management  | 0                            |  |   |                                    |
| <b>b</b>  | Legal   | 31,518                       | 28,366                                 | 3,152   |                                    |
| <b>c</b>  | Accounting  | 0                            |  |   |                                    |
| <b>d</b>  | Lobbying  | 0                            |  |   |                                    |
| <b>e</b>  | Professional fundraising services. See Part IV, line 17   | 0                            |  |   |                                    |
| <b>f</b>  | Investment management fees  | 0                            |  |   |                                    |
| <b>g</b>  | Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)  | 182,104                      | 163,894                                | 18,210  |                                    |
| <b>12</b>   | Advertising and promotion   | 31,372                       | 28,235                                 | 3,137   |                                    |
| <b>13</b>   | Office expenses   | 991,281                      | 892,153                                | 99,128  |                                    |
| <b>14</b>   | Information technology  | 33,522                       | 30,170                                 | 3,352   |                                    |
| <b>15</b>   | Royalties   | 0                            |  |   |                                    |
| <b>16</b>   | Occupancy   | 1,159,934                    | 1,043,941                              | 115,993                                       |                                    |
| <b>17</b>   | Travel  | 99,690                       | 89,721                                 | 9,969   |                                    |
| <b>18</b>   | Payments of travel or entertainment expenses for any federal, state, or local public officials  | 0                            |  |   |                                    |
| <b>19</b>   | Conferences, conventions, and meetings  | 34,529                       | 31,076                                 | 3,453   |                                    |
| <b>20</b>   | Interest  | 124,417                      | 111,975                                | 12,442  |                                    |
| <b>21</b>   | Payments to affiliates  | 0                            |  |   |                                    |
| <b>22</b>   | Depreciation, depletion, and amortization   | 3,058,241                    | 2,752,417                              | 305,824                                       |                                    |
| <b>23</b>   | Insurance   | 399,976                      | 359,978                                | 39,998  |                                    |
| <b>24</b>   | 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)  |                              |  |   |                                    |
| <b>a</b>  | MEDICAL SUPPLIES  | 5,939,049                    | 5,345,144                              | 593,905                                       | 0                                  |
| <b>b</b>  | PURCHASED SERVICES  | 2,827,020                    | 2,544,318                              | 282,702                                       |                                    |
| <b>c</b>  | OTHER SERVICES/SUPPORT  | 2,428,693                    | 2,185,824                              | 242,869                                       |                                    |
| <b>d</b>  | REPAIRS & MAINTANENCE   | 732,022                      | 658,820                                | 73,202  |                                    |
| <b>e</b>  | All other expenses  | 2,525,313                    | 2,272,782                              | 252,531                                       |                                    |
| <b>25</b>   | <b>Total functional expenses.</b> Add lines 1 through 24e   | 45,760,944                   | 41,187,249                             | 4,573,695                                     | 0                                  |
| <b>26</b>   | <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 or note to any line in this Part X

|   |   | (A)<br>Beginning of year |            | (B)<br>End of year |
|---|---|--------------------------|------------|--------------------|
| <b>Assets</b>   | <b>1</b> Cash-non-interest-bearing . . . . .  | 1,690                    | <b>1</b>   | 1,690              |
|   | <b>2</b> Savings and temporary cash investments . . . . .   | 162,674                  | <b>2</b>   | 79,122             |
|   | <b>3</b> Pledges and grants receivable, net . . . . .   | 1,560,063                | <b>3</b>   | 1,833,715          |
|   | <b>4</b> Accounts receivable, net . . . . .   | 6,887,258                | <b>4</b>   | 10,074,082         |
|   | <b>5</b> Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .   | 0                        | <b>5</b>   | 0                  |
|   | <b>6</b> Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L . . . . . | 0                        | <b>6</b>   | 0                  |
|   | <b>7</b> Notes and loans receivable, net . . . . .  | 0                        | <b>7</b>   | 0                  |
|   | <b>8</b> Inventories for sale or use . . . . .  | 913,691                  | <b>8</b>   | 657,656            |
|   | <b>9</b> Prepaid expenses and deferred charges . . . . .  | 210,127                  | <b>9</b>   | 236,066            |
|   | <b>10a</b> Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D . . . . .  | 50,184,518               |            |                    |
|   | <b>b</b> Less accumulated depreciation . . . . .  | 32,057,398               |            |                    |
|   |   | 19,360,110               | <b>10c</b> | 18,127,120         |
|   | <b>11</b> Investments—publicly traded securities . . . . .  | 0                        | <b>11</b>  | 0                  |
|   | <b>12</b> Investments—other securities See Part IV, line 11 . . . . .   | 0                        | <b>12</b>  | 0                  |
|   | <b>13</b> Investments—program-related See Part IV, line 11 . . . . .  | 850,891                  | <b>13</b>  | 722,521            |
|   | <b>14</b> Intangible assets . . . . .   | 0                        | <b>14</b>  | 0                  |
| <b>15</b> Other assets See Part IV, line 11 . . . . .                         | 68,704  | <b>15</b>                | 386,942    |                    |
| <b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . . | 30,015,208  | <b>16</b>                | 32,118,914 |                    |
| <b>Liabilities</b>  | <b>17</b> Accounts payable and accrued expenses . . . . .   | 4,047,162                | <b>17</b>  | 3,527,864          |
|   | <b>18</b> Grants payable . . . . .  | 0                        | <b>18</b>  | 0                  |
|   | <b>19</b> Deferred revenue . . . . .  | 0                        | <b>19</b>  | 48,081             |
|   | <b>20</b> Tax-exempt bond liabilities . . . . .   | 0                        | <b>20</b>  | 0                  |
|   | <b>21</b> Escrow or custodial account liability Complete Part IV of Schedule D . . . . .  | 0                        | <b>21</b>  | 0                  |
|   | <b>22</b> Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .   | 0                        | <b>22</b>  | 0                  |
|   | <b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .  | 17,959                   | <b>23</b>  | 12,172             |
|   | <b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .  | 0                        | <b>24</b>  | 0                  |
|   | <b>25</b> Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D . . . . .  | 5,322,638                | <b>25</b>  | 3,580,715          |
|   | <b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .  | 9,387,759                | <b>26</b>  | 7,168,832          |
| <b>Net Assets or Fund Balances</b>  | <b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>  |                          |            |                    |
|   | <b>27</b> Unrestricted net assets . . . . .   | 18,250,733               | <b>27</b>  | 22,426,101         |
|   | <b>28</b> Temporarily restricted net assets . . . . .   | 2,366,711                | <b>28</b>  | 2,513,976          |
|   | <b>29</b> Permanently restricted net assets . . . . .   | 10,005                   | <b>29</b>  | 10,005             |
|   | <b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>   |                          |            |                    |
|   | <b>30</b> Capital stock or trust principal, or current funds . . . . .  |                          | <b>30</b>  |                    |
|   | <b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .   |                          | <b>31</b>  |                    |
|   | <b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .  |                          | <b>32</b>  |                    |
| <b>33</b> Total net assets or fund balances . . . . .                         | 20,627,449  | <b>33</b>                | 24,950,082 |                    |
| <b>34</b> Total liabilities and net assets/fund balances . . . . .            | 30,015,208  | <b>34</b>                | 32,118,914 |                    |

**Part XI Reconciliation of Net Assets**

Check if Schedule O contains a response or note to any line in this Part XI . . . . .

|           |   |           |            |
|-----------|---|-----------|------------|
| <b>1</b>  | Total revenue (must equal Part VIII, column (A), line 12) . . . . .   | <b>1</b>  | 50,065,411 |
| <b>2</b>  | Total expenses (must equal Part IX, column (A), line 25) . . . . .  | <b>2</b>  | 45,760,944 |
| <b>3</b>  | Revenue less expenses Subtract line 2 from line 1 . . . . .   | <b>3</b>  | 4,304,467  |
| <b>4</b>  | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .           | <b>4</b>  | 20,627,449 |
| <b>5</b>  | Net unrealized gains (losses) on investments . . . . .  | <b>5</b>  |            |
| <b>6</b>  | Donated services and use of facilities . . . . .  | <b>6</b>  |            |
| <b>7</b>  | Investment expenses . . . . .   | <b>7</b>  |            |
| <b>8</b>  | Prior period adjustments . . . . .  | <b>8</b>  |            |
| <b>9</b>  | Other changes in net assets or fund balances (explain in Schedule O) . . . . .                                | <b>9</b>  | 18,166     |
| <b>10</b> | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | <b>10</b> | 24,950,082 |

**Part XII Financial Statements and Reporting**

Check if Schedule O contains a response or note to any line in this Part XII . . . . .

|           |  | Yes | No |
|-----------|--|-----|----|
| <b>1</b>  | Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____<br>If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O  |     |    |
| <b>2a</b> | Were the organization's financial statements compiled or reviewed by an independent accountant?<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 |
| <b>2b</b> | 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 |    |
| <b>2c</b> | 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 |    |
| <b>3a</b> | As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?   | Yes |    |
| <b>3b</b> | If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits   | Yes |    |

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

**Public Charity Status and Public Support**

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.**
- ▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

**2013**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

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

**Employer identification number**  
25-1550350

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

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

- 1**  A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2**  A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3**  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4**  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state \_\_\_\_\_
- 5**  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6**  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7**  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II )
- 8**  A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9**  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10**  An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11**  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h  
  - a**  Type I **b**  Type II **c**  Type III - Functionally integrated **d**  Type III - 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?

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

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

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

**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) 2009 | (b) 2010 | (c) 2011 | (d) 2012 | (e) 2013 | (f) Total |
|--|----------|----------|----------|----------|----------|-----------|
| <b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")   |          |          |          |          |          |           |
| <b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf   |          |          |          |          |          |           |
| <b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge   |          |          |          |          |          |           |
| <b>4 Total.</b> Add lines 1 through 3  |          |          |          |          |          |           |
| <b>5</b> The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) |          |          |          |          |          |           |
| <b>6 Public support.</b> Subtract line 5 from line 4   |          |          |          |          |          |           |

**Section B. Total Support**

| Calendar year (or fiscal year beginning in) ▶   | (a) 2009 | (b) 2010 | (c) 2011 | (d) 2012 | (e) 2013  | (f) Total |
|---|----------|----------|----------|----------|-----------|-----------|
| <b>7</b> Amounts from line 4  |          |          |          |          |           |           |
| <b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources   |          |          |          |          |           |           |
| <b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on   |          |          |          |          |           |           |
| <b>10</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )  |          |          |          |          |           |           |
| <b>11 Total support</b> (Add lines 7 through 10)  |          |          |          |          |           |           |
| <b>12</b> Gross receipts from related activities, etc (see instructions)  |          |          |          |          | <b>12</b> |           |
| <b>13 First five years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and <b>stop here</b> . . . . . <input type="checkbox"/> |          |          |          |          |           |           |

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

|  |           |  |
|--|-----------|--|
| <b>14</b> Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))   | <b>14</b> |  |
| <b>15</b> Public support percentage for 2012 Schedule A, Part II, line 14  | <b>15</b> |  |
| <b>16a 33 1/3% support test—2013.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>  |           |  |
| <b>b 33 1/3% support test—2012.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>   |           |  |
| <b>17a 10%-facts-and-circumstances test—2013.</b> If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/>    |           |  |
| <b>b 10%-facts-and-circumstances test—2012.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization <input type="checkbox"/> |           |  |
| <b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions <input type="checkbox"/>  |           |  |

**Part III Support Schedule for Organizations Described in 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) 2009 | (b) 2010 | (c) 2011 | (d) 2012 | (e) 2013 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| <b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")  |          |          |          |          |          |           |
| <b>2</b> Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose |          |          |          |          |          |           |
| <b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513   |          |          |          |          |          |           |
| <b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf  |          |          |          |          |          |           |
| <b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge  |          |          |          |          |          |           |
| <b>6 Total.</b> Add lines 1 through 5   |          |          |          |          |          |           |
| <b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons  |          |          |          |          |          |           |
| <b>b</b> Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year           |          |          |          |          |          |           |
| <b>c</b> Add lines 7a and 7b  |          |          |          |          |          |           |
| <b>8 Public support</b> (Subtract line 7c from line 6)  |          |          |          |          |          |           |

**Section B. Total Support**

| Calendar year (or fiscal year beginning in) ▶   | (a) 2009 | (b) 2010 | (c) 2011 | (d) 2012 | (e) 2013 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| <b>9</b> Amounts from line 6  |          |          |          |          |          |           |
| <b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources   |          |          |          |          |          |           |
| <b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975  |          |          |          |          |          |           |
| <b>c</b> Add lines 10a and 10b  |          |          |          |          |          |           |
| <b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on   |          |          |          |          |          |           |
| <b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)   |          |          |          |          |          |           |
| <b>13 Total support.</b> (Add lines 9, 10c, 11, and 12.)  |          |          |          |          |          |           |
| <b>14 First five years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and <b>stop here</b> <input type="checkbox"/> |          |          |          |          |          |           |

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

|  |           |  |
|--|-----------|--|
| <b>15</b> Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f)) | <b>15</b> |  |
| <b>16</b> Public support percentage from 2012 Schedule A, Part III, line 15                      | <b>16</b> |  |

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

|  |           |  |
|--|-----------|--|
| <b>17</b> Investment income percentage for <b>2013</b> (line 10c, column (f) divided by line 13, column (f)) | <b>17</b> |  |
| <b>18</b> Investment income percentage from <b>2012</b> Schedule A, Part III, line 17                        | <b>18</b> |  |

- 19a 33 1/3% support tests—2013.** 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—2012.** 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.** 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**

Return Reference

Explanation

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

2013

Open to Public Inspection

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. Information about Schedule C (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

Department of the Treasury Internal Revenue Service

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

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

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

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

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

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

Table with 2 columns: Name of the organization (CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC) and Employer identification number (25-1550350)

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

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

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955
2 Enter the amount of any excise tax incurred by organization managers under section 4955
3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?
4a Was a correction made?
b If "Yes," describe in Part IV

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

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

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

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

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

| <b>Limits on Lobbying Expenditures</b><br>(The term "expenditures" means amounts paid or incurred.)  | (a) Filing organization's totals                  | (b) Affiliated group totals                              |                    |                              |   |   |   |   |  |  |                   |             |  |  |
|--|---|--|--------------------|------------------------------|---|---|---|---|--|--|-------------------|-------------|--|--|
| <b>1a</b> Total lobbying expenditures to influence public opinion (grass roots lobbying)   |   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <b>b</b> Total lobbying expenditures to influence a legislative body (direct lobbying)   |   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <b>c</b> Total lobbying expenditures (add lines 1a and 1b)   |   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <b>d</b> Other exempt purpose expenditures   |   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <b>e</b> Total exempt purpose expenditures (add lines 1c and 1d)   |   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <b>f</b> Lobbying nontaxable amount Enter the amount from the following table in both columns  |   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 65%;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table> | If the amount on line 1e, column (a) or (b) is:   | The lobbying nontaxable amount is:                       | Not over \$500,000 | 20% of the amount on line 1e | Over \$500,000 but not over \$1,000,000 | \$100,000 plus 15% of the excess over \$500,000 | Over \$1,000,000 but not over \$1,500,000 | \$175,000 plus 10% of the excess over \$1,000,000 | Over \$1,500,000 but not over \$17,000,000 | \$225,000 plus 5% of the excess over \$1,500,000 | Over \$17,000,000 | \$1,000,000 |  |  |
| If the amount on line 1e, column (a) or (b) is:  | The lobbying nontaxable amount is:                |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| Not over \$500,000   | 20% of the amount on line 1e                      |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| Over \$500,000 but not over \$1,000,000  | \$100,000 plus 15% of the excess over \$500,000   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| Over \$1,000,000 but not over \$1,500,000  | \$175,000 plus 10% of the excess over \$1,000,000 |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| Over \$1,500,000 but not over \$17,000,000   | \$225,000 plus 5% of the excess over \$1,500,000  |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| Over \$17,000,000  | \$1,000,000                                       |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <b>g</b> Grassroots nontaxable amount (enter 25% of line 1f)   |   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <b>h</b> Subtract line 1g from line 1a If zero or less, enter -0-  |   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <b>i</b> Subtract line 1f from line 1c If zero or less, enter -0-  |   |  |                    |                              |   |   |   |   |  |  |                   |             |  |  |
| <b>j</b> If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?   |   | <input type="checkbox"/> Yes <input type="checkbox"/> No |                    |                              |   |   |   |   |  |  |                   |             |  |  |

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

| <b>Lobbying Expenditures During 4-Year Averaging Period</b>      |          |          |          |          |           |
|--|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in)                      | (a) 2010 | (b) 2011 | (c) 2012 | (d) 2013 | (e) Total |
| <b>2a</b> Lobbying nontaxable amount                             |          |          |          |          |           |
| <b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))    |          |          |          |          |           |
| <b>c</b> Total lobbying expenditures                             |          |          |          |          |           |
| <b>d</b> Grassroots nontaxable amount                            |          |          |          |          |           |
| <b>e</b> Grassroots ceiling amount (150% of line 2d, column (e)) |          |          |          |          |           |
| <b>f</b> Grassroots lobbying expenditures                        |          |          |          |          |           |

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

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

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

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

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

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

**Part IV Supplemental Information**

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.

| Return Reference                  | Explanation   |
|-----------------------------------|---|
| SCHEDULE C, PART II-B, QUESTION 1 | THE ORGANIZATION IS AN AFFILIATE IN THE ST LUKE'S UNIVERSITY HEALTH NETWORK ("NETWORK"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY NETWORK ST LUKE'S HOSPITAL OF BETHLEHEM, PENNSYLVANIA PAYS ALL LOBBYING EXPENDITURES ON BEHALF OF ALL AFFILIATES WITHIN THE NETWORK AND ALLOCATES A PERCENTAGE OF THESE EXPENDITURES TO VARIOUS AFFILIATES THESE LOBBYING EXPENDITURES INCLUDE (1) PAYMENT TO AN OUTSIDE INDEPENDENT FIRM, (2) AN ALLOCATED PORTION OF THE DUES PAID TO THE HOSPITAL AND HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA AND (3) A PERCENTAGE OF TOTAL COMPENSATION OF TWO ST LUKE'S UNIVERSITY HEALTH NETWORK SENIOR MANAGEMENT PERSONNEL THE AMOUNT ALLOCATED TO THIS ORGANIZATION ATTRIBUTABLE TO LOBBYING ACTIVITY FOR THE YEAR ENDED JUNE 30, 2014 IS \$15,168 |
|                                   |   |
|                                   |   |
|                                   |   |
|                                   |   |
|                                   |   |



SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990. See separate instructions. Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number 25-1550350

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

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

- 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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?

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)
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

Table with 2 columns: Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06, 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?
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)?
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
1b 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
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

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

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

**b** If "Yes," explain the arrangement in Part 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 | (c) Two years back | (d) Three years back | (e) Four years back |
|---|------------------|----------------|--------------------|----------------------|---------------------|
| <b>1a</b> Beginning of year balance . . . . .                     | 2,376,716        | 962,751        | 1,121,502          | 390,169              | 1,442,620           |
| <b>b</b> Contributions . . . . .                                  | 378,357          | 1,469,301      | -108,446           | 777,946              | 30,305              |
| <b>c</b> Net investment earnings, gains, and losses               |                  |                |                    |                      |                     |
| <b>d</b> Grants or scholarships . . . . .                         |                  |                |                    |                      |                     |
| <b>e</b> Other expenditures for facilities and programs . . . . . | 231,092          | 55,336         | 50,305             | 46,613               | 1,082,756           |
| <b>f</b> Administrative expenses . . . . .                        |                  |                |                    |                      |                     |
| <b>g</b> End of year balance . . . . .                            | 2,523,981        | 2,376,716      | 962,751            | 1,121,502            | 390,169             |

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

- a** Board designated or quasi-endowment
  - b** Permanent endowment  0 400 %
  - c** Temporarily restricted endowment  99 600 %
- The percentages in lines 2a, 2b, and 2c should equal 100%

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

|  | Yes           | No |
|--|---------------|----|
| <b>(i)</b> unrelated organizations . . . . . | <b>3a(i)</b>  | No |
| <b>(ii)</b> related organizations . . . . .  | <b>3a(ii)</b> | No |

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

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

**Part VI Land, Buildings, and Equipment.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

| Description of property   | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|---|--------------------------------------|---------------------------------|------------------------------|----------------|
| <b>1a</b> Land . . . . .  | 0                                    | 298,580                         |                              | 298,580        |
| <b>b</b> Buildings . . . . .  | 0                                    | 23,881,046                      | 11,094,137                   | 12,786,909     |
| <b>c</b> Leasehold improvements . . . . .   | 0                                    | 730,559                         | 553,556                      | 177,003        |
| <b>d</b> Equipment . . . . .  | 0                                    | 24,585,398                      | 20,409,705                   | 4,175,693      |
| <b>e</b> Other . . . . .  | 0                                    | 688,935                         |                              | 688,935        |
| <b>Total.</b> Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) |                                      |                                 |                              | 18,127,120     |



**Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return** Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

|          |   |           |           |  |
|----------|---|-----------|-----------|--|
| <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>4c</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>  |  |

**Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

|          |  |           |           |  |
|----------|--|-----------|-----------|--|
| <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>4c</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>  |  |

**Part XIII Supplemental Information**

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

| Return Reference               | Explanation   |
|--------------------------------|---|
| SCHEDULE D, PART V, QUESTION 4 | ENDOWMENT FUNDS ARE TO BE USED CONSISTENT WITH INTENT AND IN FURTHERANCE OF THE ORGANIZATION'S CHARITABLE TAX-EXEMPT PURPOSES |
|                                |   |
|                                |   |
|                                |   |
|                                |   |



SCHEDULE G (Form 990 or 990-EZ)

Supplemental Information Regarding Fundraising or Gaming Activities

OMB No 1545-0047

2013

Open to Public Inspection

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

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

Information about Schedule G (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

Department of the Treasury Internal Revenue Service

Name of the organization CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number

25-1550350

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

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

- a Mail solicitations, b Internet and email solicitations, c Phone solicitations, d In-person solicitations, e Solicitation of non-government grants, f Solicitation of government grants, g Special fundraising events

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

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

Table with 6 columns: (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. Includes rows 1-10 and a Total row.

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



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.** 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).

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

SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2013

Complete if the organization answered "Yes" to Form 990, Part IV, question 20. Attach to Form 990. See separate instructions. Information about Schedule H (Form 990) and its instructions is at www.irs.gov/form990.

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Name of the organization CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number 25-1550350

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a. 1b If "Yes," was it a written policy? 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. 3a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care? 3b Did the organization use FPG as a factor in determining eligibility for providing discounted care? 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? 5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? 5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? 5c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? 6a Did the organization prepare a community benefit report during the tax year? 6b If "Yes," did the organization make it available to the public? Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

7 Financial Assistance and Certain Other Community Benefits at Cost

Table with 7 columns: (a) Number of activities or programs (optional), (b) Persons served (optional), (c) Total community benefit expense, (d) Direct offsetting revenue, (e) Net community benefit expense, (f) Percent of total expense. Rows include Financial Assistance and Means-Tested Government Programs (a-k) and Other Benefits (e-k).

**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 |
|--|---|-------------------------------|--------------------------------------|-------------------------------|------------------------------------|------------------------------|
| <b>1</b> Physical improvements and housing                         |   |                               |                                      |                               |                                    |                              |
| <b>2</b> Economic development                                      |   |                               |                                      |                               |                                    |                              |
| <b>3</b> Community support   |   |                               |                                      |                               |                                    |                              |
| <b>4</b> Environmental improvements                                |   |                               |                                      |                               |                                    |                              |
| <b>5</b> Leadership development and training for community members |   |                               |                                      |                               |                                    |                              |
| <b>6</b> Coalition building  |   |                               |                                      |                               |                                    |                              |
| <b>7</b> Community health improvement advocacy                     |   |                               |                                      |                               |                                    |                              |
| <b>8</b> Workforce development                                     |   |                               |                                      |                               |                                    |                              |
| <b>9</b> Other   |   |                               |                                      |                               |                                    |                              |
| <b>10 Total</b>  |   |                               |                                      |                               |                                    |                              |

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

**Section A. Bad Debt Expense**

|          |  | Yes | No        |
|----------|--|-----|-----------|
| <b>1</b> | Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15? . . . . .   | Yes |           |
| <b>2</b> | Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount . . . . .   |     |           |
|          |  |     | 4,669,376 |
| <b>3</b> | 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 . . . . . |     |           |
|          |  |     | 988,477   |
| <b>4</b> | 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**

|          |   |          |            |
|----------|---|----------|------------|
| <b>5</b> | Enter total revenue received from Medicare (including DSH and IME) . . . . .  | <b>5</b> | 14,558,253 |
| <b>6</b> | Enter Medicare allowable costs of care relating to payments on line 5 . . . . .   | <b>6</b> | 13,229,173 |
| <b>7</b> | Subtract line 6 from line 5. This is the surplus (or shortfall) . . . . .   | <b>7</b> | 1,329,080  |
| <b>8</b> | 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:<br><br><input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other |          |            |

**Section C. Collection Practices**

|           |   |     |  |
|-----------|---|-----|--|
| <b>9a</b> | Did the organization have a written debt collection policy during the tax year? . . . . .   | Yes |  |
| <b>9b</b> | If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI . . . . . | 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 % |
|--------------------|---|--|--|---|
| <b>1</b>           |   |  |  |   |
| <b>2</b>           |   |  |  |   |
| <b>3</b>           |   |  |  |   |
| <b>4</b>           |   |  |  |   |
| <b>5</b>           |   |  |  |   |
| <b>6</b>           |   |  |  |   |
| <b>7</b>           |   |  |  |   |
| <b>8</b>           |   |  |  |   |
| <b>9</b>           |   |  |  |   |
| <b>10</b>          |   |  |  |   |
| <b>11</b>          |   |  |  |   |
| <b>12</b>          |   |  |  |   |
| <b>13</b>          |   |  |  |   |

**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, primary website address, and state license number

| Name, address, primary website address, and state license number | 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 |
|--|-------------------|----------------------------|---------------------|-------------------|--------------------------|-------------------|-------------|----------|------------------|--------------------------|
| See Additional Data Table  |                   |                            |                     |                   |                          |                   |             |          |                  |                          |
|  |                   |                            |                     |                   |                          |                   |             |          |                  |                          |
|  |                   |                            |                     |                   |                          |                   |             |          |                  |                          |
|  |                   |                            |                     |                   |                          |                   |             |          |                  |                          |
|  |                   |                            |                     |                   |                          |                   |             |          |                  |                          |
|  |                   |                            |                     |                   |                          |                   |             |          |                  |                          |
|  |                   |                            |                     |                   |                          |                   |             |          |                  |                          |

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

**Section B. Facility Policies and Practices**

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

ST LUKE'S MINERS MEMORIAL HOSPITAL

Name of hospital facility or facility reporting group \_\_\_\_\_

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) \_\_\_\_\_

|  |  | Yes | No |
|--|--|-----|----|
| <b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012) |  |     |    |
| <b>1</b>   | 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)  | Yes |    |
| <b>a</b>   | <input checked="" type="checkbox"/> A definition of the community served by the hospital facility  |     |    |
| <b>b</b>   | <input checked="" type="checkbox"/> Demographics of the community  |     |    |
| <b>c</b>   | <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  |     |    |
| <b>d</b>   | <input checked="" type="checkbox"/> How data was obtained  |     |    |
| <b>e</b>   | <input checked="" type="checkbox"/> The health needs of the community  |     |    |
| <b>f</b>   | <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups  |     |    |
| <b>g</b>   | <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs  |     |    |
| <b>h</b>   | <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests   |     |    |
| <b>i</b>   | <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs   |     |    |
| <b>j</b>   | <input type="checkbox"/> Other (describe in Part VI)   |     |    |
| <b>2</b>   | Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>   |     |    |
| <b>3</b>   | In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests 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 . . . . . | Yes |    |
| <b>4</b>   | Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .   | Yes |    |
| <b>5</b>   | 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)  | Yes |    |
| <b>a</b>   | <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW.SLHN.ORG</u>   |     |    |
| <b>b</b>   | <input type="checkbox"/> Other website (list url) _____  |     |    |
| <b>c</b>   | <input checked="" type="checkbox"/> Available upon request from the hospital facility  |     |    |
| <b>d</b>   | <input type="checkbox"/> Other (describe in Part VI)   |     |    |
| <b>6</b>   | If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)   |     |    |
| <b>a</b>   | <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA   |     |    |
| <b>b</b>   | <input checked="" type="checkbox"/> Execution of the implementation strategy   |     |    |
| <b>c</b>   | <input checked="" type="checkbox"/> Participation in the development of a community-wide plan  |     |    |
| <b>d</b>   | <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan  |     |    |
| <b>e</b>   | <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans  |     |    |
| <b>f</b>   | <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA   |     |    |
| <b>g</b>   | <input checked="" type="checkbox"/> Prioritization of health needs in its community  |     |    |
| <b>h</b>   | <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community   |     |    |
| <b>i</b>   | <input type="checkbox"/> Other (describe in Part VI)   |     |    |
| <b>7</b>   | 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 . . . . .  |     | No |
| <b>8a</b>  | 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)? . . . . .  |     | No |
| <b>8b</b>  | If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .  |     |    |
| <b>c</b>   | 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)*

| <b>Financial Assistance Policy</b> |  | <b>Yes</b>    | <b>No</b> |
|------------------------------------|--|---------------|-----------|
| <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>300</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>300</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 checked="" type="checkbox"/> Asset level  |               |           |
| <b>c</b>                           | <input checked="" type="checkbox"/> Medical indigency  |               |           |
| <b>d</b>                           | <input checked="" type="checkbox"/> Insurance status   |               |           |
| <b>e</b>                           | <input checked="" type="checkbox"/> Uninsured discount   |               |           |
| <b>f</b>                           | <input type="checkbox"/> Medicaid/Medicare   |               |           |
| <b>g</b>                           | <input type="checkbox"/> State regulation  |               |           |
| <b>h</b>                           | <input type="checkbox"/> Residency   |               |           |
| <b>i</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 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 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 checked="" type="checkbox"/> Other (describe in Part VI)  |               |           |

| <b>Billing and Collections</b> |   | <b>Yes</b>    | <b>No</b> |
|--------------------------------|---|---------------|-----------|
| <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 individual'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 type="checkbox"/> Other similar actions (describe in Section C)  |               |           |
| <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 individual's eligibility under the facility's FAP? . . . . .<br>If "Yes," check all actions in which the hospital facility or a third party engaged | <b>17</b>     | No        |
| <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 Section C)  |               |           |

**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 individuals regarding the individuals' bills
  - d**  Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
  - e**  Other (describe in Section C)

**Policy Relating to Emergency Medical Care**

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

If "No," indicate why

- a**  The hospital facility did not provide care for any emergency medical conditions
- b**  The hospital facility's policy was not in writing
- c**  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d**  Other (describe in Part VI)

|           | Yes | No |
|-----------|-----|----|
| <b>19</b> | Yes |    |
|           |     |    |

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

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

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

**21** During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? . . . . .

If "Yes," explain in Part VI

**22** During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? . . . . .

If "Yes," explain in Part VI

|           |  |    |
|-----------|--|----|
|           |  |    |
| <b>21</b> |  | No |
|           |  |    |
| <b>22</b> |  | No |

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

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

| Form and Line Reference   | Explanation |
|---------------------------|-------------|
| See Additional Data Table |             |
|                           |             |
|                           |             |
|                           |             |
|                           |             |
|                           |             |
|                           |             |
|                           |             |
|                           |             |
|                           |             |

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

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

How many non-hospital health care facilities did the organization operate during the tax year? 9

| Name and address   | Type of Facility (describe) |
|--|-----------------------------|
| <b>1</b> ST LUKE'S MINER MEMORIAL HOME CARE<br>801 E BROAD STREET<br>TAMAQUA, PA 18252                 | HOME CARE                   |
| <b>2</b> ST LUKE'S SPORTS & REHABILITATION<br>693 STATE ROUTE 903<br>JIM THORPE, PA 18229              | OUTPATIENT PHYSICAL THERAPY |
| <b>3</b> ST LUKE'S SPORTS & REHABILITATION<br>BLAKESLEE PROF MED COMPLEXPO B<br>BLAKESLEE, PA 18610    | OUTPATIENT PHYSICAL THERAPY |
| <b>4</b> ST LUKE'S SPORTS & REHABILITATION<br>7 VILLAGE CENTER MALL<br>ANDREAS, PA 18211               | OUTPATIENT PHYSICAL THERAPY |
| <b>5</b> ST LUKE'S SPORTS & REHABILITATION<br>212 WEST CENTRE STREET<br>MAHANOEY CITY, PA 17948        | OUTPATIENT PHYSICAL THERAPY |
| <b>6</b> ST LUKE'S MINERS HLTH CTR-NESQUEHONING<br>108 WEST CATAWISSA STREET<br>NESQUEHONING, PA 18240 | RURAL HEALTH CLINIC         |
| <b>7</b> ST LUKE'S MINERS HEALTH CENTER-HOMETOWN<br>253 CLAREMONT AVENUE<br>TAMAQUA, PA 18252          | RURAL HEALTH CLINIC         |
| <b>8</b> ST LUKE'S COMMUNITY HEALTH<br>44 WEST CATAWISSA STREET<br>NESQUEHONING, PA 18240              | COMMUNITY HEALTH SERVICES   |
| <b>9</b> ST LUKE'S MINERS HEALTH CENTER - MCADOO<br>14 N KENNEDY DRIVE<br>MCADOO, PA 18237             | RURAL HEALTH CLINIC         |
| <b>10</b>  |                             |

**Part VI Supplemental Information**

Provide the following information

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

| Form and Line Reference     | Explanation    |
|-----------------------------|----------------|
| SCHEDULE H, PART I, LINE 6A | Not applicable |

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

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

| Form and Line Reference      | Explanation  |
|------------------------------|--|
| SCHEDULE H, PART III, LINE 4 | <p>Bad debt expense was calculated using the organization's bad debt expense from its audited financial statements. The organization and its affiliates prepare and issue audited consolidated financial statements. The system's allowance for doubtful accounts (bad debt expense) methodology and charity care policies are consistently applied across all hospital affiliates. The attached text was obtained from the footnotes to the audited financial statements of the organization. Patient accounts receivable. The Network's patient accounts receivable consist of unsecured amounts due for patient services billed to patients and other third-party payors such as Medicare, Medical Assistance, Blue Cross and various commercial insurance companies and managed care companies. The primary service area of the Network is located in Lehigh, Northampton, Carbon, Schuylkill and Bucks Counties, Pennsylvania. The ability of these patients to pay is subject to changes in general economic conditions of the Network's service area. The Network performs ongoing credit evaluations and maintains reserves for potential credit losses. Charity care. The Network provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charges for services to patients who meet the Network's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The charges associated with these services for charity care provided by the Network approximate \$105,400,000 and \$116,300,000 in 2014 and 2013, respectively. The costs incurred to provide such care is determined using a cost to charge ratio and were approximately \$89,066,000 and \$98,330,000 for 2014 and 2013, respectively.</p> |

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

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

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

| Form and Line Reference              | Explanation  |
|--------------------------------------|--|
| <p>SCHEDULE H, PART III, LINE 9B</p> | <p>family size, a family unit will be defined as immediate family members /significant other/ domestic partner living in the household All income of occupants will be considered in determining total household income In determining income the following will be considered - Wages - Pension - Annuities - Social Security - Interest, Dividend, and other Investment Income such as Capital Gains - Unemployment Compensation - Workers Comp - Disability Benefits - Child Support - Alimony - Public Assistance - Net Rental Income (Income Less Expenses) as calculated for Federal Tax purposes Assets may be considered in determining eligibility and the level of discount approved for financial assistance Designated business service department employees may also discuss financial assistance with patients who upon receiving a billing statement express an inability to pay for services rendered Financial assistance applications may be supplied to these patients along with the information regarding required documentation or the income estimation software may be used to determine eligibility status Medical Indigence Assessment If the patient does not qualify for any of the financial assistance categories identified above, but the medical expenses exceed an ability to pay, the patient will be encouraged to write a hardship letter to be submitted to the Associate Vice President of Finance for consideration of a hardship write-off of all or part of the outstanding medical liability In the case of foreign visitors, the hospital will attempt to identify the person who sponsored the visitor's entry into the United States If the sponsor is legally responsible for the visitor's medical bills, the hospital will apply its normal collection efforts in attempting to collect from the sponsor Application for financial assistance will be based on the sponsor's income St Luke's Hospital reserves the right to deny an application for financial assistance based upon lack of reasonably required documentation or the submission of fraudulent documentation If information is not provided, an application may be denied unless the information was not provided for reasons beyond the applicant's control In these cases the patient will not be eligible for the financial assistance program Notification to Patient All patients receiving inpatient or high dollar OP services will receive a notice of determination from the business office with the amount of financial assistance granted and any remaining financial liability Patients may provide documentation if they feel the automatic estimation of income and assets is incorrect or incomplete The business office will assess and revise the determination as appropriate for future encounters based on the software information provided All patient statements will have the phone number to call for patients having difficulty meeting financial obligations St Luke's credit and collection policy The Credit and Collection policy is established and is to be administered in accordance with the mission and values of the hospital as well as federal and state law The policy is designed to promote appropriate access to medical care for all patients regardless of their ability to pay while maintaining the Network's fiscal responsibility to maximize reimbursement and minimize bad debt All medically necessary hospital services are provided without consideration of ability to pay and are not delayed pending application and/or approval of Medical Assistance or St Luke's Financial Assistance Program Advance payment is not required for any medically necessary service This Credit and Collection policy is intended to take into account each individual's ability to contribute to the cost of his or her care Patients will be assisted in obtaining health insurance coverage from privately and publicly funded sources whenever possible All Patient Business Service department representatives will be educated on all aspects of the Credit and Collecti</p> |

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

| Form and Line Reference         | Explanation   |
|---------------------------------|---|
| SCHEDULE H, PART VI, QUESTION 3 | <p>As a not for-profit entity, Carbon-Schuykill Community Hospital, Inc 's first consideration in the admission and placement or treatment of any patient is the patient's medical needs. Some patients hesitate to obtain necessary care because of their financial concerns. In order to encourage such patients to obtain appropriate care, in December 2008, the network's board of directors redesigned the network's charity care program for patient system access to discounted hospital services. This policy is updated annually. The network also established a community benefit tracking system to comply with new IRS Form 990 guidelines (effective 2009) to report community benefit activities/expenditures. The charity care program is widely communicated in both English and Spanish. A bilingual notice of the program is posted in all outpatient and inpatient registration areas. All patient statements include a number for patients to call if they are having difficulty paying their bills. St. Luke's website has extensive information regarding the financial assistance program, including eligibility guidelines and contact information. Additionally, St. Luke's financial counselors assess each patient for eligibility for coverage through medical assistance, CHIP, adult basic and other programs. Bilingual counselors are available.</p> |

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

| Form and Line Reference         | Explanation   |
|---------------------------------|---|
| Schedule H, Part VI, Question 5 | The organization and the entire St. Luke's University Health Network promote the health of the community on a daily basis throughout the year. The network coordinates and offers numerous community benefit programs, activities and support groups to the community. Please refer to schedule o for a detailed community benefit statement. |

| Form and Line Reference         | Explanation  |
|---------------------------------|--|
| Schedule H, Part VI, Question 6 | <p>Outlined below is a summary of the entities which comprise the St Luke's University Health Network Not for-profit St Luke's University Health Network entities St Luke's Health Network, Inc St Luke's Health Network, Inc is the tax-exempt parent of the St Luke's University Health Network ("St Luke's") This integrated healthcare delivery system consists of a group of affiliated healthcare organizations This organization is the sole member or stockholder of each affiliated entity St Luke's is an integrated network of healthcare providers throughout the states of Pennsylvania and New Jersey St Luke's Health Network, Inc is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 509(a)(3) As the parent organization, St Luke's Health Network, Inc strives to continually develop and operate a multi-hospital healthcare network which provides substantial community benefit through the provision of a comprehensive spectrum of healthcare services to the residents of Pennsylvania and New Jersey and surrounding communities St Luke's Health Network, Inc ensures that its network provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay No individuals are denied necessary medical care, treatment or services St Luke's active hospitals include St Luke's Hospital of Bethlehem, PA, St Luke's Quakertown Hospital, Carbon-Schuylkill Community Hospital, Inc, St Luke's Hospital Anderson Campus and St Luke's Warren Hospital Each of these hospitals operates consistently with the following criteria outlined in IRS Revenue Ruling 69-545 1 Each provides medically necessary healthcare services to all individuals regardless of ability to pay, including charity care, self-pay, Medicare and Medicaid patients, 2 Each operates an active emergency room for all persons, which is open 24 hours a day, 7 days a week, 365 days per year, 3 Each maintains an open medical staff, with privileges available to all qualified physicians, 4 Control of each rests with its board of directors and the board of directors of St Luke's Health Network, Inc Both boards are comprised of a majority of independent civic leaders and other prominent members of the community, and 5 Surplus funds are used to improve the quality of patient care, expand and renovate facilities and advance medical care, programs and activities St Luke's Hospital of Bethlehem, Pennsylvania St Luke's Hospital of Bethlehem, Pennsylvania is comprised of two non-profit hospital campuses a 480-bed campus in Bethlehem, Pennsylvania and a 158 bed campus in Allentown, Pennsylvania St Luke's Hospital of Bethlehem, Pennsylvania is recognized by the Internal Revenue Service as an Internal Revenue Code 501(c)(3) tax-exempt organization Pursuant to its charitable purposes, the organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay Moreover, St Luke's Hospital of Bethlehem, Pennsylvania operates consistently with the criteria outlined in IRS Revenue Ruling 69-545 Cancer Immunotherapies, LLC A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity is currently inactive St Luke's Airmed, LLC A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity is currently inactive St Luke's Homestar Services, LLC A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity provides outpatient services in Bethlehem, Pennsylvania St Luke's Windgap Property, LLC A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity is currently inactive Pocono MRI Imaging and Diagnostic Center, LLC A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity provides outpatient services in Bethlehem, Pennsylvania Evantage Health, LLC A limited liability company disregarded for federal income tax purposes owned by St Luke's Hospital of Bethlehem, Pennsylvania This entity is currently inactive St Luke's Hospital Anderson Campus St Luke's Hospital Anderson Campus is a 108-bed non-profit hospital located in Easton, Pennsylvania St Luke's Hospital Anderson Campus is recognized by the Internal Revenue Service as an Internal Revenue Code 501(c)(3) tax-exempt organization Pursuant to its charitable purposes, the organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national</p> |

| Form and Line Reference         | Explanation   |
|---------------------------------|---|
| Schedule H, Part VI, Question 6 | <p>origin, religion or ability to pay. Moreover, St. Luke's Hospital Anderson Campus operates consistently with the criteria outlined in IRS Revenue Ruling 69-545. St. Luke's Quakertown Hospital is a 62-bed non-profit hospital located in Quakertown, Pennsylvania. St. Luke's Quakertown Hospital is recognized by the Internal Revenue Service as an Internal Revenue Code 501(c)(3) tax-exempt organization. Pursuant to its charitable purposes, the organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay. Moreover, St. Luke's Quakertown Hospital operates consistently with the criteria outlined in IRS Revenue Ruling 69-545. Carbon-Schuylkill Community Hospital, Inc. Carbon-Schuylkill Community Hospital, Inc. is a 45-bed non-profit acute care hospital located in Coaldale, Pennsylvania. Carbon-Schuylkill Community Hospital, Inc. is recognized by the Internal Revenue Service as an Internal Revenue Code 501(c)(3) tax-exempt organization. Pursuant to its charitable purposes, the organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay. Moreover, Carbon-Schuylkill Community Hospital, Inc. operates consistently with the criteria outlined in IRS Revenue Ruling 69-545. St. Luke's Hospital Monroe Campus. St. Luke's Hospital Monroe Campus is currently under construction and is a proposed 108-bed non-profit community hospital located in Bartonsville, Pennsylvania, Monroe County. St. Luke's Hospital Monroe Campus is recognized by the Internal Revenue Service as an Internal Revenue Code 501(c)(3) tax-exempt organization. Pursuant to its charitable purposes, the organization will provide medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay when construction is completed, likely in 2016. St. Luke's Warren Hospital, Inc. St. Luke's Warren Hospital, Inc. is a 198-bed non-profit acute care hospital located in Phillipsburg, New Jersey. St. Luke's Warren Hospital, Inc. is recognized by the Internal Revenue Service as an Internal Revenue Code 501(c)(3) tax-exempt organization. Pursuant to its charitable purposes, the organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay. Moreover, St. Luke's Warren Hospital, Inc. operates consistently with the criteria outlined in IRS Revenue Ruling 69-545. St. Luke's Warren Hospital Foundation, Inc. St. Luke's Warren Hospital Foundation, Inc. is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 509(a)(3). The organization supports St. Luke's Warren Hospital, a related Internal Revenue Code Section 501(c)(3) tax-exempt organization, and its affiliates in providing medically necessary healthcare services to the community in a non-discriminatory manner regardless of race, color, creed, sex, national origin, religion or ability to pay. St. Luke's Physician Group, Inc. St. Luke's Physician Group, Inc. is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 509(a)(3). The organization provides medically necessary healthcare services to all individuals regardless of race, color, creed, sex, national origin, religion or ability to pay. St. Luke's Emergency &amp; Transport Services, Inc. St. Luke's Emergency &amp; Transport Services, Inc. is an organization recognized by the Internal Revenue Service as tax-exempt pursuant to Internal Revenue Code 501(c)(3) and as a non-private foundation pursuant to Internal Revenue Code 170(b)(1)(a)(iii). The organization</p> |

| Form and Line Reference         | Explanation  |
|---------------------------------|--|
| SCHEDULE H, PART VI, QUESTION 7 | Not applicable The entity and related provider organizations are located in Pennsylvania and New Jersey No community benefit report is required to be filed with either Pennsylvania or New Jersey |

## Additional Data

**Software ID:**

**Software Version:**

**EIN:** 25-1550350

**Name:** CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

| Form and Line Reference                             | Explanation    |
|---|----------------|
| SCHEDULE H, PART V, SECTION B, QUESTIONS 1J, 5C, 6I | Not applicable |

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

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

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

| Form and Line Reference              | Explanation   |
|--------------------------------------|---|
| SCH H, PART V, SECTION B, QUESTION 7 | <p>THE REQUIRED COMMUNITY HEALTH NEEDS ASSESSMENT ("CHNA") WAS COMPLETED AND MADE WIDELY AVAILABLE PRIOR TO FISCAL YEAR END JUNE 30, 2013. A MULTI-DISCIPLINARY TEAM MET AND THROUGH A RIGOROUS PROCESS AN IMPLEMENTATION PLAN WAS ADOPTED TO MEET CERTAIN OF THE IDENTIFIED UNMET NEEDS WHICH WERE WITHIN THE HOSPITAL'S MISSION AND ABILITY TO POSITIVELY IMPACT. PLEASE SEE ATTACHED ADOPTED IMPLEMENTATION PLAN. HOSPITALS ARE NOT REQUIRED TO, NOR CAN THEY MEET ALL UNMET NEEDS IN THE COMMUNITY. ANY UNMET NEEDS NOT ADDRESSED BY THE ADOPTED IMPLEMENTATION PLAN ARE ALREADY BEING ADDRESSED IN THE SERVICE AREA BY THE HOSPITAL, OTHER HEALTHCARE PROVIDERS, GOVERNMENT, AND LOCAL NON-PROFIT ORGANIZATIONS, AMONGST OTHERS. THERE HAVE BEEN NO NEW PROGRAMS IMPLEMENTED BY THE HOSPITAL DURING THE CURRENT YEAR THAT ADDRESS THE UNMET NEEDS IDENTIFIED IN THE ATTACHED IMPLEMENTATION PLAN. OUR PRIORITY UNMET NEEDS IN THE IMPLEMENTATION PLAN ARE INTEGRAL TO OUR COMMUNITY BENEFIT STRATEGY. ST LUKE'S LEADERS CONTINUE TO MONITOR NEW PROGRAM DEVELOPMENTS AND SERVICES.</p> |

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

| Form and Line Reference   | Explanation    |
|---|----------------|
| SCH H, PART V, SECTION B, QUESTIONS 10,11,12H,16E,17E,18E,19C,19D,21&22 | Not applicable |

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

| Form and Line Reference                        | Explanation   |
|--|---|
| SCHEDULE H, PART V,<br>SECTION B, QUESTION 14G | Other measures to publicize the hospital's financial assistance policy include individual financial counseling meetings with patients without health insurance to review the financial assistance policy and to discuss payment options |

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

| Form and Line Reference                     | Explanation  |
|---|--|
| SCHEDULE H, PART V, SECTION B, QUESTION 20D | <p>Individuals with family income at or below 300% of the current federal poverty guidelines may be eligible for a 100% financial assistance allowance on the cost of their medically necessary services, after a minimum copay amount for certain outpatient services as follows, Clinic visits, including the hospital family practice centers, rural health centers, women's and children's clinics = \$10 Other programs within the clinics may establish a flat rate minimum amount due for elective procedures that are at or below the Medical Assistance fee schedule for patients not eligible for Medical Assistance but are under the 300% federal poverty guidelines Urgent care center visits = \$15 Emergency room visits = \$25 Uninsured Patients with income exceeding 300% of federal poverty guidelines will automatically receive an 80% discount on hospital charges No proof of income is required for this discount and this is not considered Financial Assistance</p> |

**Schedule I  
(Form 990)**

OMB No 1545-0047

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

**2013**

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

**Open to Public  
Inspection**

▶ **Information about Schedule I (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number  
25-1550350

**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.

| <b>(a)</b> Name and address of organization or government  | <b>(b)</b> EIN | <b>(c)</b> IRC Code section if applicable | <b>(d)</b> Amount of cash grant | <b>(e)</b> Amount of non-cash assistance | <b>(f)</b> Method of valuation (book, FMV, appraisal, other) | <b>(g)</b> Description of non-cash assistance | <b>(h)</b> Purpose of grant or assistance |
|--|----------------|---|---------------------------------|--|--|---|---|
| (1) BOROUGH OF COALDALE<br>PO BOX 96<br>COALDALE, PA 18218 |                |   | 17,000                          |  |  |   | PROGRAM SUPPORT                           |
|  |                |   |                                 |  |  |   |   |
|  |                |   |                                 |  |  |   |   |
|  |                |   |                                 |  |  |   |   |
|  |                |   |                                 |  |  |   |   |
|  |                |   |                                 |  |  |   |   |
|  |                |   |                                 |  |  |   |   |
|  |                |   |                                 |  |  |   |   |

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

**3** Enter total number of other organizations listed in the line 1 table . . . . . **0**

**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.

| <b>(a)</b> Type of grant or assistance | <b>(b)</b> Number of recipients | <b>(c)</b> Amount of cash grant | <b>(d)</b> Amount of non-cash assistance | <b>(e)</b> Method of valuation (book, FMV, appraisal, other) | <b>(f)</b> Description of non-cash assistance |
|--|---------------------------------|---------------------------------|--|--|---|
| (1) SCHOLARSHIPS                       | 13                              | 6,500                           |  |  |   |
|  |                                 |                                 |  |  |   |
|  |                                 |                                 |  |  |   |
|  |                                 |                                 |  |  |   |
|  |                                 |                                 |  |  |   |
|  |                                 |                                 |  |  |   |
|  |                                 |                                 |  |  |   |

**Part IV Supplemental Information.** Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

| <b>Return Reference</b>        | <b>Explanation</b>   |
|--------------------------------|--|
| SCHEDULE I, PART I, QUESTION 2 | GRANTS ARE MONITORED BY THE ORGANIZATION'S FINANCE PERSONNEL THROUGH THE UTILIZATION OF COST CENTERS AND OTHER INFORMATION, INCLUDING WRITTEN DOCUMENTATION AND RECEIPTS |

**Schedule J**  
(Form 990)

**Compensation Information**

OMB No 1545-0047

**2013**

**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, line 23.**

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

▶ **Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

Employer identification number

25-1550350

**Part I Questions Regarding Compensation**

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- |   |  |
|---|--|
| <input type="checkbox"/> First-class or charter travel            | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions                    | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax idemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees   |
| <input type="checkbox"/> Discretionary spending account           | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

- b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain
- 2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?

- 3** Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.
- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee              | <input type="checkbox"/> Written employment contract                                |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study                    |
| <input checked="" type="checkbox"/> Form 990 of other organizations     | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

- 4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:
- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

- 5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:
- a** The organization?
- b** Any related organization?
- If "Yes," to line 5a or 5b, describe in Part III.
- 6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:
- a** The organization?
- b** Any related organization?
- If "Yes," to line 6a or 6b, describe in Part III.

- 7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.
- 8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.
- 9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

|           | Yes | No |
|-----------|-----|----|
| <b>1b</b> |     |    |
| <b>2</b>  |     |    |
| <b>4a</b> |     | No |
| <b>4b</b> | Yes |    |
| <b>4c</b> |     | No |
| <b>5a</b> |     | No |
| <b>5b</b> |     | No |
| <b>6a</b> | Yes |    |
| <b>6b</b> | Yes |    |
| <b>7</b>  | Yes |    |
| <b>8</b>  |     | No |
| <b>9</b>  |     |    |

**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 |  |                         |                                 |   |
| <b>(1)</b> MARK KENDER MD<br>DIRECTOR                   | (i)  | 0  | 0                                   | 0                                   | 0  | 0                       | 0                               | 0   |
|   | (ii) | 183,059  | 9,000                               | 373                                 | 57,849   | 33,995                  | 284,276                         | 0   |
| <b>(2)</b> MICHAEL SABOL<br>DO DIRECTOR                 | (i)  | 0  | 0                                   | 0                                   | 0  | 0                       | 0                               | 0   |
|   | (ii) | 226,854  | 22,122                              | 125                                 | 57,849   | 23,818                  | 330,768                         | 0   |
| <b>(3)</b> WILLIAM E MOYER<br>PRESIDENT - CSCH          | (i)  | 0  | 0                                   | 0                                   | 0  | 0                       | 0                               | 0   |
|   | (ii) | 226,645  | 84,764                              | 450                                 | 81,001   | 9,184                   | 402,044                         | 0   |
| <b>(4)</b> THOMAS P<br>LICHTENWALNER<br>SVP FINANCE/CFO | (i)  | 0  | 0                                   | 0                                   | 0  | 0                       | 0                               | 0   |
|   | (ii) | 384,776  | 186,231                             | 89,459                              | 197,313  | 9,789                   | 867,568                         | 0   |
| <b>(5)</b> KIMBERLY B<br>SARGENT VP<br>PATIENT CARE     | (i)  | 112,278  | 25,377                              | 224                                 | 12,325   | 27,168                  | 177,372                         | 0   |
|   | (ii) | 0  | 0                                   | 0                                   | 0  | 0                       | 0                               | 0   |
| <b>(6)</b> MELISSA A<br>HARTMAN<br>PHARMACY MANAGER     | (i)  | 124,377  | 11,231                              | 255                                 | 9,576  | 30,413                  | 175,852                         | 0   |
|   | (ii) | 0  | 0                                   | 0                                   | 0  | 0                       | 0                               | 0   |
| <b>(7)</b> KIMBERLY A OTTO<br>NURSE<br>PRACTITIONER     | (i)  | 133,366  | 0                                   | 167                                 | 6,677  | 22,056                  | 162,266                         | 0   |
|   | (ii) | 0  | 0                                   | 0                                   | 0  | 0                       | 0                               | 0   |
| <b>(8)</b> KENNETH D<br>SHERRY PHYSICIAN<br>ASSISTANT   | (i)  | 119,907  | 0                                   | 439                                 | 6,017  | 23,673                  | 150,036                         | 0   |
|   | (ii) | 0  | 0                                   | 0                                   | 0  | 0                       | 0                               | 0   |

**Part III Supplemental Information**

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.

| Return Reference                        | Explanation   |
|---|---|
| PART VII AND SCHEDULE J                 | TAXABLE COMPENSATION REPORTED HEREIN IS DERIVED FROM 2013 FORMS W-2   |
| SCHEDULE J, PART I, QUESTION 3          | <p>Compensation Review Executive compensation for the health network consists of fixed salary, at-risk compensation and other deferred compensation arrangements. Total compensation for network executives is approved annually by the network's Board of directors. The recommended compensation is established through a multi-faceted approach including use of an independent consultant engaged on an ongoing basis by the Board of DIRECTORS and who works directly with the Executive Compensation Committee of the board. Also included is the review of forms 990 and compensation surveys of other comparable healthcare organizations. Bonus/Incentive The at-risk compensation is approved by the Executive Compensation Committee of the board and is based on several qualitative and quantitative components, including Joint Commission, Pennsylvania Department of Health and Pennsylvania Trauma Systems Foundation accreditations, evidence-based hospital process of care measures, outcome measures, such as patient satisfaction, mortality rate, and length of stay, efficiency measures as demonstrated by cost-per-adjusted discharge and net income. Other Reportable Compensation Other benefits include deferred compensation benefits that had accumulated over years of service and was reported and distributed in accordance with vesting requirements and Internal Revenue Service rules and regulations. Deferred Compensation Deferred compensation represents retirement benefits earned during the reporting period, yet not recognized as compensation on the employee's 2013 form W-2. Nontaxable Benefits Health and welfare benefits.</p> |
| SCHEDULE J, PART I, QUESTION 4B         | <p>COLUMN B(III) FOR AN INDIVIDUAL INCLUDED IN SCHEDULE J, PART II INCLUDES A VESTED CAPITAL ACCUMULATION ACCOUNT AMOUNT FOR POST-RETIREMENT DEATH BENEFITS WHICH WAS INCLUDED IN THE INDIVIDUAL'S 2013 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. THE DEFERRED COMPENSATION AMOUNT IN COLUMN C FOR THE FOLLOWING INDIVIDUALS INCLUDES UNVESTED BENEFITS IN AN INTERNAL REVENUE CODE SECTION 457(F) PLAN (NON-QUALIFIED DEFERRED COMPENSATION PLAN) WHICH ARE SUBJECT TO A SUBSTANTIAL RISK OF COMPLETE FORFEITURE. ACCORDINGLY, THE INDIVIDUALS MAY NEVER ACTUALLY RECEIVE THIS UNVESTED BENEFIT AMOUNT. THE AMOUNTS OUTLINED HEREIN WERE NOT INCLUDED IN EACH INDIVIDUAL'S 2013 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. WILLIAM E MOYER, \$5,194 AND THOMAS P LICHTENWALNER, \$128,749.</p>  |
| SCHEDULE J, PART I, QUESTIONS 6A AND 6B | <p>The executive compensation package for the health network consists of both a fixed salary and additional at-risk compensation that is based on several qualitative and quantitative components. The components of the at-risk compensation plan includes JCAHO, Department of Health and Trauma Center accreditations, evidence based hospital process of care measures, outcome measures such as patient satisfaction, mortality rate, and length of stay, efficiency measures as demonstrated by cost per adjusted discharge and finally net income.</p>   |
| SCHEDULE J, PART I, QUESTION 7          | <p>CERTAIN INDIVIDUALS INCLUDED IN SCHEDULE J, PART II RECEIVED AT-RISK COMPENSATION DURING CALENDAR YEAR 2012 WHICH AMOUNTS WERE INCLUDED IN COLUMN B(II) HEREIN AND IN EACH INDIVIDUAL'S 2013 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. PLEASE REFER TO THIS SECTION OF THE FORM 990, SCHEDULE J FOR THIS INFORMATION BY PERSON BY AMOUNT.</p>  |

**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.**

**▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at  
[www.irs.gov/form990](http://www.irs.gov/form990).**

**2013**

**Open to Public  
Inspection**

Name of the organization  
CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

**Employer identification number**

25-1550350

| Return Reference | Explanation   |   |
|------------------|---|---|
|                  | CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS | <p>Carbon-Schuylkill Community Hospital, Inc ("St Luke's Miners Memorial Hospital" a k a " SL-Miners") is a Joint Commission-accredited, not-for-profit, 45-licensed bed acute care hospital and 48-bed skilled nursing facility located in Coaldale, Pennsylvania, in Schuylkill County near the Carbon County border and providing care primarily to residents of Schuylkill, Carbon and Lower Luzerne counties in Southeastern Pennsylvania SL-Miners annually provides care for more than 2,600 observations and admissions, more than 78,400 outpatient visits and 14,823 ED visits and is recognized by the IRS as an Internal Revenue code section 501(C)(3) tax-exempt organization Pursuant to its charitable purposes, SL-Miners provides medically necessary healthcare services to all individuals in a non-discriminatory manner regardless of race, color, creed, sex, national origin, religion or ability to pay Moreover, SL-Miners operates consistently with the following criteria outlined in the IRS Revenue Ruling 69-545 1 SL-Miners provides medically necessary healthcare services to all individuals regardless of ability to pay, including charity care, self-pay, Medicare and Medicaid patients, 2 SL-Miners operates an active emergency room for all persons, which is open 24 hours a day, 7 days a week, 365 days per year, 3 SL-Miners maintains an open medical staff, with privileges available to all qualified physicians, 4 Control of SL-Miners rests with its Board of Directors and the Board of Directors of St Luke's Health Network, Inc, d b a St Luke's University Health Network Both boards are comprised of a majority of independent civic leaders and other prominent members of the community, as well as physicians on the Hospital/Network medical staff, and 5 Surplus funds are used to improve the quality of patient care, expand and renovate facilities and advance medical care, programs and activities The operations of SL-Miners, as shown through the factors outlined above and other information contained herein, clearly demonstrate that the use and control of SL-Miners is for the benefit of the public and that no part of the income or net earnings of the organization inures to the benefit of any private individual nor is any private interest being served other than incidentally Founded in 1910, SL-Miners was acquired by nationally recognized St Luke's University Health Network ("Network") in 2000 and celebrated its 100th year of community service in October 2010 Since joining the Network, SL-Miners admissions have increased by nearly 19 percent The Hospital provides patients with access to 190 physicians across 25 medical specialties The Hospital is accredited as a Chest Pain Center by the Society of Cardiovascular Patient Care Additionally, the Hospital ranked first in Pennsylvania and eighth in the U S, out of 2,728 hospitals, for the highest Value Based Purchasing scores, based on the Hospital's clinical quality outcomes and patient satisfaction scores SL-Miners was named a 2014 Premier QUEST winner for achieving top decile performance in all measurements (mortality, cost of care, patient satisfaction evidence-based care, safety and readmission), and earned a 2014 Achievement Award from the Hospital and Healthsystem Association of Pennsylvania The Hospital was granted Level IV Trauma Center accreditation status by the Pennsylvania Trauma Systems Foundations, effective November 1, 2013 The Hospital's specialty services include the following - Cardiology - Certified Diabetes educator - Emergency Services - Endocrinology - Gastroenterology - Geriatric Medicine - Infectious Disease - Nephrology - Neurology - Oncology/Hematology - Orthopedics, joint and muscle disorders - Otolaryngology/ENT - Psychiatry - Pulmonology - Radiology (advanced) - Sleep Disorders - Sports Medicine, Physical, Speech and Occupational Therapy, Rehabilitation - Surgery (general and laparoscopic) - Urology - Vascular - Women's Health - Wound Management The Network has invested approximately \$28.5 million in technical and facility improvements at SL-Miners since 2000, including outpatient centers which offer advanced technology and physician services, further enhancing patients' ability to easily access state-of-the-art healthcare Capital projects include new, state-of-the-art emergency department in 2002, new MRI, sleep disorder center, cardiovascular conditioning center, new access road from Rt 209 directly to the Hospital Additionally, SL-Miners opened a newly renovated \$1.6 million six-bed ICU in 2010 In 2012, an extensive \$2.6 million renovation of the Hospital's ground floor, including the lobby, registration and laboratory was completed, and a new St Luke's Heart &amp; Vascular Center was Emergency Fast Track were added In 2013, a new \$1.6 million outpatient facility was established in Tamaqua on Route 309 Services include orthopedics, sports medicine, women's health, neurology, imaging and laboratory Additional facility improvements in</p> |

| Return Reference | Explanation   |   |
|------------------|---|---|
|                  | CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS | <p>2013 included elevator replacement, updated telemetry equipment and roof replacement. In 2014, the Hospital opened a new blood draw site in Albrightsville, PA, completed structural upgrades to the main Hospital building, purchased operating room equipment, including an arthroscopy table for use in a muscle sparing hip replacement procedure which enables patients to recover more quickly, and a laser for use in non-invasive urology procedures. The Hospital has significantly expanded medical expertise through the addition of the following services - Direct access to orthopedic surgeons providing the most advanced diagnosis, treatment and rehabilitation for patients with musculoskeletal disorders and injuries, - Direct access to highly trained cardiac team which includes experienced and skilled cardiologists, cardiac and vascular surgeons, interventional radiologists and electrophysiologists, - Direct access to oncologists and a wide range of oncology specialists, - Direct access to hospitalists. SL-Miners operated three federally designated rural health clinics in Hometown, McAdoo and Nesquehoning, serving 11,685 patient visits in FY '14. The centers treat patients of all ages, offering exceptional quality care close to home. In FY'14, mental health assessment and therapeutic services were added at the centers. No patient is denied care, regardless of their ability to pay for their care. All insurances, including Medicaid, are accepted. In FY'14, SL-Miners began providing 24/7 TelePsychiatry and TeleNeurology services which delivers immediate benefit to both patients and clinical staff by providing quick access for psychiatric and neurological consultations for patients. The Hospital also established a clinical rotation in collaboration with four schools to provide physician assistant students the opportunity to do their clinical study in a rural community setting. St. Luke's Miners Rehabilitation and Nursing Center is a fully accredited, 48-bed hospital-based, skilled nursing facility located on the fifth floor of the Hospital. Individualized short-time rehabilitation and long-term care services are provided.</p> |

| Return Reference   | Explanation   |
|--|---|
| <p>CORE FORM, PART III,<br/>STATEMENT OF<br/>PROGRAM SERVICE<br/>ACCOMPLISHMENTS</p> | <p>Mission ----- The mission of SL-Miners is to provide compassionate, excellent quality and cost-effective healthcare to residents of the communities served regardless of race, color, creed, sex, national origin, religion or ability to pay. The mission of SL-Miners is an unwavering commitment to excellence as we care for the sick and injured, educate physicians, nurses and other healthcare providers, and improve access to care in the communities we serve, regardless of a patient's ability to pay for their care.</p> <p>Community Outreach ----- In keeping with its commitment to the communities it serves, SL-Miners annually reaches more than 3,200 people through its community outreach endeavors. The Hospital offers a variety of free screenings/services for community-run events throughout the year. Community outreach includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> <li>- utilized numerous media outlets to educate the community about health issues that may impact them,</li> <li>- provided Live Your Life wellness program - more than 400 participants. The focus of the program is to promote healthy eating habits and increase physical activity while reducing the prevalence of diabetes and other chronic diseases,</li> <li>- provided "Get Your Tail on the Trail" physical activity program for children and adults - more than 270 participants,</li> <li>- provided smoking cessation classes, diabetes prevention and education classes,</li> <li>- administered blood pressure screenings and 175 flu and pneumonia vaccines at no charge,</li> <li>- offered Reading Rocks! program - after-school reading program that pairs elementary students identified by teachers as needing additional assistance with members of the hospital staff for additional reading practice,</li> <li>- provided vision van services to 148 students and health van services to 40 students in local school districts,</li> <li>- conducted Healthy Living Initiative in partnership with the Kellyn Foundation - healthy living, nutrition, and garden programs for 147 third grade students,</li> <li>- provided summer lunch program in conjunction with two local churches, serving children and adults,</li> <li>- conducted four health fairs and 21 Community Health talks on a variety of topics including diabetes, drug and alcohol awareness, exercise and heart disease, community safety, the benefits of screening for colorectal cancer, weight management and type 2 diabetes, smoking cessation, and</li> <li>- sponsored MS/Parkinson's and nutrition and weight management support groups, and Matter of Balance Program.</li> </ul> <p>Hospital activities pursue expanded relationships and health improvement with the communities it serves through various coalition-building activities including, but not limited to, the following:</p> <ul style="list-style-type: none"> <li>- Participated in Schuylkill Alliance for Healthcare Access programs, including Diabetes Task Force, Interfaith Health Network, Mental Health Committee, Health Alliance and Community Health Day,</li> <li>- Sponsored 5K event to promote health and wellness and raise funds for Community Health Programs such as "Live Your Life," tobacco cessation, Reach Out and Read literacy programs and more,</li> <li>- Sponsored a mock car crash for 200 Jim Thorpe High School students to raise awareness of the dangers of distracted driving. The program consisted of the mock car crash with victims being extracted from the vehicle by emergency responders and transported via ambulance, booking of charges and magistrate activity. A presentation by St. Luke's Miners Hospital trauma team followed to reinforce the dangers of distracted driving,</li> <li>- Participated in "Carbon County Safety Day", an annual event attended by more than 1,200 members of the community. Blood pressure screenings were offered along with health and nutritional information,</li> <li>- Participated in local service clubs including Lions Clubs and Rotary Clubs, Carbon Leadership Program, Tamaqua Chamber of Commerce, United Way, Tamaqua YMCA, and the Panther Valley, Tamaqua, and Jim Thorpe Area School Districts, and</li> <li>- The Hospital, along with the Network, Lehigh Anthracite, Lehigh Law Enforcement and Cocciardi and Associates, participated in "Operation Black Dust," a full-scale disaster drill simulating a mass casualty mining incident. The Hospital is the primary provider of emergency medical care for an area of about 120 sq. miles of anthracite coal.</li> </ul> |

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

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

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

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

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

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

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

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

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

| Return Reference               | Explanation   |
|--------------------------------|---|
| CORE FORM, PART XI, QUESTION 9 | OTHER CHANGES IN NET ASSETS OR FUND BALANCES INCLUDE - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASES OF PROPERTY AND EQUIPMENT, \$216,089, - CHANGE IN ADDITIONAL PENSION LIABILITY, (\$253,034), - PLEDGES RECEIVED - TEMPORARILY RESTRICTED, (\$65,558), - NEW PLEDGES - TEMPORARILY RESTRICTED, \$351,761, - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASES OF PROPERTY AND EQUIPMENT - TEMPORARILY RESTRICTED, (\$182,261), - NET ASSETS RELEASED FROM RESTRICTIONS USED FOR OPERATIONS - TEMPORARILY RESTRICTED, (\$36,279), and - ALLOWANCE FOR PLEDGES WRITTEN OFF AND ACTUAL WRITE-OFFS - TEMPORARILY RESTRICTED, (\$12,552) |

| Return Reference                | Explanation   |
|---------------------------------|---|
| CORE FORM, PART XII, QUESTION 2 | THE ORGANIZATION IS AN AFFILIATE WITHIN THE ST. LUKE'S UNIVERSITY HEALTH NETWORK ("NETWORK"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY NETWORK. THE NETWORK'S PARENT ENTITY IS ST. LUKE'S HEALTH NETWORK, INC. AN INDEPENDENT CPA FIRM AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TAXPAYER AND ALL AFFILIATES FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013, RESPECTIVELY AND ISSUED A CONSOLIDATED FINANCIAL STATEMENT WITH CONSOLIDATING SCHEDULES BY ENTITY. AN UNQUALIFIED OPINION WAS ISSUED EACH YEAR BY THE INDEPENDENT CPA FIRM. THE NETWORK'S FINANCE COMMITTEE ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT OF THE NETWORK'S CONSOLIDATED FINANCIAL STATEMENTS AND THE SELECTION OF AN INDEPENDENT AUDITOR. |

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

**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No 1545-0047

**2013**

**Open to Public  
Inspection**

- ▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.**
- ▶ **Attach to Form 990.** ▶ **See separate instructions.**
- ▶ **Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

**Employer identification number**  
25-1550350

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

| (a)<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" on 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 |
| See Additional Data Table                             |                         |  |                            |   |                                  |  |    |
|   |                         |  |                            |   |                                  |  |    |
|   |                         |  |                            |   |                                  |  |    |
|   |                         |  |                            |   |                                  |  |    |
|   |                         |  |                            |   |                                  |  |    |
|   |                         |  |                            |   |                                  |  |    |
|   |                         |  |                            |   |                                  |  |    |
|   |                         |  |                            |   |                                  |  |    |

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

| (a)<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<br>total income | (g)<br>Share of<br>end-of-year<br>assets | (h)<br>Disproportionate<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) WIND GAP PROF<br><br>3435 WINCHESTER ROAD SUITE 300<br>ALLENTOWN, PA 181042284<br>23-2641715 | HEALTHCARE<br>SVCS      | PA   | BETHLEHEM                              |  |                                 |  |   |    |  |   |    |                                |
|  |                         |  |  |  |                                 |  |   |    |  |   |    |                                |
|  |                         |  |  |  |                                 |  |   |    |  |   |    |                                |
|  |                         |  |  |  |                                 |  |   |    |  |   |    |                                |
|  |                         |  |  |  |                                 |  |   |    |  |   |    |                                |
|  |                         |  |  |  |                                 |  |   |    |  |   |    |                                |
|  |                         |  |  |  |                                 |  |   |    |  |   |    |                                |

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

| (a)<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<br>corp,<br>or trust) | (f)<br>Share of total<br>income | (g)<br>Share of end-of-<br>year<br>assets | (h)<br>Percentage<br>ownership | (i)<br>Section 512<br>(b)(13)<br>controlled<br>entity? |    |
|--|-------------------------|---|-------------------------------------|---|---------------------------------|---|--------------------------------|--|----|
|  |                         |   |                                     |   |                                 |   |                                | Yes  | No |
| (1) ST LUKE'S HEALTH<br>NETWORK INSURANCE COMP<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 180151000<br>75-2993150 | FINANCIAL VEHICLE       | VT  |                                     | C CORP  |                                 |   |                                |  | No |
| (2) ST LUKE'S PHYSICIAN<br>HOSPITAL ORG INC<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 180151000<br>23-2786818    | HEALTHCARE SVCS         | PA  |                                     | C CORP  |                                 |   |                                |  | No |
| (3) HILLCREST EMERGENCY<br>SERVICES PC<br><br>185 ROSEBERRY STREET<br>PHILLIPSBURG, NJ 08865<br>20-4429976       | HEALTHCARE SVCS         | NJ  |                                     | C CORP  |                                 |   |                                |  | No |
| (4) TWO RIVERS<br>ENTERPRISES INC<br><br>185 ROSEBERRY STREET<br>PHILLIPSBURG, NJ 08865<br>52-1552606            | REAL ESTATE             | NJ  |                                     | C CORP  |                                 |   |                                |  | No |
| (5) WARREN PA<br>PROFESSIONAL ALLIANCE INC<br><br>185 ROSEBERRY STREET<br>PHILLIPSBURG, NJ 08865<br>20-2652788   | HEALTHCARE SVCS         | NJ  |                                     | C CORP  |                                 |   |                                |  | No |
| (6) ST LUKE'S WARREN<br>PHYSICIAN GROUP PC<br><br>185 ROSEBERRY STREET<br>PHILLIPSBURG, NJ 08865<br>22-3837316   | HEALTHCARE SVCS         | NJ  |                                     | C CORP  |                                 |   |                                |  | No |
| (7) WARREN RISK<br>RETENTION GROUP INC<br><br>865 MEMORIAL PARKWAY<br>PHILLIPSBURG, NJ 08865<br>20-0250315       | FINANCIAL VEHICLE       | VT  |                                     | C CORP  |                                 |   |                                |  | No |

**Part V Transactions With Related Organizations** Complete if the organization answered "Yes" on 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 |
|-----------|-----|----|
|           |     |    |
| <b>1a</b> |     | No |
| <b>1b</b> |     | No |
| <b>1c</b> |     | No |
| <b>1d</b> | Yes |    |
| <b>1e</b> | Yes |    |
|           |     |    |
| <b>1f</b> |     | No |
| <b>1g</b> |     | No |
| <b>1h</b> |     | No |
| <b>1i</b> |     | No |
| <b>1j</b> |     | No |
|           |     |    |
| <b>1k</b> |     | No |
| <b>1l</b> |     | No |
| <b>1m</b> |     | No |
| <b>1n</b> | Yes |    |
| <b>1o</b> | Yes |    |
|           |     |    |
| <b>1p</b> | Yes |    |
| <b>1q</b> | Yes |    |
|           |     |    |
| <b>1r</b> | Yes |    |
| <b>1s</b> | Yes |    |

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

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



**Part VII Supplemental Information**

Provide additional information for responses to questions on Schedule R (see instructions)

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

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 25-1550350  
**Name:** CARBON-SCHUYLKILL COMMUNITY HOSPITAL INC

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

| (a)<br>Name, address, and EIN of related organization  | (b)<br>Primary activity | (c)<br>Legal domicile<br>(state or foreign country) | (d)<br>Exempt Code section | (e)<br>Public charity status<br>(if section 501(c)(3)) | (f)<br>Direct controlling entity | (g)<br>Section 512 (b)(13) controlled entity? |    |
|--|-------------------------|---|----------------------------|--|----------------------------------|---|----|
|  |                         |   |                            |  |                                  | Yes   | No |
| (1) ST LUKE'S HEALTH NETWORK INC<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>23-2384282             | HEALTH SVCS             | PA  | 501(c)(3)                  | 509(A)(3)  | NA                               |   | No |
| (1) ST LUKE'S HOSPITAL OF BETHLEHEM PA<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>23-1352213       | HEALTH SVCS             | PA  | 501(c)(3)                  | HOSPITAL   | SLHN INC                         |   | No |
| (2) ST LUKE'S QUAKERTOWN HOSPITAL<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>23-1352203            | HEALTH SVCS             | PA  | 501(c)(3)                  | HOSPITAL   | SLHN INC                         |   | No |
| (3) QUAKERTOWN REHABILITATION CENTER<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>23-2543924         | HEALTH SVCS             | PA  | 501(c)(3)                  | 170B1AIII  | SLHN INC                         |   | No |
| (4) ST LUKE'S EMERGENCY & TRANSPORT SVCS<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>23-2179542     | HEALTH SVCS             | PA  | 501(c)(3)                  | 170B1AIII  | SLHN INC                         |   | No |
| (5) ST LUKE'S PHYSICIAN GROUP INC<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>23-2380812            | HEALTH SVCS             | PA  | 501(c)(3)                  | 509(A)(3)  | SLHN INC                         |   | No |
| (6) VNA OF ST LUKE'S - HOME HEALTHHOSPICE<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>24-0795497    | HEALTH SVCS             | PA  | 501(c)(3)                  | 509(A)(1)  | BETHLEHEM                        |   | No |
| (7) HOMESTAR MEDICAL EQUIP & INFUSION SVCS<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>23-2418254   | HEALTH SVCS             | PA  | 501(c)(3)                  | 509(A)(2)  | VNA                              |   | No |
| (8) ST LUKE'S HHN AUXILIARY INC<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>23-2134479              | FUNDRAISING             | PA  | 501(c)(3)                  | 170B1AIII  | NA                               |   | No |
| (9) ST LUKE'S WARREN HOSPITAL INC<br><br>185 ROSEBERRY STREET<br>PHILLIPSBURG, NJ 08865<br>22-1494454      | HEALTH SVCS             | NJ  | 501(c)(3)                  | HOSPITAL   | SLHN INC                         |   | No |
| (10) ST LUKE'S WARREN HOSPITAL FDN INC<br><br>185 ROSEBERRY STREET<br>PHILLIPSBURG, NJ 08865<br>22-2522476 | SUPPORT SLWH            | NJ  | 501(c)(3)                  | 509(A)(3)  | SLWH INC                         |   | No |
| (11) ST LUKE'S HOSPITAL ANDERSON CAMPUS<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>45-4394739      | HEALTH SVCS             | PA  | 501(C)(3)                  | HOSPITAL   | SLHN INC                         |   | No |
| (12) ST LUKE'S HOSPITAL MONROE CAMPUS<br><br>801 OSTRUM STREET<br>BETHLEHEM, PA 18015<br>46-5143606        | INACTIVE                | PA  | 501(C)(3)                  | HOSPITAL   | SLHN INC                         |   | No |

**St. Luke's Miners Community Health Strategic Plan**  
**Approved by St. Luke's Miners Board on May 22, 2013**

The Community Health Strategic Plan for St. Luke's Miners lays a clear foundation for the future development of Community Health in this area. It has been developed to prioritize community health services needs identified in the Community Health Needs Assessment completed in 2010. The initiatives contained within the strategic plan will be a major contributor to achieving the vision of a healthy community in the area surrounding the Miners Campus.

The Community Health Committee actively engaged a variety of stakeholders in the development of the Community Health Strategic Plan, including community members, local hospital and community health staff, local government and non-government organizations and general practitioners. The issues raised by these stakeholders and the Community Health Needs Assessment formed the basis for the overall direction of this Plan. Growth in demand for community health services is anticipated in the surrounding communities over the next three years and beyond. As a result, community health capacity will need to expand to be responsive to the increased need in the community. Much of the anticipated demand is directly related to the high unemployment rates, increasing rates of chronic disease, an aging community and unhealthy lifestyle behaviors leading to obesity and chronic disease.

Implementation of this Plan involves some changes to models of care and to service delivery, along with improvements in coordination of community services. These improvements can be made within existing resources although new resources will be required over time to expand the capacity of Community Health, both in terms of infrastructure and service capacity.

To assist in ensuring that the proposed Community Health Strategic Plan is being implemented and that all community health services are effective in meeting population needs, it is recommended that a Community Health Partnership continues to meet after this Plan has been accepted by the the St. Luke's Miner Memorial Board of Directors. The Partnership, modeled after the St. Luke's Hospital Bethlehem Partnership, can be an extension of the current Community Health Committee or a newly formed one under St. Luke's Miners Memorial Hospital. This committee will review the Community Health Strategic Plan annually in order to be responsive to changing circumstances, as well as being active participants in community wide service and asset planning, highlighting the need for ongoing provision of community-based services to the existing community. Consistent with this is also the need to constantly review the outcomes of community health services to ensure the provision of high quality, effective services.

The framework for the development of the Community Health Partnership along with the mission, vision, values and strategic direction for Community Health are outlined in the following pages. Members of the Community Health Committee are listed in Appendix A.

## **Mission**

The Community Health Committee established the following mission statement:

The Community Health Committee is dedicated to working with and supporting existing community organizations and individual community members to improve the quality of health for all residents surrounding the St. Luke's Miners campus through improved health services, efficient utilization of health resources and community empowerment.

## **Vision**

Our vision is that all residents are empowered to improve their own quality of life through access to healthcare, education and community programs focusing on healthy lifestyles, community safety and clean, sustainable environments.

## **Core Values**

All residents have the right to good health to lead productive lives.

The power of collaboration is the key to our communities' success.

We can accomplish our goals by empowering other organizations and individuals.

All residents should feel safe in their neighborhoods.

All residents should live in a clean, healthy environment.

Well established community programs and services should be consistently marketed to increase visibility and awareness to residents.

## **The Plan**

In order to develop a successful Strategic Plan, the Community Health Committee held a series of working meetings to solicit input for the Plan. The Community Health Committee determined that the following were the top health priorities that needed to be addressed in the Borough of Tamaqua and surrounding communities:

1. Community Outreach
2. Chronic Disease Prevention (focus on obesity, physical activity and tobacco; acknowledging the link to chronic diseases)
3. Chronic Disease Management (focus on diabetes and asthma)
4. Access to Care
5. Substance Abuse
6. Mental Health

The priority areas were chosen based on data collected from the Community Health Needs Assessment, secondary local and state data and anecdotal information reported by community members.

The following goals and objectives are part of a three year strategic plan to guide St. Luke's Miners and the community in addressing these issues.

## 1. Community Outreach

### A. Community Outreach and Education

Our purpose is to clearly articulate and raise awareness of community health and human service programs in the surrounding area. We want to aid the community in making health-promoting choices through prevention education, health policy and environmental changes that will increase opportunities for better health. There are valuable programs and services that benefit all community members regardless of race, education or economic status yet they are not apparent to the community they serve. Despite the presence of community events, prevention and health education campaigns, health committees and service organizations, these programs and services are generally misunderstood, invisible and not well attended. Anecdotally, services, programs and resources available to the community are perceived to be for the poor or underprivileged and often carry a stigma. The perceived link to public health program impact on the prevention and management of disease and the promotion of the community's well being is weak. The challenge of this focus area is to develop long-term partnerships to address the emerging health issues rather than making it the responsibility of a single entity.

#### **Baseline Data for Determining Goal:**

1. Residents of the TASD (42%) are more likely to have physical, mental or emotional limitations as compared to respondents to the state (19%) and national (19%) BRFSS.
2. 63% of respondents reported participating in physical activity in the past six months and 44% reported exercising 2-3 times per week.
3. Seventeen percent of respondents reported physical health and 20% reported emotional health interferes with normal social activities all or most of the time.
4. The following are the five most prevalent conditions reported by survey respondents: Hypertension - 43%, Diabetes - 23%, Mental Health Problems - 17%.
5. 47% of respondents have a BMI indicating obesity. This rate is much higher than state (28%) and national (27%) 2009 BRFSS data.
6. A top five identified barrier for accessing health care is that the community does not practice healthy lifestyles.
7. Focus group participants reported that there is a stigma associated with being a medical assistance patient.
8. Focus group participants reported that there are high rates of undiagnosed or untreated mental health problems.

**Goal:** To empower residents to achieve improved health through the awareness and understanding of and participation in, the services, programs and partnerships provided by local hospitals, health and human service organizations and community-based organizations.

**Objectives:**

1. Increase the public's awareness of the programs, services and resources available at local hospitals, health and human service organizations and community-based organizations.
2. Provide multiple channels for the community to access information regarding participation in programs and services.
3. Increase the medical and human services community (medical providers, executive directors, etc.) awareness of the programs and services that would complement their practice and benefit their clients.
4. Positively promote community health programs as a value-added benefit of the community's infrastructure and an essential partner for a healthier/successful community.
5. Actively partner and build relationships with community-based organizations/initiatives that share our mission and vision for a healthy community.
6. Develop a comprehensive awareness campaign that highlights the relationship between public health and the quality of life for local residents focusing on obesity, physical activity, tobacco use and mental health.

**Outcomes:**

1. Increased awareness and understanding of local hospitals, health and human service organizations and community-based organization's community role and value-added benefits of their services and programs.
2. Improved utilization of services.
3. Continued collaborative partnerships with community organizations and individuals.
4. Increase in appropriate referrals to and from local medical providers and human service organizations.

**Implementation Strategies:**

1. Dedicate a staff person to serve as a Community Health Manager.
2. Develop a comprehensive plan of outreach, education and communication for emerging health issues that outlines priority populations and priority messages.

3. Develop a tool to survey all current community health programs and initiatives to develop a clearinghouse to promote such programs.
4. Integrate community participation in program planning and service delivery models.
5. Establish a Community Health Partnership, including community members, to provide regular input to the governing Board of Directors and to assist in the implementation of the Strategic Plan.
6. Create community-wide, multi-media campaigns that address priority health messages and current programs, services and initiatives.
7. Create a media/public information page for priority health issues or partner with another source who already maintains such a media page.
8. Create tools that outline the value-added benefits public health brings to the community- displays/exhibits, educational materials, web pages, fact sheets, etc.
9. Establish a Speaker's Bureau to address emerging health issues and other needed health information and actively participate in speaking engagements at schools, organizations, church meetings, etc.

**Resources:**

1. Funding for a Community Health Manager, supplies, materials, printing, media campaign, etc.
2. Dedicated office space for Community Health Manager and staff.
3. Representatives from local hospitals, health and human service organizations and community-based organization to serve on a public health advisory group.
4. Partner who can help manage web page content.
5. Student interns who can develop and conduct public opinion poll and clearinghouse of local programs, services and initiatives.
6. Partner who can help develop a marketing campaign.

**2. Chronic Disease Prevention**

**A. Obesity**

There are many conditions that are associated with being overweight or obese, such as Type 2 diabetes, elevated cholesterol levels (hyperlipidemia) and hypertension. These conditions are independent risk factors for coronary artery disease. Being overweight or obese also increased the risk of gall bladder disease, sleep apnea, respiratory problems and some types of cancers.

A measure of body mass index (BMI) is often used to determine desirable weights. People with a BMI of 25 to 29.9 are considered overweight and people with a BMI of 30 or above are considered obese. Obesity is considered by the CDC to be at epidemic levels.

With obesity increasing in the community, especially in children, there is a need for programs on multiple levels to combat the problem among all ages. The most difficult challenge is changing the sedentary lifestyle habits of the

community. Programs must be offered that will appeal to all community members, including low income, as well as be affordable and easily accessible.

**Baseline Data for Determining Goal:**

1. 25% of children grades K through 6 are obese in the Tamaqua Area School District (TASD) compared to 21% in Schuylkill County.
2. 47% of adults in Tamaqua are obese based on their calculated BMI.

**Goal:** Increase the awareness of obesity as a major public health problem to prevent premature morbidity and mortality.

**Objectives:**

1. Reduce the proportion of children who are obese.  
Baseline: 25% in grades K through 6 in TASD  
Target: Decrease obesity in children by 3% to 22%
2. Reduce the proportion of adults who are obese.  
Baseline: 47% of adults in Tamaqua  
Target: Decrease obesity in Tamaqua and surrounding area by 4% to 43%.
3. Increase the proportion of persons who know the health risks (hypertension, hyperlipidemia, insulin resistance, etc.) and diseases (i.e., diabetes, cardiovascular disease, cancer, asthma, etc.) associated with obesity.
4. Increase the availability and accessibility of affordable, healthy foods and beverages.
5. Increase healthcare providers who routinely monitor, track and inform patients and/or parents of weight gain or growth by measuring BMI.

**Outcomes:**

1. Healthy behavioral and lifestyle choices.
2. Decreased unnecessary morbidity and mortality.
3. Improved quality of life.

**Implementation Strategies:**

1. Collaborate with local produce growers and community organizations to increase the availability and affordability of fruits and vegetables to children and their families.
2. Partner with local communities to explore the concept of community gardens and feasibility of implementation.
3. Develop a tool to survey health care providers to determine baseline percentage who present and discuss the health risks associated with

obesity to their patients and partner with them to implement this strategy.

4. Work with healthcare providers to increase the use of evidence-based counseling and guidance to patients and parents about promoting a healthy weight and preventing obesity by healthy eating and physical activity.
5. Increase understanding and use of BMI by the general population.
6. Partner with local communities and organizations to develop community-based nutrition programs serving both children and adults.
7. Support business initiatives that address nutrition and obesity.

**Resources:**

1. Funding for a Community Health Manager.
2. Partnerships with schools, local hospitals, businesses and community organizations for best practice childhood obesity prevention programs and weight management programs.
3. Tool to survey health care providers.
4. Funding for community gardens.
5. Property to develop community gardens.
6. Means to increase availability and marketing of locally grown produce.
7. Partnerships with local farmers and Penn State Cooperative Extension.
8. Develop a comprehensive plan of outreach, education and communication which includes BMI and obesity as priority messages.

**B. Physical Activity**

Being physically active is one of the most important steps that people of all ages can take to improve their health. Regular physical activity improves overall health and fitness, as well as helps prevent premature morbidity and mortality. Many conditions affected by physical activity occur with increasing age, such as heart disease and cancer. Reducing risk of these conditions may require years of participation in regular physical activity. However, other benefits, such as increased cardio-respiratory fitness, increased muscular strength, and decreased depressive symptoms and blood pressure, require only a few weeks or months of participation in physical activity. Most health benefits occur with at least 150 minutes a week of moderate-intensity physical activity, such as brisk walking. Further physical activity guidelines for children, adults and older adults can be found in the *Physical Activity Guidelines for Americans* developed by the U.S. Department of Health and Human Services.

**Baseline Data for Determining Goal:**

1. 36% of respondents reported participating in physical activity other than their regular job during the past month as compared to 74% in the state and 76% nationally.
2. 44% reported exercising 2-3 times per week.

3. 25% of children grades K through 6 are obese in the Tamaqua Area School District (TASD) compared to 21% in Schuylkill County.
4. 47% of adults in Tamaqua are obese based on their calculated BMI.

**Goal:** Improve health, fitness and quality of life through daily physical activity.

**Objectives:**

1. Reduce the proportion of adults who engage in no leisure-time physical activity.  
Baseline: 64% reported not participating in physical activity other than their regular job.  
Target: Decrease no leisure-time physical activity in adults by 5% to 59%.
2. Increase the proportion of adults who are aware of the *Physical Activity Guidelines for Americans*.
3. Increase the proportion of physician visits made by all child and adult patients that include brief counseling about exercise.

**Outcomes:**

1. Healthy behavioral and lifestyle choices.
2. Decreased unnecessary morbidity and mortality.
3. Improved quality of life.

**Implementation Strategies:**

1. Integrate physical activity awareness into the community-wide, multi-media outreach campaign to increase education about the *Physical Activity Guidelines for Americans* and the benefits of physical activity.
2. Develop a tool to survey health care providers to determine baseline percentage who educate patients about physical activity and partner with them to implement this strategy.
3. Work with healthcare providers to increase the use of evidence-based counseling and guidance to patients and parents about physical activity to promote a health weight.
4. Partner with local communities and organizations to develop or incorporate physical activity into programs serving both children and adults.
5. Support business initiatives that address physical activity.
6. Partner with local community organizations to offer discounted physical activity programs, gym memberships and registration fees for sport activities.

**Resources:**

1. Funding for a Community Health Manager.
2. Partnerships with schools, local hospitals, businesses and community organizations for best practice physical activity programs and

discounted physical activity programs, gym memberships and registration fees for sport activities.

3. Tool to survey health care providers.
4. Develop a comprehensive plan of outreach, education and communication which includes *Physical Activity Guidelines for Americans* and the benefits of physical activity.
5. Funding to help subsidize discounted physical activity programs, gym memberships and registration fees for sport activities.

### **C. Tobacco Use**

Tobacco use has significant health consequences including heart disease, cancers of the lung, larynx, esophagus, pharynx, mouth and bladder, as well as chronic lung disease. Tobacco also contributes to cancer of the pancreas, kidney and cervix. Consequences of smoking during pregnancy include spontaneous abortions, low birth weight babies and sudden infant death syndrome. Smokeless tobacco causes a number of serious oral health problems including cancer of the mouth, gum disease and tooth loss. Additionally, second hand smoke exposure can cause heart disease and lung cancer among adults and lower respiratory tract infections and ear infections among children.

#### **Baseline Data for Determining Goal:**

1. 34% of respondents smoke cigarettes, which is higher compared to the state (20%) and national (18%) 2009 BRFSS data.
2. 54% of respondents reported smoking greater than 10 cigarettes per day.

**Goal:** Reduce illness, disability, and death related to tobacco use and secondhand smoke exposure.

#### **Objectives:**

1. Reduce tobacco use by adults.  
Baseline: 34% reported smoking cigarettes.  
Target: Decrease tobacco use by 5% to 29%.
2. Increase smoking cessation attempts by adult smokers.
3. Reduce the proportion of nonsmokers exposed to secondhand smoke.

#### **Outcomes:**

1. Health behavioral and lifestyle choices.
2. Decreased unnecessary morbidity and mortality.
3. Improved quality of life.

#### **Implementation Strategies:**

1. Promote the St. Luke's Hospital Tobacco Cessation Treatment Center to increase patient and worksite referrals.

2. Ensure tobacco-use assessments of patients are occurring in local medical and dental practices.
3. Provide brief counseling training to medical and dental practices to assess smoking status; thereby making appropriate referrals to the St. Luke's Hospital Tobacco Cessation Treatment Center.
4. Promote smoke-free policies of local businesses, organizations, day-care centers, churches, public parks, etc.

**Resources:**

1. St. Luke's Hospital tobacco cessation counselors to provide cessation counseling and training.
2. Partnerships with local businesses, medical and dental providers, community organizations, worksites, day-care centers, churches, etc. to promote cessation services and smoke-free policies.

### **3. Chronic Disease Management**

#### **A. Diabetes**

Diabetes rates in Tamaqua are higher than compared to state and national rates. Many factors contribute to the onset of diabetes, including family history of the disease, obesity and lack of physical activity. Difficulties in managing the disease include poor living conditions, limited access to health care, a lack of economic resources and a lack of education about the disease. Nationally, the rate of Type 2 diabetes has been rising dramatically, especially among adolescents as problems of obesity have increased. In aging populations, as in Tamaqua and the surrounding area, diabetes can become costly and financially burdensome to the community unless education is provided to the community about how to prevent diabetes. Healthcare providers and community health workers should focus efforts towards educating the community about the importance of weight control, exercise, nutritious food choices and checking blood glucose levels when they have certain risks factors. Additionally, prevention of obesity in children, which, in turn, results in higher rates of childhood onset of diabetes, presents a challenge to educators and medical providers.

**Baseline Data for Determining Goal:**

1. The prevalence rate of diabetes in Tamaqua is higher (23%) as compared to state (9%) and national (8%) rates.
2. 47% of respondents have a BMI indicating obesity. This rate is much higher than state (28%) and national (27%) 2009 BRFSS data.
3. 63% of respondents reported participating in physical activity in the past six months and 44% reported exercising 2-3 times per week.

**Goal:** Prevent premature morbidity and mortality due to diabetes.

**Objectives:**

1. Increase the proportion of adults with diabetes who actively manage their disease through clinical and laboratory methods:
  - a. Increase the proportion of diabetic adults who have glycosylated hemoglobin (A1C) measurements at least once per year.  
Baseline: Preliminary data shows 48% of St. Luke's Rural Health Center patients receiving an annual glycosylated hemoglobin (A1C).  
Target: Increase the number of adults who receive an annual glycosylated hemoglobin (A1C) by 10%.
  - b. Increase the proportion of older adults with diabetes who have dilated eye examinations annually.  
Baseline: Preliminary data shows 8% of St. Luke's Rural Health Center patients receiving a dilated eye examination annually.  
Target: Increase the number of adults who receive a dilated eye examination annually by 10%.
  - c. Increase the proportion of older adults with diabetes who have annual foot exams.  
Baseline: Preliminary data shows 13% of St. Luke's Rural Health Center patients receiving an annual foot exam.  
Target: Increase the number of adults who receive an annual foot exam by 10%.
  
2. Increase the proportion of adults who attend diabetes self management classes.

**Outcomes:**

1. Healthy behavioral and lifestyle choices.
2. Decreased unnecessary morbidity/mortality.
3. Decreased disparities in health outcomes.
4. Improved quality of life.

**Implementation Strategies:**

1. Partner with community agencies and medical providers to expand diabetes programming for people with diabetes, those who are at-risk and their families to encompass all aspects of diabetes self-management including screening, blood glucose control, nutrition and physical activity.
2. Market the St. Luke's Miners Memorial Diabetes Self Management program to local medical providers to increase referral base.
3. Promote compliance with the American Diabetes Association Clinical Guidelines with local medical providers to improve overall patient outcomes.

**Resources:**

1. St. Luke's Miners Memorial Diabetes Self Management program to conduct community diabetes self management classes.
2. Partnerships with local medical providers and community agencies who can promote the diabetes self management classes and be potential sites to host the program.
3. Partnerships with local medical providers to increase referral base to the diabetes self management program.
4. American Diabetes Association Clinical Guidelines.

## **B. Asthma**

Higher rates of asthma were reported in Tamaqua as compared to state and national rates. Additionally, in the Tamaqua Area Health Needs Assessment, the most prevalent chronic condition reported for children living in an adult household was asthma.

Asthma is a common, chronic disease of the airways that is complex, with variable and persistent symptoms, airflow and airway obstruction, bronchial hyper-responsiveness, and an underlying inflammation of the lining of the lungs. Asthma is characterized by various triggers with levels of severity and evolving treatment options. Asthma symptoms can be triggered by exposure to allergens or irritants, viral respiratory infections or exercise. Asthma cannot be cured, but it can be controlled so that people are able to lead active and healthy lives. Asthma control can usually be achieved through adherence to an effective medical management plan, treatment of coexisting medical conditions and avoidance of environmental and occupational triggers. Missed school days, lost work days, ED visits, hospitalizations, and deaths can be prevented when asthma is controlled resulting in an improved quality of life for individuals affected by asthma.

To fully understand the burden of asthma in Tamaqua and the surrounding area and to meet the below objectives, it is recommended that an Asthma Partnership/Coalition be formed. The partnership should include members of local hospitals, schools, child care centers, community organizations who are identified as potential stakeholders in the asthma initiative. This partnership should focus on creating an asthma surveillance system to collect data on asthma prevalence, symptoms, disease management, health care access and utilization, and mortality. Surveillance and evaluation data will be used to better define the burden of asthma, guide policy and program planning, and assess the impact of strategic plan activities.

### **Baseline Data for Determining Goal:**

1. The prevalence rate of asthma in Tamaqua is higher (21%) as compared to state (13%) and national (13%) rates.
2. The most prevalent condition reported for children living in an adult household was asthma (8%).

**Goal:** Decrease asthma disparities and morbidity.

**Objectives:**

1. Improve asthma management by ensuring that health care providers treating individuals with asthma utilize the current National Heart, Lung and Blood Institute Clinical Guidelines for asthma.
2. Improve asthma management among members of child care organizations and schools including children, their care givers and all individuals with whom they interact.

**Outcomes:**

1. Healthy behavioral and lifestyle choices.
2. Decreased unnecessary morbidity/mortality.
3. Decreased disparities in health outcomes.
4. Improved quality of life.

**Implementation Strategies:**

1. Create an Asthma Partnership to monitor and identify asthma trends and disparities.
2. Promote the use of the National Heart Lung Blood Institute (NHLBI) asthma guidelines and asthma educational materials in medical practices.
3. Collaborate with local asthma champions to coordinate and provide annual asthma education to local medical providers.
4. Provide school nurses, school personnel (administrators, teachers, maintenance), and child care providers, with access to education and resources necessary to prevent and manage asthma in child care and school (after-school and before-school) settings.

**Resources:**

1. NHLBI Asthma Guidelines.
2. Partnership with local medical providers, schools, child care centers and community agencies.
3. Asthma expert to conduct asthma education to local medical providers.
4. Medical staff meeting to educate providers on NHLBI asthma guidelines.
5. Meeting location for Asthma Partnership/Coalition.
6. Asthma nurse to partner with school nurses, child care providers and families to conduct asthma education/in-services.
7. Community Health Manager to develop the Asthma Partnership/Coalition.
8. Grant funding for future asthma screening and management program based on outcomes of surveillance data.

#### **4. Access to Medical and Dental Care**

Access to quality health care in rural communities has been a long standing issue. The challenges of providing appropriate access to health care in these communities stem from multiple factors: geographic remoteness, long distances, less availability of specialty providers and limited transportation, to name a few. Despite having three local rural health centers in close proximity to Tamaqua, they are inaccessible to many who live in the Tamaqua Borough. Additionally, there are no local dentists who accept medical assistance. Children can access dental care on the Carbon County Dental Van but adults must travel up to one hour to access a dentist who accepts medical assistance so they often forgo dental care.

Co-location and/or consolidation of medical and dental services would improve and increase access to needed services for an underserved population (uninsured or low income adults, seniors and children). For a community in need, providing preventive care, primary care and dental care in the same location would increase access to quality care for uninsured, low income and Medicaid patients; reduce the fragmented care they are currently receiving; strengthen the safety net for these vulnerable populations; as well as serve as a medical home for a traditionally underserved population. Additionally, implementing a patient navigator model at the rural health centers would be beneficial to patients. A patient navigator is a member of the healthcare team who helps patients "navigate" the healthcare system and get timely care. Navigators work with patients to identify their barriers to healthcare and connect them to the resources they may need such as financial assistance, counseling, transportation and additional medical appointments and/or testing. This model has been proven to improve overall patient outcomes.

##### **Baseline Data for Determining Goal:**

1. 46% of respondents reported having a dental exam in the past year.
2. 15% of respondents reported having no health insurance.
3. Focus group members reported the following statements:
  - a. Local primary care providers are at their capacity for medical assistance patients.
  - b. The St. Luke's Hospital Rural Health Centers are inaccessible or are not known to many who live in the Tamaqua Borough.
  - c. Dentists who accept medical assistance are scarce so many residents often have to cross county lines to receive dental care.
  - d. There is a stigma associated with being a medical assistance patient.
4. 45% of families reported needing dental services in the past year, but only 35% reported having received them.
5. 40% reported needing health-related services, but only 34% received that health care.

**Goal:** Ensure increased access to high quality medical and dental services to decrease health disparities.

**Objectives:**

1. Increase access to quality preventive, primary and dental health care for uninsured, low-income and Medicaid populations (children, adults and seniors) through co-location of services at the rural health centers.
2. Implement a patient navigator model to improve overall patient outcomes.

**Outcomes:**

1. Decreased fragmented care; increase comprehensive services.
2. Increase the availability of and access to preventive, primary and dental health care services for uninsured, low-income and Medicaid populations.
3. Decrease unnecessary morbidity and mortality.
4. Decrease health disparities.

**Implementation Strategies:**

1. With community partners, conduct feasibility study to open a rural health center in Tamaqua including preventive, primary and dental health care services.
2. Collaborate with local community programs to offer dental services at the rural health centers.
3. Train rural health center staff on the patient navigator model.
4. Identify staff to work as a patient navigator.
5. Market availability of services to the community.

**Resources:**

1. Feasibility study for a Tamaqua rural health center.
2. Staff to lead the feasibility study.
3. Partnership with a local community dental program to provide services at the rural health centers.
4. Funding/strategic planning to implement a patient navigator model and dental services at the rural health centers.
5. Patient navigator training course.
6. Identified staff to act as patient navigators.
7. Means to market the rural health center patient navigator model and dental services to the community.
8. Partnerships with local community organizations and schools.

**5. Substance Abuse**

Substance abuse refers to a set of related conditions associated with the consumption of mind- and behavior-altering substances that have negative behavioral and health outcomes. The substances the community was most concerned about in the Tamaqua area were prescription drugs, alcohol, heroin and tobacco. The effects of substance abuse significantly contribute to social, physical, mental and public health problems including domestic violence, child abuse, teenage pregnancy, crime, etc. Substance abuse prevention and treatment services have proven to work in reducing some of the overall human and economic impacts of substance abuse. Best practice communities have piloted a health care delivery system designed to increase access and quality of behavioral health care services while maintaining cost effectiveness. This approach ensures consistent performance measures across providers and increases accountability, decreases administrative overhead, and emphasizes best practices.

Beyond maintaining a continuum of care, communities must ensure that persons with substance abuse problems have their basic needs addressed. For example, people need jobs, housing, transportation, child care, education, and insurance that covers mental and physical services to support and stabilize their lives. This can only be realized through continued collaboration among private and public partners; consumers and family members; and other community stakeholders working in the areas of substance abuse, health, public safety, education, workforce development, mental health, etc.

#### **Baseline Data for Determining Goal:**

1. Based on the percent of participants reporting a TASP community issue as “very serious” or “serious”, the following were listed in the top ten concerns as identified in the Community Needs Survey: Alcohol abuse, illegal drug use, crime, youth violence and domestic violence.
2. Agency key informants identified the following health conditions and behaviors as very important issues in the community: teenage pregnancy, alcoholism, drug abuse and tobacco use.

**Goal:** Increase community awareness of current substance abuse service delivery systems and best practice models to address substance abuse.

#### **Objectives:**

1. Integrate services, connecting existing substance abuse service delivery with primary care, emergency care, mental health, and social service and community agencies to ensure limited resources are available for the community.
2. Adopt two best practice strategies to address substance abuse prevention, treatment, aftercare and/or data collection in collaboration with law enforcement agencies, local safety initiative groups, drug and alcohol organizations, health care providers, schools and community agencies.

**Outcomes:**

1. Decreased fragmented care; increase comprehensive services.
2. Increase the availability of and access to substance abuse treatment services.
3. Implementation of two best practice substance abuse prevention, treatment and/or aftercare models.
4. Decrease health disparities.
5. Increased community-wide education and awareness about substance use and abuse.

**Implementation Strategies:**

1. Collaborate with local substance abuse treatment programs to market services to primary care, emergency care and substance abuse providers, as well as social service and community agencies.
2. Create strong linkages among providers and disseminate information so that at-risk and underserved populations have the knowledge and skills to access services, thereby ensuring availability of readily accessible, equitable and comprehensive services to the community.
3. Research best practices and identify effective models of service delivery to address substance abuse in the community.
4. Discuss feasibility of implementing best practice models with primary care, emergency care and mental health providers and other stakeholders.
5. Identify and invite qualified professionals to conduct community training regarding best practices.
6. Create common standards for quality of care, outcomes measurement, and data collection to better assess the impact of substance abuse in the community.

**Resources:**

1. Partnerships with primary care, emergency care and substance abuse providers.
2. Partnerships with local social services community agencies, schools, law enforcement agencies and drug and alcohol providers.
3. Staff to research, present and implement best practice models.
4. Qualified professionals to train stakeholders on best practice models.
5. Staff to assess current data collection pertaining to substance abuse.
6. Staff to implement a quantitative data collection model and to conduct outcome evaluation on best practice implementation and current impact of substance abuse in the community.

**6. Mental Health**

Mental health is a state of successful performance of mental function, resulting in productive activities, fulfilling relationships with other people, and the ability to adapt to change and to cope with challenges. Mental health is essential to personal well-being, family and interpersonal relationships, and the ability to contribute to community or society. It also plays a major role in people's ability to maintain good physical health. Mental illnesses, such as depression and anxiety, affect people's ability to participate in health-promoting behaviors. In turn, problems with physical health, such as chronic diseases, can have a serious impact on mental health and decrease a person's ability to participate in treatment and recovery.

Allowing mental health illness to become a chronic and complex problem is no benefit to the patient and places an additional burden on already-scarce services. Evidence points to the positive impact of early intervention in reducing personal, occupational and financial burdens. To begin addressing mental health illness in the community, success lies with enhanced collaboration between medical providers, community organizations, schools, social service organizations and mental health treatment services.

**Baseline Data for Determining Goal:**

1. The prevalence rate of mental health illness in Tamaqua is 17%.
2. The mental illness rate reported for adults living in the survey respondents household was 7%.
3. The mental illness rate reported for children living in an adult household was 4%.
4. Focus group respondents reported that there are high rates of undiagnosed or untreated mental health problems and few mental health providers in the Tamaqua area.

**Goal:** Increase utilization of mental health treatment services.

**Objectives:**

1. Integrate services, connecting existing mental health treatment services with primary care, emergency care, schools and social service and community agencies to ensure limited resources are available for the community and improving the safety net of services.
2. Increase the proportion of primary care facilities that provide mental health treatment onsite or by paid referral.
3. Increase the proportion of children with mental health problems who receive treatment.

**Outcomes:**

1. Decreased fragmented care; increase comprehensive services.
2. Increase the availability of and access to mental health treatment services.

3. Decrease health disparities.
4. Increased community-wide education and awareness about mental health disorders and need for treatment.

**Implementation Strategies:**

1. Collaborate with local mental health providers to market services to primary care, emergency care and mental health providers, as well as social service and community agencies.
2. Create strong linkages among providers and disseminate information so that at-risk and underserved populations have the knowledge and skills to access services, thereby ensuring availability of readily accessible, equitable and comprehensive services to the community.
3. Collaborate with local mental health providers and medical providers to assess feasibility of providing on site mental health services.
4. Collaborate with schools and pediatric providers to ensure a system is in place to screen adolescents (12-18 years of age) for mental health disorders and referral appropriately.

**Resources:**

1. Partnerships with primary care, emergency care and mental health providers.
2. Partnerships with local social services community agencies and schools.
3. Staff to assess feasibility of onsite mental health services, especially at the St. Luke's Hospital Rural Health Centers.
4. Staff to partner with schools to address screening for mental health disorders in adolescents.

Again, it is recommended to create a Community Health Partnership as either an extension of the current committee or a newly formed Partnership of St. Luke's Miners Memorial Hospital to evaluate the progress of the three year strategic plan.

For more information about the Community Health Strategic Plan, please contact:

Hollie Gibbons, MPH, RD  
Manager, Disease Prevention Programs  
Community Health  
St. Luke's Hospital  
Phone: 484-526-2301

**Appendix A: Community Health Committee Members**

1. Larissa Verta, Lehigh Carbon Community College
2. Linda Cara, Tamaqua Area School District
3. Florence Janis, Community Member
4. Dina Depos, Tamaqua Salvation Army
5. Mary Louise Zimmerman, St. Luke's Miners Memorial Hospital, Homecare
6. Hollie Gibbons, St. Luke's Hospital

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

**Consolidated Financial Statements and  
Supplemental Information  
June 30, 2014 and 2013**

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

## Index

June 30, 2014 and 2013

---

|   | Page(s) |
|---|---------|
| <b>Report of Independent Auditors</b>         | 1–2     |
| <b>Consolidated Financial Statements</b>      |         |
| Balance Sheets                                | 3       |
| Statements of Operations                      | 4       |
| Statements of Changes in Net Assets           | 5       |
| Statements of Cash Flows                      | 6       |
| Notes to Financial Statements                 | 7–33    |
| <b>Consolidating Supplemental Information</b> |         |
| Balance Sheets                                | 34–41   |
| Statements of Operations                      | 42–45   |



## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of St Luke's University Health Network, Inc and its controlled entities (collectively, the "Network"), which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statement of operations, changes in net assets and their cash flows for the years then ended

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St Luke's University Health Network, Inc and its controlled entities at June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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

*PricewaterhouseCoopers LLP*

October 31, 2014

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidated Balance Sheet**  
**June 30, 2014 and 2013**

|   | 2014                    | 2013                    |
|---|-------------------------|-------------------------|
| <b>Assets</b>   |                         |                         |
| Current   |                         |                         |
| Cash and cash equivalents   | \$ 79,281,175           | \$ 76,885,975           |
| Patient accounts receivable, net of allowance for uncollectible accounts of \$45,097,227 and \$64,108,720, respectively | 201,064,314             | 200,352,091             |
| Other accounts receivable   | 12,555,169              | 7,922,929               |
| Investments   | 88,431,526              | 64,339,935              |
| Inventories   | 16,104,632              | 18,020,219              |
| Prepaid expenses  | 21,107,295              | 17,939,420              |
| Total current assets  | <u>418,544,111</u>      | <u>385,460,569</u>      |
| Assets limited as to use, net of current portion  |                         |                         |
| Funds held by trustee   | 30,694,585              | 55,721,443              |
| Under bond indenture  | 31,865,328              | 35,975,983              |
| Board designated funds  | 280,290,293             | 245,808,543             |
|   | <u>342,850,206</u>      | <u>337,505,969</u>      |
| Property and equipment, net   | 629,387,369             | 618,382,126             |
| Goodwill, net   | 34,886,729              | 31,836,348              |
| Investments temporarily restricted as to use  | 29,112,021              | 23,246,639              |
| Investments permanently restricted as to use  | 30,813,985              | 27,564,669              |
| Deferred financing costs  | 6,772,124               | 6,872,570               |
| Annuity contracts   | 15,347,341              | 11,497,695              |
| Other assets  | 39,786,428              | 28,286,665              |
| Total assets  | <u>\$ 1,547,500,314</u> | <u>\$ 1,470,653,250</u> |
| <b>Liabilities and Net Assets</b>   |                         |                         |
| Current   |                         |                         |
| Accounts payable  | \$ 61,182,819           | \$ 57,821,988           |
| Accrued salaries, wages and taxes   | 29,446,719              | 27,010,449              |
| Accrued vacation and bonus  | 35,520,445              | 33,068,755              |
| Current portion of self insurance reserves  | 19,404,786              | 19,059,744              |
| Deferred income   | 4,441,143               | 3,744,655               |
| Advance from third-party payors   | 2,398,101               | 2,398,101               |
| Patient credit balances   | 10,935,159              | 18,312,107              |
| Current portion of long-term debt   | 11,758,905              | 10,943,434              |
| Current portion of accrued compensation payable   | 3,812,853               | 3,755,831               |
| Accrued interest on long-term debt  | 10,093,300              | 8,625,460               |
| Other Current Liabilities   | 14,808,683              | 5,576,580               |
| Estimated third-party payor settlements   | 5,431,319               | 13,019,923              |
| Total current liabilities   | <u>209,234,232</u>      | <u>203,337,027</u>      |
| Long-term debt, net of current portion  | 502,918,395             | 509,838,008             |
| Asset retirement obligation   | 3,561,211               | 3,560,486               |
| Accrued compensation payable  | 91,508,461              | 90,139,947              |
| Self insurance reserves   | 39,397,596              | 38,697,057              |
| Swap contracts  | 67,932,360              | 66,942,036              |
| Other noncurrent liabilities  | 13,637,798              | 10,987,224              |
| Total liabilities   | <u>928,190,053</u>      | <u>923,501,785</u>      |
| Net assets  |                         |                         |
| Unrestricted net assets   | 550,604,391             | 485,141,398             |
| Temporarily restricted net assets   | 37,891,885              | 34,445,398              |
| Permanently restricted net assets   | 30,813,985              | 27,564,669              |
| Total net assets  | <u>619,310,261</u>      | <u>547,151,465</u>      |
| Total liabilities and net assets  | <u>\$ 1,547,500,314</u> | <u>\$ 1,470,653,250</u> |

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidated Statement of Operations**  
**Years Ended June 30, 2014 and 2013**

|   | 2014                 | 2013                  |
|---|----------------------|-----------------------|
| <b>Revenues and gains</b>   |                      |                       |
| Patient service revenue (net of contractual allowances and discounts)             | \$1,235,483,095      | \$1,183,242,414       |
| Provision for bad debts   | (123,382,063)        | (100,673,411)         |
| Net patient service revenue less provision for bad debts                          | 1,112,101,032        | 1,082,569,003         |
| Other operating revenue and gains   | 35,106,782           | 38,041,186            |
| Net assets released from restrictions used for operations                         | 2,472,852            | 1,439,002             |
| Total revenue and gains   | <u>1,149,680,666</u> | <u>1,122,049,191</u>  |
| <b>Operating expenses</b>   |                      |                       |
| Salaries and employee benefits  | 633,842,716          | 616,820,978           |
| Supplies and other  | 392,429,721          | 386,672,107           |
| Depreciation and amortization   | 73,569,540           | 66,850,152            |
| Interest  | 24,556,392           | 23,366,221            |
| Total expenses  | <u>1,124,398,369</u> | <u>1,093,709,458</u>  |
| Income from operations  | <u>25,282,297</u>    | <u>28,339,733</u>     |
| <b>Nonoperating gains (losses)</b>  |                      |                       |
| Unrestricted investment income from assets limited as to use                      | 6,971,040            | 7,389,399             |
| Realized gains on unrestricted investment   | 1,969,155            | 1,105,410             |
| Gifts, grants and bequests  | 112,321              | 214,059               |
| Unrestricted investment income from restricted net assets                         | 263,059              | 249,493               |
| Income from equity method investments   | 17,677,259           | 3,214,438             |
| Gain/(loss) on disposal of property and equipment                                 | 1,991,700            | (38,336)              |
| Restructuring costs   | (2,317,206)          | (974,968)             |
| Pre-acquisition/merger costs  | -                    | (138)                 |
| Donations to other organizations  | (606,785)            | (498,834)             |
| Change in fair value of derivative instruments                                    | 1,888,763            | 2,006,392             |
| Goodwill impairment   | (15,031)             | (547,850)             |
| Gain on retirement/purchase of bonds  | -                    | 1,088,875             |
| Nonoperating gains  | <u>27,934,275</u>    | <u>13,207,940</u>     |
| Excess of revenue and gains over expenses   | 53,216,572           | 41,547,673            |
| Net assets released from restrictions used for purchase of property and equipment | 9,322,002            | 1,799,151             |
| Contribution of building  | -                    | 722,300               |
| Other Changes in Unrestricted Assets  | (2,224,120)          | (886,251)             |
| Loss on sale of joint venture   | (19,312)             | (2,661,253)           |
| Net assets released to specific purpose fund                                      | (163,817)            | (89,873)              |
| Pension adjustment  | (23,621,237)         | 72,293,018            |
| Beginning unrestricted net assets   | -                    | 293,351               |
| Change in unrealized gains on investments   | 31,831,993           | 16,065,163            |
| Change in fair market value of interest rate swaps                                | (2,879,088)          | 26,862,226            |
| Increase in unrestricted net assets   | <u>\$ 65,462,993</u> | <u>\$ 155,945,505</u> |

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended June 30, 2014 and 2013**

|   | 2014                  | 2013                  |
|---|-----------------------|-----------------------|
| <b>Unrestricted net assets</b>  |                       |                       |
| Excess of revenue and gains over expenses   | \$ 53,216,572         | \$ 41,547,673         |
| Beginning unrestricted net assets   | -                     | 293,351               |
| Net assets contributed and released from restrictions used for purchase of property and equipment | 9,322,002             | 1,799,151             |
| Contribution of building  | -                     | 722,300               |
| Loss on sale of joint venture   | (19,312)              | (2,661,253)           |
| Net assets released to specific purpose fund  | (163,817)             | (89,873)              |
| Pension adjustment  | (23,621,237)          | 72,293,018            |
| Other changes in unrestricted assets  | (2,224,120)           | (886,251)             |
| Change in unrealized gains on investments   | 31,831,993            | 16,065,163            |
| Change in fair market value of derivatives  | (2,879,088)           | 26,862,226            |
| Increase in unrestricted net assets   | <u>65,462,993</u>     | <u>155,945,505</u>    |
| <b>Temporarily restricted net assets</b>  |                       |                       |
| Contributions received  | 5,569,615             | 11,927,550            |
| Net realized/unrealized gains on investments  | 7,265,417             | 4,159,787             |
| Net assets released from restrictions   | (9,388,545)           | (2,804,069)           |
| Increase in temporarily restricted net assets   | <u>3,446,487</u>      | <u>13,283,268</u>     |
| <b>Permanently restricted net assets</b>  |                       |                       |
| Contributions received  | 2,836,308             | 1,434,687             |
| Net realized/unrealized losses on investments   | 413,008               | (317,653)             |
| Increase in permanently restricted net assets   | <u>3,249,316</u>      | <u>1,117,034</u>      |
| Increase in net assets  | 72,158,796            | 170,345,807           |
| <b>Net assets</b>   |                       |                       |
| Beginning of year   | <u>547,151,465</u>    | <u>376,805,658</u>    |
| End of year   | <u>\$ 619,310,261</u> | <u>\$ 547,151,465</u> |

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

|   | 2014                 | 2013                 |
|---|----------------------|----------------------|
| <b>Cash flows provided by operating activities</b>                                  |                      |                      |
| Change in net assets  | \$ 72,158,796        | \$ 170,345,807       |
| Adjustments to reconcile change in net assets to net cash from operating activities |                      |                      |
| (Gain) Loss on disposal of equipment  | (1,991,700)          | 38,336               |
| Depreciation and amortization   | 73,569,540           | 66,850,152           |
| Equity gains from joint ventures  | (17,766,404)         | (47,530)             |
| Change in unrealized gains on unrestricted investments                              | (31,831,993)         | (16,065,163)         |
| Net realized gain on restricted investments   | (152,502)            | (26,920)             |
| Net unrealized gain on restricted investments                                       | (7,525,923)          | (3,924,384)          |
| Net realized gain on unrestricted investments                                       | (1,969,155)          | (1,105,410)          |
| Pension adjustments   | 23,621,237           | (72,293,018)         |
| Sw ap contracts   | 990,324              | (16,268,616)         |
| Other changes in unrestricted assets  | 2,224,120            | 886,251              |
| Restricted contributions received   | (3,405,923)          | (13,362,237)         |
| Provision for bad debts   | 123,382,063          | 100,673,411          |
| Change in cash due to changes in operating assets and liabilities                   |                      |                      |
| Patient accounts receivable   | (124,094,286)        | (135,223,074)        |
| Other receivables   | (4,632,240)          | 2,504,989            |
| Inventories   | 1,915,587            | (1,070,623)          |
| Prepaid expenses  | (3,167,875)          | (2,662,734)          |
| Other assets  | (13,657,267)         | (20,931,557)         |
| Accounts payable and accrued liabilities  | (2,285,532)          | 232,107              |
| Patient credit balances   | (7,376,948)          | 6,080,721            |
| Net estimated third-party payor settlements   | (7,588,604)          | (5,137,009)          |
| Deferred income   | 696,488              | 456,346              |
| Net cash provided by operating activities   | <u>71,111,803</u>    | <u>59,949,845</u>    |
| <b>Cash flows used by investing activities</b>                                      |                      |                      |
| Purchases of property, plant and equipment  | (76,138,800)         | (82,692,062)         |
| Distributions from equity method investments  | 7,154,733            | -                    |
| Proceeds from sale of equipment   | 36,635               | 1,095,762            |
| Decrease in assets whose use is limited, net  | (3,375,546)          | (68,918,012)         |
| Sales of investments, net   | 6,304,595            | 10,846,244           |
| Net cash used in investing activities   | <u>(66,018,383)</u>  | <u>(139,668,068)</u> |
| <b>Cash flows provided by (used in) financing activities</b>                        |                      |                      |
| Proceeds from issuance of long-term debt  | 5,851,288            | 105,716,853          |
| Repayments of long-term debt  | (11,955,431)         | (1,874,261)          |
| Repurchase of St Luke's bonds   | -                    | (42,150,000)         |
| Proceeds from restricted contributions  | 3,405,923            | 13,362,237           |
| Net cash provided by financing activities   | <u>(2,698,220)</u>   | <u>75,054,829</u>    |
| Increase (Decrease) in cash and cash equivalents                                    | 2,395,200            | (4,663,394)          |
| <b>Cash and cash equivalents</b>  |                      |                      |
| Beginning of year   | <u>76,885,975</u>    | <u>81,549,369</u>    |
| End of year   | <u>\$ 79,281,175</u> | <u>\$ 76,885,975</u> |
| Construction in progress included in accounts payable                               | <u>\$ 2,734,720</u>  | <u>\$ 5,192,818</u>  |
| Cash paid for interest  | <u>\$ 23,868,761</u> | <u>\$ 24,620,607</u> |

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

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

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

---

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

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

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

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

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

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

---

The Network also participates in various joint ventures and partnerships. These arrangements enable the Network to provide healthcare services to the broader community through involvement in other healthcare organizations. See Note 8 for additional information on investments in joint ventures and partnerships.

## 2. Summary of Significant Accounting Policies

### **Basis of Accounting**

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Organizations*, and other pronouncements applicable to not-for-profit healthcare organizations.

### **Basis of Consolidation**

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

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

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

### **Investments and Investment Income**

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

The Network conducted an analysis and evaluation of securities for any potential "other than temporary impairment" of investments. If the decline in the market value of an investment below cost was deemed to be other than temporary, an adjustment would be made to reduce the cost basis of the investment(s) and a realized loss would be recorded in the excess of revenue over expenses. The Network did not have an "other than temporary impairment" adjustment for the years ended June 30, 2014 and 2013.

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

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

---

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

|  | 2014                 | 2013                 |
|--|----------------------|----------------------|
| Interest and dividend income           | <u>\$ 8,590,878</u>  | <u>\$ 8,949,423</u>  |
| Realized gains on sales of investments | <u>\$ 3,600,296</u>  | <u>\$ 2,718,903</u>  |
| Net unrealized gains on investments    | <u>\$ 31,831,993</u> | <u>\$ 16,065,163</u> |

#### **Assets Limited as to Use**

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

#### **Inventories**

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

#### **Property and Equipment**

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

#### **Long Lived Assets**

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

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

#### **Goodwill**

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

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

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

---

#### **Deferred Financing Costs**

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

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

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

#### **Self Insurance Reserves**

Accrued insurance costs consist of discounted reserves for reported and incurred-but-not-reported (IBNR) claims related to medical malpractice incidents and the Network's self-insured retention for workers' compensation and employee health insurance incidents. For the years ended June 30, malpractice reserves and workers compensation reserves are discounted using a discount rate of 4.69% and 4.69%, respectively, in 2014 and 5.29% and 5.29%, respectively, in 2013.

#### **Gift Annuities**

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

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

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

#### **Donor Restricted Gifts**

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

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

The Network has agreements with third-party payors who provide payments to the Network at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted from established charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and

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

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

---

others for services rendered, including estimated retroactive adjustments due to future audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews and investigations.

Included in net patient service revenue are changes in liability adjustments from third party payors with an overall net favorable adjustment of \$8,172,948 for 2014 as compared to a favorable adjustment of \$5,137,009 for 2013.

In July 2010 the Pennsylvania General Assembly passed the Public Welfare Code amendment (Act 49) which was signed into law by the Governor, establishing a new program referred to as Medicaid Modernization. The program was subsequently approved by the federal Centers for Medicare and Medicaid Services. The program is designed to provide additional funding to Pennsylvania hospitals for the purpose of enhancing access to quality healthcare for qualifying Medicaid beneficiaries, helping to partially mitigate the losses incurred by hospitals resulting from low reimbursement rates. To accomplish this objective, for fiscal years 2011 through 2014, the program provides participating hospitals with improved inpatient fee-for-service hospital payments, establishes enhanced hospital payments through Medicaid managed care organizations (MCOs), and secures additional federal matching Medicaid funds through a Quality Care Assessment, under which hospitals pay the state a percentage of their net inpatient revenue for fiscal year 2011. The cost of the assessment due to the state was \$12,421,533 and \$13,617,226 for years ended June 30, 2014 and 2013, respectively. The Network recognized additional net patient service revenue of \$6,503,909 and \$4,509,682 for the years ended June 30, 2014 and 2013, respectively, from the Pennsylvania Medicaid Modernization program.

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

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

#### **Charity Care**

The Network provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charges for services to patients who meet the Network's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The charges associated with these services for charity care provided by the Network approximate \$105,400,000 and \$116,300,000 in 2014 and 2013, respectively. The costs incurred to provide such care is determined using a cost to charge ratio and were approximately \$89,066,000 and \$98,330,000 for 2014 and 2013, respectively.

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

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

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

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

---

#### **Income Taxes**

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

St. Luke's University Health Network Insurance Company is a taxable reciprocal insurer.

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

St. Luke's Warren Physician Group, P.C., PA Alliance, Hillcrest Emergency Services, P.C. and Two Rivers are for-profit entities providing outpatient health care services in Pennsylvania and New Jersey. Prior to January 1, 2009, St. Luke's Warren Physician Group, P.C. and Hillcrest Emergency Services, P.C. elected, under the applicable provisions of the Internal Revenue Code and applicable state codes, to have the physician owner recognize their respective share of net income or loss on their individual tax returns. Accordingly, St. Luke's Warren Physician Group, P.C. and Hillcrest Emergency Services, P.C. did not record a liability for Federal and state income taxes. Effective January 1, 2009, St. Luke's Warren Physician Group, P.C. and Hillcrest Emergency Services, P.C. commenced operating as a for-profit "C" corporation. The deferred tax assets arising from net operating losses and other temporary items generated by for-profit entities, approximately \$4.6 million at June 30, 2014, are subject to a full valuation allowance as the realization of such deferred tax assets cannot be considered more likely than not at June 30, 2014.

#### **Interest Rate Swaps**

The Network recognizes all derivative financial instruments in the balance sheet at fair value. The change in the fair value of derivatives that do not qualify for hedge accounting is recognized as a component of excess of revenues over expenses for the years ended June 30, 2014 and 2013. The change in the fair value of derivatives that qualify for hedge accounting are recognized through changes in unrestricted net assets on the statement of operations for the years ended June 30, 2014 and 2013.

### **3. Risks and Uncertainties**

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

### **4. Concentrations of Credit Risk**

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

The Network maintains cash, investments and assets limited as to use in banks, which include cash equivalents consisting of overnight repurchase agreements. Amounts are invested in a variety of financial instruments. The related values, as presented in the consolidated financial statements, are subject to various market fluctuations which include changes in the equity markets, interest rate

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

environment and the general economic conditions. The FDIC insures funds up to \$250,000 per depositor.

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

The mix of receivables from patients and third-party payors at June 30, 2014 and 2013 was as follows:

|   | 2014        | 2013        |
|---|-------------|-------------|
| Medicare  | 20.9%       | 21.8%       |
| Medical Assistance  | 10.4%       | 9.1%        |
| Blue Cross/Highmark Blue Shield   | 23.1%       | 20.7%       |
| Commercial/HMO/Other (includes Medicare HMO)                                      | 33.1%       | 27.1%       |
| Self pay (includes balances of patients filing for Medicaid but not yet approved) | 12.5%       | 21.3%       |
|   | <u>100%</u> | <u>100%</u> |

**5. Charity Care and Community Service**

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

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

**6. Third-Party Agreements**

For the years ended June 30, 2014 and 2013, payment arrangements with the Network and third-party payors were as follows:

**Medicare**

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

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

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

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

---

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

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

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

#### **Medicaid**

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

#### **Other**

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

## **7. Fair Value Measurements**

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

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

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

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

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

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

The total return swaps are less liquid and inputs are unobservable and as such are classified within level 3. While the valuation of these less liquid derivatives may utilize some level 1 and/or level 2 inputs, they also include other unobservable inputs which are considered significant to the fair value determination. At each measurement date, the Network updates the level 1 and level 2 inputs to reflect observable inputs, though the resulting gains and losses are reflected within level 3 due to the significance of the unobservable inputs. The significant unobservable inputs used in the fair value measurement of the Network's total return swaps are discounted cash flow rates, underlying bond prices with little to no trading history and credit risk assumptions used to record any discount on the liability.

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

Financial instruments carried at fair value as of June 30, 2014, and 2013 are as follows:

|   | <b>June 30, 2014</b>                                     |  |  |                             |
|---|--|--|--|-----------------------------|
|   | <b>Quoted Prices in<br/>Active Markets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total<br/>Fair Value</b> |
| <b>Investments</b>                              |  |  |  |                             |
| Cash & Cash Equivalents                         | \$ 79,281,175  | \$ -   | \$ -   | \$ 79,281,175               |
| Money Market Funds                              | 23,200,967   | -  | -  | 23,200,967                  |
| Government Securities                           | 132,650,140  | -  | -  | 132,650,140                 |
| Corporate Bonds                                 | 21,441,647   | -  | -  | 21,441,647                  |
| Common & Preferred Stock                        | 58,881,611   | -  | -  | 58,881,611                  |
| Mutual Funds                                    | 255,033,373  | -  | -  | 255,033,373                 |
| Total Investments                               | <b>\$ 570,488,913</b>                                    | <b>\$ -</b>  | <b>\$ -</b>  | <b>\$ 570,488,913</b>       |
| <b>Derivative Financial Instruments</b>         |  |  |  |                             |
| Cost of Funds Hedge -<br>Floating to Fixed Rate | \$ -   | \$ 57,413,456  | \$ -   | \$ 57,413,456               |
| Total Return Swap                               | -  | -  | 10,518,904   | 10,518,904                  |
| Interest Rate Swaps-Liability                   | <b>\$ -</b>  | <b>\$ 57,413,456</b>   | <b>\$ 10,518,904</b>   | <b>\$ 67,932,360</b>        |

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

|   | June 30, 2013                                   |   |  |                       |
|---|---|---|--|-----------------------|
|   | Quoted Prices in<br>Active Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total<br>Fair Value   |
| Investments                                     |   |   |  |                       |
| Cash & Cash Equivalents                         | \$ 76,885,975                                   | \$ -  | \$ -   | \$ 76,885,975         |
| Money Market Funds                              | 81,190,062                                      | -   | -  | 81,190,062            |
| Government Securities                           | 60,319,314                                      | -   | -  | 60,319,314            |
| Corporate Bonds                                 | 26,907,579                                      | -   | -  | 26,907,579            |
| Common & Preferred Stock                        | 4,270,635                                       | -   | -  | 4,270,635             |
| Mutual Funds                                    | 279,969,622                                     | -   | -  | 279,969,622           |
| Total Investments                               | <u>\$ 529,543,187</u>                           | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 529,543,187</u> |
| Derivative Financial Instruments                |   |   |  |                       |
| Cost of Funds Hedge -<br>Floating to Fixed Rate | \$ -  | \$ 54,534,369   | \$ -   | \$ 54,534,369         |
| Total Return Swap                               | -   | -   | 12,407,667   | 12,407,667            |
| Interest Rate Swaps-liability                   | <u>\$ -</u>                                     | <u>\$ 54,534,369</u>                                      | <u>\$ 12,407,667</u>                               | <u>\$ 66,942,036</u>  |

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

|  | Interest<br>Rate Swaps |
|--|------------------------|
| <u>Fair Value, June 30, 2012</u>               | <u>\$ 14,414,058</u>   |
| Change in fair value of derivative instruments | (2,006,391)            |
| <u>Fair Value, June 30, 2013</u>               | <u>\$ 12,407,667</u>   |
| Change in fair value of derivative instruments | (1,888,763)            |
| <u>Fair Value, June 30, 2014</u>               | <u>\$ 10,518,904</u>   |

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

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

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

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

St Luke's University Health Network holds a 40% equity interest in Royal HomeStar, LLC, which was organized on March 1, 2013 and provides durable medical equipment services

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

St Luke's University Health Network holds a 40% equity interest in Etowah Dialysis, Inc , which was organized on September 1, 2013 and provides durable medical equipment services

The Network also maintains other investments in partnerships that provide various clinical and nonclinical services The Network's investments in the partnerships are accounted for under the equity method The total investments in joint ventures and partnerships of approximately \$13,051,819 and \$3,560,578 for the years ended June 30, 2014 and 2013, respectively, are included in other assets on the consolidated balance sheets

**9. Property and Equipment**

Property and equipment and related accumulated depreciation at June 30, 2014 and 2013 consisted of the following

|  | <b>2014</b>           | <b>2013</b>           |
|--|-----------------------|-----------------------|
| Land   | \$ 92,164,232         | \$ 89,978,195         |
| Buildings and improvements                     | 662,631,764           | 631,808,261           |
| Equipment                                      | 611,111,811           | 556,701,318           |
| Parking garage                                 | 26,591,467            | 24,119,740            |
| Total Property, Plant, & Equipment, gross      | <u>1,392,499,274</u>  | <u>1,302,607,514</u>  |
| Less Accumulated depreciation                  | <u>805,961,577</u>    | <u>738,356,501</u>    |
| Total Property, Plant & Equipment, net         | 586,537,697           | 564,251,013           |
| Construction-in-progress (CIP)                 | <u>42,849,672</u>     | <u>54,131,113</u>     |
| Total Property, Plant & Equipment, net and CIP | <u>\$ 629,387,369</u> | <u>\$ 618,382,126</u> |

Depreciation expense was approximately \$71,201,994 and \$64,174,862 for the years ended June 30, 2014 and 2013, respectively Interest that was capitalized was approximately \$1,309,956 and \$1,913,364 for the years ended June 30, 2014 and 2013, respectively

**Capital Leases**

Included in fixed and movable equipment as of June 30, 2014 is approximately \$9,752,005 of assets purchased under capital lease agreements Accumulated amortization of such assets approximates \$9,237,837 as of June 30, 2014

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

**10. Long-Term Debt**

Long-term debt at June 30, 2014 and 2013 consisted of the following

|  | <b>2014</b>           | <b>2013</b>           |
|--|-----------------------|-----------------------|
| Quakertown General Authority - 1996A Pooled Financing Loan issued by the Quakertown General Authority at a variable rate               | \$ 3,626,097          | \$ 5,204,787          |
| Hospital Revenue Bonds, Series 2007, issued by the Lehigh County General Purpose Authority   | 127,240,000           | 128,500,000           |
| Hospital Revenue Bonds, Series 2008A, issued by Northampton County General Purpose Authority, net of unamortized discount              | 172,714,061           | 172,625,969           |
| Hospital Revenue Bonds, Series 2010A, 2010B, 2010C, issued by Northampton County General Purpose Authority, net of unamortized premium | 59,331,752            | 60,936,122            |
| Hospital Revenue Bonds, Series 2013A & 2013B, issued by Northampton County General Purpose Authority, net of unamortized premium       | 65,480,306            | 65,496,322            |
| Hospital Refunding Bonds, Series 2013, issued by New Jersey Health Care Facilities Financing Authority, net of unamortized premium     | 39,258,409            | 39,320,162            |
| TD Bank, N A Note Payable  | 24,205,137            | 25,890,845            |
| Wells Fargo Equipment Finance, Inc   | 21,067,530            | 19,896,774            |
| Various notes and mortgage notes payable at various interest rates   | 1,754,008             | 2,910,461             |
|  | <u>514,677,300</u>    | <u>520,781,442</u>    |
| Less Current portion   | 11,758,905            | 10,943,434            |
|  | <u>\$ 502,918,395</u> | <u>\$ 509,838,008</u> |

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

| <b>Fiscal Year</b>  | <b>Long-Term Debt</b> |
|---|-----------------------|
| 2015  | 11,758,905            |
| 2016  | 12,586,150            |
| 2017  | 11,893,944            |
| 2018  | 11,010,224            |
| 2019  | 10,461,153            |
| 2020  | 9,391,479             |
| Thereafter  | 447,287,565           |
|   | <u>514,389,420</u>    |
| Less Amount of unamortized bond discount/premium/imputed interest | (287,880)             |
|   | <u>\$ 514,677,300</u> |

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

The fair market value of outstanding debt as of June 30, 2014 is as follows

|   | <b>Par<br/>Amount</b> | <b>Fair<br/>Market<br/>Value</b> |
|---|-----------------------|----------------------------------|
| Quakertown General Authority 1996A<br>Pooled Financing Loan | 3,626,097             | 3,626,097                        |
| Series 2007   | 125,520,000           | 99,015,485                       |
| Series 2008   | 175,000,000           | 185,451,718                      |
| Series 2010   | 59,105,000            | 62,669,462                       |
| Series 2013 (St Luke's Warren)                              | 37,410,000            | 38,046,928                       |
| Series 2013   | 65,000,000            | 66,637,950                       |
|   | <u>\$ 465,661,097</u> | <u>\$ 455,447,640</u>            |

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

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

The fair value of the Network's bonds at June 30, 2014 and 2013 is approximately \$455 million and \$459 million respectively, versus the outstanding principal at June 30, 2014 and 2013 of \$468 million and \$472 million, respectively. The fair value of the bonds is estimated using market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

The Network reported long-term debt of \$502,918,395 and \$509,838,008 for years ended June 30, 2014 and 2013, respectively. The Network's long term debt would be classified as level 2.

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

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

The proceeds from the borrowings on the 1996A Bond Pool were used to refinance previous borrowings from the Quakertown Variable Rate Demand Bond Pool Series 1995 and to finance certain capital improvement projects. The term of the Loan is 238 months, payable in full by January 1, 2017 and will bear interest at a variable rate. At June 30, 2014 and 2013, the rate (including bond and obligated group expense) was 2.0% and 2.0%, respectively.

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

**Hospital Revenue Bonds, Series 2007**

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

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

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

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

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

**Hospital Revenue Bonds, Series 2008**

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

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

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

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

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

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

**Hospital Revenue Bonds, Series 2010**

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

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

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

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

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

---

#### **Hospital Revenue Bonds, Series 2013**

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

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

#### **Hospital Refunding Bonds, Series 2013**

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

## **11. Derivative Financial Instruments**

At June 30, 2014, two floating to fixed interest rate swaps were outstanding with notional amounts totaling \$265.61 million and maturity dates ranging from August, 2033 to August, 2042 The bonds, issued in a quarterly reset LIBOR-based variable rate mode, will be swapped to a 4.60% fixed rate The nature of the risk is to eliminate unpredictable variability of interest rate payments due to changes in the 3 month LIBOR rate as well as limit exposure to increases in short-term interest rates as well as significantly decrease borrowing costs (relative to a traditional fixed rate issuance) Based on the identical characteristics of the payment based index of the hedged item and the receipt based index on the interest rate swap, the hedge will exactly offset the variability of interest rates on the underlying bonds over the term of the swap transaction

At June 30, 2014, three total return swaps were outstanding In December 2007, St Luke's executed a total return swap on a \$76 million portion of the outstanding Series 2007, 2042 term bond In September 2009, St Luke's executed a total return swap on a \$24 million portion of the outstanding Series 2007, 2033 term bond Pursuant to these agreements, St Luke's has guaranteed a price of 95.50% and 99.5%, respectively, on the underlying Bonds St Luke's has the right to call and redeem these bonds at any time as fully described in the Series 2007 Fifth Supplemental Trust Indenture The swaps are recorded at the fair market value on the balance sheet and changes in value are posted through the excess of revenues and gains over expenses In April 2010, St Luke's executed a total return swap on a \$34.93 million portion of the outstanding Series 2010, 2032 term bond

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

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

Temporarily restricted net assets were available for the following purposes at June 30, 2014 and 2013

|   | <b>2014</b>          | <b>2013</b>          |
|---|----------------------|----------------------|
| Purchase of property and equipment                                    | \$ 2,814,641         | \$ 8,729,970         |
| Health education  | 14,242,262           | 11,074,247           |
| Research and development  | 186,666              | 169,917              |
| Unrealized gains on restricted net assets<br>for health care services | 20,648,316           | 14,471,264           |
|   | <u>\$ 37,891,885</u> | <u>\$ 34,445,398</u> |

Permanently restricted net assets at June 30, 2014 and 2013 were restricted to

|   | <b>2014</b>          | <b>2013</b>          |
|---|----------------------|----------------------|
| Investments to be held in perpetuity, the income from which is<br>expendable to support health care services<br>(reported as other operating and nonoperating income) | <u>\$ 30,813,985</u> | <u>\$ 27,564,669</u> |

**Endowments**

The Network's endowment consists of approximately \$30,813,985 individual donor restricted endowment funds and \$77,333,043 board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

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

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

(6) Other resources of the Network

(7) The investment policies of the Network

The Network had the following endowment activities during the year ended June 30, 2013 delineated by net asset class and donor-restricted versus Board-designated funds

Endowment net asset composition by type of fund as of June 30, 2014

|                                  | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> | <b>Total</b>         |
|----------------------------------|---------------------|-------------------------------|-------------------------------|----------------------|
| Donor-restricted endowment funds |                     | \$ 37,891,885                 | \$ 30,813,985                 | \$ 68,705,870        |
| Board-designated endowment funds | \$77,333,043        |                               |                               | 77,333,043           |
|                                  | <u>\$77,333,043</u> | <u>\$ 37,891,885</u>          | <u>\$ 30,813,985</u>          | <u>\$146,038,913</u> |

Endowment net asset composition by type of fund as of June 30, 2013

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

Changes in endowment net assets for the year ended June 30, 2014

|  | <b>Unrestricted</b>  | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> | <b>Total</b>         |
|--|----------------------|-------------------------------|-------------------------------|----------------------|
| <b>Endowment net assets, beginning of year</b>       | \$ 64,749,913        | \$ 34,445,398                 | \$ 27,564,669                 | \$126,759,980        |
| Investment return                                    |                      |                               |                               |                      |
| Investment income                                    | 1,731,392            | 91,999                        | 1,247,360                     | 3,070,751            |
| Gain (Loss) on Sale of Investments                   | 24,632               |                               |                               | 24,632               |
| Net depreciation (realized and unrealized)           | <u>10,790,755</u>    | <u>9,019</u>                  | <u>7,011,069</u>              | <u>17,810,843</u>    |
| Total Investment return                              | 12,546,779           | 101,018                       | 8,258,429                     | 20,906,226           |
| Gifts  | 36,351               | 5,557,795                     | 2,836,308                     | 8,430,454            |
| Income released to General Fund for operations       | -                    | (9,507,274)                   | (834,352)                     | (10,341,626)         |
| Transfer balance of net depreciation to unrestricted | -                    | 7,011,069                     | (7,011,069)                   | -                    |
| Other Miscellaneous Transfers                        | -                    | 283,879                       | -                             | 283,879              |
| <b>Endowment net assets, end of year</b>             | <u>\$ 77,333,043</u> | <u>\$ 37,891,885</u>          | <u>\$ 30,813,985</u>          | <u>\$146,038,913</u> |

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

Endowment net asset composition by type of fund as of June 30, 2014

|                                  | <b>Unrestricted</b>  | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>          |
|----------------------------------|----------------------|-----------------------------------|-----------------------------------|-----------------------|
| Donor-restricted endowment funds |                      | \$ 37,891,885                     | \$ 30,813,985                     | \$ 68,705,870         |
| Board-designated endowment funds | \$ 77,333,043        |                                   |                                   | 77,333,043            |
|                                  | <u>\$ 77,333,043</u> | <u>\$ 37,891,885</u>              | <u>\$ 30,813,985</u>              | <u>\$ 146,038,913</u> |

Endowment net asset composition by type of fund as of June 30, 2013

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

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

**Permanently restricted net assets**

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

|  |                      |
|--|----------------------|
| Permanent Endowment  | \$ 30,617,801        |
| Mortgage Endowment   | <u>196,184</u>       |
| Total endowment assets classified as permanently restricted net assets | <u>\$ 30,813,985</u> |

**Endowment Funds with Deficits**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$0 as of June 30, 2014 and 2013.

**Return Objectives and Risk Parameters**

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

**Strategies Employed for Achieving Investment Objectives**

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

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

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

**13. Contingencies**

**Operating Leases**

The Network leases certain medical, office and information technology equipment used in its operations. Total rental expense for all operating leases for the years ended June 30, 2014 and 2013 was approximately \$17,235,751 and \$18,475,539, respectively.

At June 30, 2014, the annual and total future minimum lease payments under noncancelable operating leases were as follows:

|                        | <b>Operating</b> |
|------------------------|------------------|
| 2015                   | 14,076,029       |
| 2016                   | 13,457,105       |
| 2017                   | 10,944,836       |
| 2018                   | 8,783,480        |
| 2019                   | 7,722,762        |
| Later Years            | 34,407,486       |
|                        | <hr/>            |
| Total minimum payments | 89,391,698       |

**Litigation**

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

**14. Functional Expenses**

The Network provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2014 and 2013 are approximately as follows:

|                            | <b>2014</b>             | <b>2013</b>             |
|----------------------------|-------------------------|-------------------------|
| Health care services       | \$ 1,012,264,850        | \$ 984,423,065          |
| General and administrative | <u>112,133,519</u>      | <u>109,286,393</u>      |
|                            | <u>\$ 1,124,398,369</u> | <u>\$ 1,093,709,458</u> |

**15. Pension Plan**

**Defined Benefit Plan**

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

In connection with a redesign of the network's retirement plans, the Finance Committee of the Board approved amendments to end benefit accruals in the qualified defined benefit pension plan after December 31, 2014. Benefits to be earned by participants under this plan prior to January 1, 2015 are not anticipated to be affected. The network estimates that pension liabilities will decrease by about \$56 million as a result of this change.

**Savings Plan**

In 2007, St. Luke's Warren established a 401(k) plan for qualified employees. Contributions to this plan are based on a defined formula of 3% of an employee's contribution. The St. Luke's Warren 401(k) plan was merged with the Network 401(a) plan as of January 1, 2014.

**401(a) Plan**

All employees hired before January 1, 2009 remain participants in the noncontributory defined benefit pension plan (see Pension Plan, above) through December 31, 2014. At that time, all employees will be moved to the 401(a) Plan.

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

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

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

The Network has recorded a reserve of \$2,500,530 for the year ended June 30, 2014. This liability is included in accrued compensation payable on the 2014 consolidated balance sheet.

**Retirement Plan 401(k)**

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

**Pension Plan Financial Components**

The net pension cost for all Plans and Plan participants, during the years ended June 30, 2014 and 2013, includes the following components:

|   | <b>2014</b>           | <b>2013</b>           |
|---|-----------------------|-----------------------|
| <b>Change in benefit obligation</b>     |                       |                       |
| Benefit obligation at beginning of year | \$ 440,994,994        | \$ 457,532,508        |
| Service cost                            | 16,114,927            | 18,069,251            |
| Interest cost                           | 23,321,318            | 20,851,931            |
| Benefits paid                           | (34,894,864)          | (9,155,008)           |
| Actuarial loss (gain)                   | 66,674,837            | (46,303,688)          |
| Plan amendment                          | -                     | -                     |
| Benefit obligation at end of year       | <u>\$ 512,211,212</u> | <u>\$ 440,994,994</u> |

|  | <b>2014</b>            | <b>2013</b>            |
|--|------------------------|------------------------|
| <b>Change in plan assets</b>                   |                        |                        |
| Fair value of plan assets at beginning of year | \$ 361,707,895         | \$ 292,393,095         |
| Actual return on plan assets                   | 70,678,754             | 39,611,235             |
| Employer contributions                         | 39,165,533             | 38,858,573             |
| Benefits paid                                  | (34,894,864)           | (9,155,008)            |
| Fair value of plan assets at end of year       | <u>\$ 436,657,318</u>  | <u>\$ 361,707,895</u>  |
| Funded status at end of year                   | <u>\$ (75,553,894)</u> | <u>\$ (79,287,099)</u> |

Amounts recognized in the statement of financial position consist of:

|  | <b>2014</b>            | <b>2013</b>            |
|--|------------------------|------------------------|
| Noncurrent assets  | \$ -                   | \$ -                   |
| Current liabilities                                      | (726,328)              | (305,103)              |
| Noncurrent liabilities                                   | (74,827,566)           | (78,981,996)           |
| Net amount recognized in statement of financial position | <u>\$ (75,553,894)</u> | <u>\$ (79,287,099)</u> |

Amounts recognized in unrestricted net assets consist of:

|  | <b>2014</b>          | <b>2013</b>          |
|--|----------------------|----------------------|
| Unrecognized Net loss (gain)           | \$ 95,694,773        | \$ 72,073,536        |
| Transition obligation (asset)          | -                    | -                    |
| Prior service cost (credit)            | -                    | -                    |
| Accumulated other comprehensive income | <u>\$ 95,694,773</u> | <u>\$ 72,073,536</u> |

The accumulated benefit obligation for all defined benefit pension plans was \$504,593,961 and \$432,575,542 at June 30, 2014 and 2013, respectively.

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

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

|                                | <b>2014</b>    | <b>2013</b>    |
|--------------------------------|----------------|----------------|
| Projected benefit obligation   | \$ 512,211,212 | \$ 440,994,994 |
| Accumulated benefit obligation | 504,593,961    | 432,575,542    |
| Fair value of plan assets      | 436,657,318    | 361,707,895    |

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

| <b>Total pension benefit cost</b>             | <b>2014</b>          | <b>2013</b>          |
|---|----------------------|----------------------|
| Service cost                                  | \$ 16,114,927        | \$ 18,069,251        |
| Interest cost                                 | 23,321,318           | 20,851,931           |
| Expected return on plan assets                | (29,361,558)         | (24,384,094)         |
| Amortization of net (gain) loss               | 1,584,376            | 10,640,789           |
| Amortization of transition obligation (asset) | -                    | -                    |
| Amortization of prior service cost (credit)   | -                    | -                    |
| Net periodic benefit cost                     | <u>\$ 11,659,063</u> | <u>\$ 25,177,877</u> |
| Curtailment loss                              | -                    | -                    |
| Settlement loss                               | 152,028              | -                    |
| Total pension cost                            | <u>\$ 11,811,091</u> | <u>\$ 25,177,877</u> |

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

|   | <b>2014</b>          | <b>2013</b>            |
|---|----------------------|------------------------|
| Net loss (gain)   | \$ 25,357,641        | \$ (61,530,829)        |
| Amortization of loss (gain)   | (1,736,404)          | (10,640,789)           |
| Amortization of transition obligation                                     | -                    | -                      |
| Amortization of prior service cost  | -                    | -                      |
| Total recognized in unrestricted net assets                               | <u>\$ 23,621,237</u> | <u>\$ (72,171,618)</u> |
| Total recognized in net periodic benefit cost and unrestricted net assets | <u>\$ 35,432,328</u> | <u>\$ (46,993,741)</u> |

The estimated net loss, transition obligation and prior service cost for the defined benefit pension plans that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$4,638,400, \$0 and \$0, respectively

Weighted-average assumptions used to determine benefit obligations at June 30, 2014

|   |       |
|---|-------|
| Discount rate                               | 4.50% |
| Discount rate - Warren at December 31, 2013 | 5.11% |
| Rate of compensation increase               | 3.50% |

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30, 2014

|   |       |
|---|-------|
| Expected long-term return on plan assets    | 7.50% |
| Rate of compensation increase               | 3.50% |
| Discount rate                               | 5.29% |
| Discount rate - Warren at December 31, 2013 | 5.05% |

**Plan Assets**

The St. Luke's Pension Plans weighted-average asset allocations at June 30, 2014 and 2013, by asset category, are as follows

| <b>Asset category</b> | <b>Plan Assets<br/>at June 30</b> |              |
|-----------------------|-----------------------------------|--------------|
|                       | <b>2014</b>                       | <b>2013</b>  |
| Equity securities     | 70 %                              | 73 %         |
| Debt securities       | 30 %                              | 27 %         |
|                       | <u>100 %</u>                      | <u>100 %</u> |

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

**Equities**

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

**Fixed Income**

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

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

All cash is invested in short term interest bearing securities or other cash equivalent investments. Other than obligations of the United States Government and its Agencies or instrumentalities all such investments in corporate obligations, commonly known as commercial paper, shall both carry an

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

investment rating by a recognized rating agency of A-1 or P-1. Any exceptions to the above guidelines are mutually agreed upon by the Fund Manager and the Investment Committee either prior to the event or as soon as is practical. The Finance and Investment Committees direct that at no time more than 10% of the combined market value of the funds be invested in cash or cash equivalents.

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

**Cash Flows**

*Contributions*

The Network expects to contribute \$25,655,328 to its pension plans in the 2015 fiscal year.

*Estimated Future Benefit Payments*

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

|           |                       |
|-----------|-----------------------|
| 2015      | 12,881,916            |
| 2016      | 15,113,781            |
| 2017      | 16,301,244            |
| 2018      | 18,055,656            |
| 2019      | 20,913,537            |
| 2020-2023 | <u>129,920,089</u>    |
| Total     | <u>\$ 213,186,223</u> |

The following table presents the Plan's financial instruments as of June 30, 2014, measured at fair value on a recurring basis using the fair value hierarchy defined in note 7.

|                          | <b>Quoted<br/>Prices in Active<br/>Markets<br/>(Level 1)</b> | <b>Total Fair<br/>Value</b> |
|--------------------------|--|-----------------------------|
| <b>June 30, 2014</b>     |  |                             |
| Investments              |  |                             |
| Money Market Funds       | \$ 1,285,319   | \$ 1,285,319                |
| Government Securities    | 130,707,933  | 130,707,933                 |
| Common & Preferred Stock | <u>304,664,067</u>   | <u>304,664,067</u>          |
| Total Investments        | <u>\$ 436,657,319</u>  | <u>\$ 436,657,319</u>       |

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

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

---

#### 16. Insurance Coverage

Effective December 13, 2001, the Parent, established St. Luke's Health Network Insurance Company, a wholly-owned captive insurance company licensed by the State of Vermont providing claims-made coverage for professional and general liability coverages for the Network. St. Luke's converted its fronted captive to a risk retention group ("RRG") effective July 1, 2003. On January 1, 2005, the RRG was converted from a nonprofit risk retention group to a reciprocal risk retention group. As a reciprocal risk retention group, the St. Luke's Health Network Insurance Company is also permitted to provide primary medical professional liability coverage on an occurrence basis to independent physicians and physician's practices. Under this structure, each insured is a subscriber of the St. Luke's Health Network Insurance Company, a Reciprocal Risk Retention Group ("SLHNIC"). Only subscribers of the St. Luke's University Health Network will be issued Class A subscriber units. Class A Subscribers of SLHNIC maintain control over SLHNIC. At June 30, 2014 and June 30, 2013, the Network was covered through the SLHNIC by a Hospital Professional Liability policy, with primary limits of \$500,000 for each medical incident and \$2,500,000 in the aggregate and with Physicians Professional Liability coverage with primary limits of \$500,000 for each occurrence, and \$1,500,000 in the aggregate. SLHNIC also provides institutional subscribers with excess layer professional liability coverage on a claims-made basis. This coverage is provided for losses limited to \$4 million for each medical incident in excess of \$1 million with an annual aggregate of \$4 million. The reserve for malpractice claims maintained at June 30, 2014 and 2013 was approximately \$39,990,875 and \$38,815,770, and was estimated using a discount rate of 4.25% and 4.25%, respectively. The discount for Class A and Class B subscribers was \$5,680,795 and \$5,095,480 for June 30, 2014 and 2013, respectively.

St. Luke's University Health Network has recorded a receivable as of June 30, 2014 of \$13,104,347 for expected insurance indemnifications and a related liability for the accrued claims in the individual financial statements of the hospitals. As of June 30, 2013, St. Luke's University Health Network recorded a receivable and related liability of \$10,404,252.

The Network participates in the Medical Care Availability and Reduction of Error ("Mcare") Fund, which is a Pennsylvania governmentally authorized entity that for fiscal year 2014 covers claims above \$500,000 per medical incident up to \$1,500,000 aggregate per hospital/insured physician subject to Mcare Fund coverage, as applicable. The assessment for the Mcare Fund payable by the Network is based on the schedule of occurrence rates approved by the Insurance Commissioner of Pennsylvania for the Pennsylvania Professional Liability Joint Underwriting Association ("JUA") multiplied by the annual assessment percentage. The Network recognizes its assessment as expense in the period incurred.

The Network maintains accrued insurance reserves for its self-insured portion of expected workers' compensation claims of approximately \$7,557,243 and \$6,288,663 for the years ended June 30, 2014 and 2013, respectively. The impact of the discount was \$1,833,058 and \$1,988,434 for the years ended June 30, 2014 and 2013, respectively.

#### 17. Asset Retirement Obligations

In the year ended June 30, 2006, the Network adopted accounting guidance on Accounting for Conditional Asset Retirement Obligations. If a legal obligation to perform an asset retirement obligation exists but performance is conditional upon a future event, and the obligation can be reasonably estimated, then a liability should be recognized. Upon initial application of accounting regulatory guidance, the Network recognized \$3,486,249 of conditional asset retirement obligation included within our liabilities in the consolidated balance sheet. For the year ended June 30, 2014, the Network recognized \$7,805 in accretion and depreciation expense.

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

---

**18. Subsequent Events**

The Network has performed an evaluation of subsequent events through October 31, 2014, which is the date the financial statements were available to be issued. There were no subsequent events with the exception of Board approval to begin construction on an acute care hospital in Monroe County.

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Balance Sheet**  
**June 30, 2014**

|  | St Luke's<br>University Health<br>Network, Inc | St Luke's<br>Hospital of<br>Bethlehem,<br>Pennsylvania | St Luke's<br>Physician<br>Group | St Luke's<br>Quakertown<br>Hospital | Emergency<br>and<br>Transport<br>Services | Quakertown<br>Rehabilitation<br>Center | Miners<br>Memorial<br>Medical<br>Center | St Luke's<br>Hospital<br>Anderson<br>Campus | St Luke's<br>Warren<br>Hospital | New<br>Valley Rehab<br>LLC |
|--|--|--|---------------------------------|-------------------------------------|---|--|---|---|---------------------------------|----------------------------|
| <b>Assets</b>                                |  |  |                                 |                                     |   |  |   |   |                                 |                            |
| Current                                      |  |  |                                 |                                     |   |  |   |   |                                 |                            |
| Cash and cash equivalents                    | \$ -   | \$ 74 684 261  | \$ 38 153                       | \$ 131 428                          | \$ 426                                    | \$ -                                   | \$ 80 812                               | \$ 658 940                                  | \$ 1 755 854                    | \$ 315 112                 |
| Investment in controlled entities            | 614 060 470                                    | -  | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Patient accounts receivable net              | -  | 122 199 956  | 11 464 083                      | 15 985 962                          | 949 802                                   | -                                      | 10 074 082                              | 28 281 133                                  | 10 696 597                      | 136 664                    |
| Other accounts receivable                    | -  | 6 486 418  | 699 456                         | 81 617                              | 19 506                                    | -                                      | 386 942                                 | 2 074 096                                   | 2 324 724                       | 35 821                     |
| Investments                                  | -  | 88 030 498   | -                               | 24 221                              | -   | -                                      | -                                       | -   | 75 000                          | -                          |
| Inventories                                  | -  | 11 196 733   | -                               | 790 904                             | -   | -                                      | 657 656                                 | 1 669 498                                   | 1 789 841                       | -                          |
| Prepaid expenses                             | -  | 15 834 454   | 3 137 329                       | 208 346                             | 23 861                                    | -                                      | 236 066                                 | 390 661                                     | 1 110 205                       | -                          |
| Total current assets                         | 614 060 470                                    | 318 432 320  | 15 339 021                      | 17 222 478                          | 993 595                                   | -                                      | 11 435 558                              | 33 074 328                                  | 17 752 221                      | 487 597                    |
| Assets limited as to use                     |  |  |                                 |                                     |   |  |   |   |                                 |                            |
| Funds held by trustee                        | -  | 29 970 873   | -                               | -                                   | -   | -                                      | -                                       | -   | 723 712                         | -                          |
| Under bond indenture                         | -  | 31 865 328   | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Board designated funds                       | -  | 278 415 478  | -                               | 1 830 342                           | -   | -                                      | -                                       | 44 473                                      | -                               | -                          |
|  | -  | 340 251 679  | -                               | 1 830 342                           | -   | -                                      | -                                       | 44 473                                      | 723 712                         | -                          |
| Property and equipment net                   | -  | 337 576 904  | 27 517 017                      | 19 456 744                          | 565 983                                   | -                                      | 18 127 120                              | 158 851 253                                 | 64 714 009                      | 548 274                    |
| Goodwill net                                 | -  | 7 007 524  | 6 954 392                       | -                                   | -   | -                                      | -                                       | -   | 13 156 777                      | 7 652 419                  |
| Due from affiliates                          | -  | 239 055 993  | -                               | -                                   | -   | 2 958 591                              | -                                       | -   | 4 207 955                       | -                          |
| Investments temporarily restricted as to use | -  | 26 064 700   | -                               | 1 055 894                           | 17 749                                    | -                                      | 712 516                                 | 351 914                                     | 909 248                         | -                          |
| Investments permanently restricted as to use | -  | 27 334 449   | -                               | 3 112 468                           | -   | -                                      | 10 005                                  | -   | 357 063                         | -                          |
| Deferred financing costs                     | -  | 6 179 727  | -                               | -                                   | -   | -                                      | -                                       | -   | 592 397                         | -                          |
| Annuity contracts                            | -  | 15 347 341   | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Other assets                                 | -  | 35 934 592   | -                               | 93 571                              | -   | -                                      | 1 833 715                               | 371 926                                     | 1 432 560                       | -                          |
| Total assets                                 | \$ 614 060 470                                 | \$1 353 185 229  | \$ 49 810 430                   | \$ 42 771 497                       | \$ 1 577 327                              | \$ 2 958 591                           | \$ 32 118 914                           | \$192 693 894                               | \$103 845 942                   | \$ 8 688 290               |

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Balance Sheet**  
**June 30, 2014**

**Schedule I**

|  | St Luke's<br>Physician<br>Group NJ | St Luke's<br>Warren<br>Hospital<br>Foundation | Hillcrest<br>Emergency<br>Services PC | Warren PA<br>Professional<br>Alliance PC | Warren<br>Risk<br>Retention<br>Group, Inc | Hillcrest<br>MSO, Inc | Two<br>Rivers<br>Enterprises Inc | Eliminations            | Consolidated<br>Totals  |
|--|------------------------------------|---|---------------------------------------|--|---|-----------------------|----------------------------------|-------------------------|-------------------------|
| <b>Assets</b>                                |                                    |   |                                       |  |   |                       |                                  |                         |                         |
| <b>Current</b>                               |                                    |   |                                       |  |   |                       |                                  |                         |                         |
| Cash and cash equivalents                    | \$ 361,124                         | \$ 822,827                                    | \$ 376,521                            | \$ -                                     | \$ -                                      | \$ -                  | \$ 55,717                        | \$ -                    | \$ 79,281,175           |
| Investment in controlled entities            | -                                  | -   | -                                     | -  | -   | -                     | -                                | (614,060,470)           | -                       |
| Patient accounts receivable, net             | 512,832                            | -   | 763,108                               | 95                                       | -   | -                     | -                                | -                       | 201,064,314             |
| Other accounts receivable                    | 494,936                            | 13,000  | -                                     | 105,770                                  | -   | -                     | 2,119,781                        | (2,286,898)             | 12,555,169              |
| Investments                                  | -                                  | 301,807                                       | -                                     | -  | -   | -                     | -                                | -                       | 88,431,526              |
| Inventories                                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 16,104,632              |
| Prepaid expenses                             | 153,663                            | -   | 12,500                                | 210                                      | -   | -                     | -                                | -                       | 21,107,295              |
| <b>Total current assets</b>                  | <b>1,522,555</b>                   | <b>1,137,634</b>                              | <b>1,152,129</b>                      | <b>106,075</b>                           | <b>-</b>                                  | <b>-</b>              | <b>2,175,498</b>                 | <b>(616,347,368)</b>    | <b>418,544,111</b>      |
| <b>Assets limited as to use</b>              |                                    |   |                                       |  |   |                       |                                  |                         |                         |
| Funds held by trustee                        | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 30,694,585              |
| Under bond indenture                         | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 31,865,328              |
| Board designated funds                       | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 280,290,293             |
|  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 342,850,206             |
| Property and equipment, net                  | 466,996                            | -   | -                                     | -  | -   | -                     | 1,563,069                        | -                       | 629,387,369             |
| Goodwill, net                                | 115,617                            | -   | -                                     | -  | -   | -                     | -                                | -                       | 34,886,729              |
| Due from affiliates                          | -                                  | -   | -                                     | -  | -   | -                     | 561,679                          | (246,784,218)           | -                       |
| Investments temporarily restricted as to use | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 29,112,021              |
| Investments permanently restricted as to use | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 30,813,985              |
| Deferred financing costs                     | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 6,772,124               |
| Annuity contracts                            | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 15,347,341              |
| Other assets                                 | -                                  | 120,062                                       | -                                     | -  | -   | -                     | -                                | 2                       | 39,786,428              |
| <b>Total assets</b>                          | <b>\$ 2,105,168</b>                | <b>\$ 1,257,696</b>                           | <b>\$ 1,152,129</b>                   | <b>\$ 106,075</b>                        | <b>\$ -</b>                               | <b>\$ -</b>           | <b>\$ 4,300,246</b>              | <b>\$ (863,131,584)</b> | <b>\$ 1,547,500,314</b> |

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Balance Sheet**  
**June 30, 2014**

|  | St Luke's<br>University Health<br>Network, Inc | Hospital of<br>Bethlehem,<br>Pennsylvania | St Luke's<br>Physician<br>Group | St Luke's<br>Quakertown<br>Hospital | Emergency<br>and<br>Transport<br>Services | Quakertown<br>Rehabilitation<br>Center | Miners<br>Memorial<br>Medical<br>Center | St Luke's<br>Hospital<br>Anderson<br>Campus | St Luke's<br>Warren<br>Hospital | New<br>Valley Rehab<br>LLC |
|--|--|---|---------------------------------|-------------------------------------|---|--|---|---|---------------------------------|----------------------------|
| <b>Liabilities and Net Assets</b>          |  |   |                                 |                                     |   |  |   |   |                                 |                            |
| Current                                    |  |   |                                 |                                     |   |  |   |   |                                 |                            |
| Accounts payable                           | \$ -   | \$ 55 322 968                             | \$ 1 959 439                    | \$ 450 759                          | \$ 24 251                                 | \$ -                                   | \$ 460 321                              | \$ 1 442 449                                | \$ 909 180                      | \$ 2 670                   |
| Accrued salaries w ages and taxes          | -  | 12 100 249                                | 13 550 247                      | 478 226                             | -   | -                                      | 483 495                                 | 108 087                                     | 1 118 212                       | 201 346                    |
| Accrued vacation                           | -  | 20 386 522                                | 8 546 284                       | 1 075 320                           | 113 658                                   | -                                      | 1 145 928                               | 1 490 914                                   | 2 761 819                       | -                          |
| Current portion of self insurance reserves | -  | 19 305 786                                | -                               | -                                   | -   | -                                      | -                                       | -   | 86 130                          | -                          |
| Deferred income                            | -  | 4 390 261                                 | -                               | -                                   | 2 801                                     | -                                      | 48 081                                  | -   | -                               | -                          |
| Advance from third-party payors            | -  | 2 099 500                                 | -                               | 38 400                              | -   | -                                      | 260 201                                 | -   | -                               | -                          |
| Patient credit balances                    | -  | 7 445 736                                 | -                               | 1 415 090                           | -   | -                                      | 753 538                                 | 1 320 795                                   | -                               | -                          |
| Current portion of long-term debt          | -  | 11 622 417                                | -                               | -                                   | -   | -                                      | 6 142                                   | -   | 130 346                         | -                          |
| Current portion of pension costs           | -  | 3 273 921                                 | 127 394                         | 87 040                              | 106                                       | -                                      | 28 524                                  | 46 405                                      | 247 789                         | 1 674                      |
| Accrued interest on long-term debt         | -  | 9 448 580                                 | -                               | -                                   | -   | -                                      | -                                       | -   | 644 720                         | -                          |
| Other Current Liabilities                  | -  | 6 197 726                                 | 33 471                          | 100 141                             | -   | -                                      | 39 356                                  | 47 947                                      | 484 493                         | -                          |
| Estimated third-party payor settlements    | -  | (1 120 395)                               | -                               | 2 329 193                           | -   | -                                      | 2 172 205                               | 959 836                                     | 1 090 480                       | -                          |
| Total current liabilities                  | -  | 150 473 271                               | 24 216 835                      | 5 974 169                           | 140 816                                   | -                                      | 5 397 791                               | 5 416 433                                   | 7 473 169                       | 205 690                    |
| Due to affiliates                          | -  | -   | 112 045 308                     | 38 420                              | 5 932 107                                 | -                                      | 799 925                                 | 149 796 053                                 | -                               | 8 192 898                  |
| Long-term debt net of current portion      | -  | 463 620 846                               | -                               | -                                   | -   | -                                      | 6 030                                   | -   | 39 291 519                      | -                          |
| Asset retirement obligation                | -  | 3 247 932                                 | -                               | 65 030                              | -   | -                                      | 248 249                                 | -   | -                               | -                          |
| Accrued compensation payable               | -  | 78 574 099                                | 3 057 460                       | 2 088 966                           | 2 542                                     | -                                      | 684 582                                 | 1 113 712                                   | 5 946 935                       | 40 165                     |
| Self insurance reserves                    | -  | 39 196 596                                | -                               | -                                   | -   | -                                      | -                                       | -   | 174 870                         | -                          |
| Other noncurrent liabilities               | -  | 12 129 098                                | -                               | 43 885                              | -   | -                                      | 32 255                                  | -   | 1 432 560                       | -                          |
| Sw ap Contracts                            | -  | 67 932 360                                | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Total liabilities                          | -  | 815 174 202                               | 139 319 603                     | 8 210 470                           | 6 075 465                                 | -                                      | 7 168 832                               | 156 326 198                                 | 54 319 053                      | 8 438 753                  |
| Net assets                                 |  |   |                                 |                                     |   |  |   |   |                                 |                            |
| Unrestricted net assets (liabilities)      | 544 445 352                                    | 511 585 982                               | (89 509 173)                    | 30 325 914                          | (4 515 887)                               | 2 958 591                              | 22 426 101                              | 35 643 856                                  | 48 260 578                      | 249 537                    |
| Less Amounts due from affiliates           | -  | (33 682 373)                              | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Net unrestricted net assets (liabilities)  | 544 445 352                                    | 477 903 609                               | (89 509 173)                    | 30 325 914                          | (4 515 887)                               | 2 958 591                              | 22 426 101                              | 35 643 856                                  | 48 260 578                      | 249 537                    |
| Temporarily restricted net assets          | 38 801 133                                     | 32 772 969                                | -                               | 1 122 645                           | 17 749                                    | -                                      | 2 513 976                               | 723 840                                     | 909 248                         | -                          |
| Permanently restricted net assets          | 30 813 985                                     | 27 334 449                                | -                               | 3 112 468                           | -   | -                                      | 10 005                                  | -   | 357 063                         | -                          |
| Total net assets (liabilities)             | 614 060 470                                    | 538 011 027                               | (89 509 173)                    | 34 561 027                          | (4 498 138)                               | 2 958 591                              | 24 950 082                              | 36 367 696                                  | 49 526 889                      | 249 537                    |
| Total liabilities and net assets           | \$ 614 060 470                                 | \$1 353 185 229                           | \$ 49 810 430                   | \$ 42 771 497                       | \$ 1 577 327                              | \$ 2 958 591                           | \$ 32 118 914                           | \$192 693 894                               | \$103 845 942                   | \$ 8 688 290               |

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Balance Sheet**  
**June 30, 2014**

**Schedule I**

|  | St Luke's<br>Physician<br>Group NJ | St Luke's<br>Warren<br>Hospital<br>Foundation | Hillcrest<br>Emergency<br>Services PC | Warren PA<br>Professional<br>Alliance PC | Warren<br>Risk<br>Retention<br>Group, Inc | Hillcrest<br>MSO, Inc | Two<br>Rivers<br>Enterprises Inc | Eliminations            | Consolidated<br>Totals  |
|--|------------------------------------|---|---------------------------------------|--|---|-----------------------|----------------------------------|-------------------------|-------------------------|
| <b>Liabilities and Net Assets</b>                |                                    |   |                                       |  |   |                       |                                  |                         |                         |
| <b>Current</b>                                   |                                    |   |                                       |  |   |                       |                                  |                         |                         |
| Accounts payable                                 | \$ 2,465,763                       |   | \$ 388,333                            | \$ 5,741                                 | \$ -                                      | \$ -                  | \$ -                             | \$ (2,249,055)          | \$ 61,182,819           |
| Accrued salaries, wages and taxes                | 863,133                            |   | 543,724                               |  |   |                       |                                  |                         | 29,446,719              |
| Accrued vacation                                 | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 35,520,445              |
| Current portion of self insurance reserves       | 12,870                             | -   | -                                     | -  | -   | -                     | -                                | -                       | 19,404,786              |
| Deferred income                                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 4,441,143               |
| Advance from third-party payors                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 2,398,101               |
| Patient credit balances                          | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 10,935,159              |
| Current portion of long-term debt                | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 11,758,905              |
| Current portion of pension costs                 | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 3,812,853               |
| Accrued interest on long-term debt               | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 10,093,300              |
| Other Current Liabilities                        | -                                  | -   | -                                     | 4,614,219                                | -   | -                     | 8,578,962                        | (5,287,632)             | 14,808,683              |
| Estimated third-party payor settlements          | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 5,431,319               |
| <b>Total current liabilities</b>                 | <b>3,341,766</b>                   | <b>-</b>                                      | <b>932,057</b>                        | <b>4,619,960</b>                         | <b>-</b>                                  | <b>-</b>              | <b>8,578,962</b>                 | <b>(7,536,687)</b>      | <b>209,234,232</b>      |
| Due to affiliates                                | 1,943,025                          | 228,386                                       | 220,072                               | 1,270,397                                | -   | -                     | -                                | (280,466,591)           | -                       |
| Long-term debt, net of current portion           | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 502,918,395             |
| Asset retirement obligation                      | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 3,561,211               |
| Accrued compensation payable                     | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 91,508,461              |
| Self insurance reserves                          | 26,130                             | -   | -                                     | -  | -   | -                     | -                                | -                       | 39,397,596              |
| Other noncurrent liabilities                     | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 13,637,798              |
| Sw ap Contracts                                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 67,932,360              |
| <b>Total liabilities</b>                         | <b>5,310,921</b>                   | <b>228,386</b>                                | <b>1,152,129</b>                      | <b>5,890,357</b>                         | <b>-</b>                                  | <b>-</b>              | <b>8,578,962</b>                 | <b>(288,003,278)</b>    | <b>928,190,053</b>      |
| <b>Net assets</b>                                |                                    |   |                                       |  |   |                       |                                  |                         |                         |
| Unrestricted net assets (liabilities)            | (3,205,753)                        | 288,604                                       | -                                     | (5,784,282)                              | -   | -                     | (4,278,716)                      | (538,286,313)           | 550,604,391             |
| Less Amounts due from affiliates                 | -                                  | -   | -                                     | -  | -   | -                     | -                                | 33,682,373              | -                       |
| <b>Net unrestricted net assets (liabilities)</b> | <b>(3,205,753)</b>                 | <b>288,604</b>                                | <b>-</b>                              | <b>(5,784,282)</b>                       | <b>-</b>                                  | <b>-</b>              | <b>(4,278,716)</b>               | <b>(504,603,940)</b>    | <b>550,604,391</b>      |
| Temporarily restricted net assets                | -                                  | 740,706                                       | -                                     | -  | -   | -                     | -                                | (39,710,381)            | 37,891,885              |
| Permanently restricted net assets                | -                                  | -   | -                                     | -  | -   | -                     | -                                | (30,813,985)            | 30,813,985              |
| <b>Total net assets (liabilities)</b>            | <b>(3,205,753)</b>                 | <b>1,029,310</b>                              | <b>-</b>                              | <b>(5,784,282)</b>                       | <b>-</b>                                  | <b>-</b>              | <b>(4,278,716)</b>               | <b>(575,128,306)</b>    | <b>619,310,261</b>      |
| <b>Total liabilities and net assets</b>          | <b>\$ 2,105,168</b>                | <b>\$ 1,257,696</b>                           | <b>\$ 1,152,129</b>                   | <b>\$ 106,075</b>                        | <b>\$ -</b>                               | <b>\$ -</b>           | <b>\$ 4,300,246</b>              | <b>\$ (863,131,584)</b> | <b>\$ 1,547,500,314</b> |

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

|  | St Luke's<br>University Health<br>Network, Inc | St Luke's<br>Hospital of<br>Bethlehem,<br>Pennsylvania | St Luke's<br>Physician<br>Group | St Luke's<br>Quakertown<br>Hospital | Emergency<br>and<br>Transport<br>Services | Quakertown<br>Rehabilitation<br>Center | Miners<br>Memorial<br>Medical<br>Center | St Luke's<br>Hospital<br>Anderson<br>Campus | St Luke's<br>Warren<br>Hospital | New<br>Valley Rehab<br>LLC |
|--|--|--|---------------------------------|-------------------------------------|---|--|---|---|---------------------------------|----------------------------|
| <b>Assets</b>                                |  |  |                                 |                                     |   |  |   |   |                                 |                            |
| Current                                      |  |  |                                 |                                     |   |  |   |   |                                 |                            |
| Cash and cash equivalents                    | \$ -   | \$ 64 510 411  | \$ 154 242                      | \$ 136 855                          | \$ 65                                     | \$ -                                   | \$ 164 364                              | \$ -  | \$ 10 125 087                   | \$ 417 638                 |
| Investment in controlled entities            | 540 287 854                                    | -  | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Patient accounts receivable net              | -  | 156 343 535  | 10 202 479                      | 16 236 743                          | 713 963                                   | -                                      | 6 887 258                               | -   | 10 227 400                      | 144 871                    |
| Other accounts receivable                    | -  | 4 231 880  | 23 289                          | 52 270                              | 19 391                                    | -                                      | 68 704                                  | -   | 4 874 987                       | 36 351                     |
| Investments                                  | -  | 64 064 550   | -                               | 19 999                              | -   | -                                      | -                                       | -   | 2 160                           | -                          |
| Inventories                                  | -  | 14 094 081   | -                               | 992 413                             | -   | -                                      | 913 691                                 | -   | 2 020 034                       | -                          |
| Prepaid expenses                             | -  | 14 293 341   | 1 732 733                       | 256 469                             | 34 638                                    | -                                      | 210 127                                 | -   | 1 345 949                       | -                          |
| Total current assets                         | 540 287 854                                    | 317 537 798  | 12 112 743                      | 17 694 749                          | 768 057                                   | -                                      | 8 244 144                               | -   | 28 595 617                      | 598 860                    |
| Assets limited as to use                     |  |  |                                 |                                     |   |  |   |   |                                 |                            |
| Funds held by trustee                        | -  | 55 572 729   | -                               | -                                   | -   | -                                      | -                                       | -   | 148 714                         | -                          |
| Under bond indenture                         | -  | 35 975 983   | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Board designated funds                       | -  | 244 267 373  | -                               | 1 539 359                           | -   | -                                      | -                                       | -   | 1 811                           | -                          |
|  | -  | 335 816 085  | -                               | 1 539 359                           | -   | -                                      | -                                       | -   | 150 525                         | -                          |
| Property and equipment net                   | -  | 505 667 489  | 10 611 143                      | 20 087 865                          | 488 935                                   | -                                      | 19 360 110                              | -   | 59 670 824                      | 617 089                    |
| Goodwill net                                 | -  | 6 430 660  | 4 446 990                       | -                                   | -   | -                                      | -                                       | -   | 13 156 777                      | 7 654 919                  |
| Due from affiliates                          | -  | 60 539 245   | -                               | -                                   | -   | 2 958 591                              | -                                       | -   | -                               | -                          |
| Investments temporarily restricted as to use | -  | 21 187 241   | -                               | 472 050                             | 29 234                                    | -                                      | 840 886                                 | -   | 717 228                         | -                          |
| Investments permanently restricted as to use | -  | 24 078 246   | -                               | 2 998 850                           | -   | -                                      | 10 005                                  | -   | 477 568                         | -                          |
| Deferred financing costs                     | -  | 6 357 445  | -                               | -                                   | -   | -                                      | -                                       | -   | 515 125                         | -                          |
| Annuity contracts                            | -  | 11 497 695   | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Other assets                                 | -  | 24 817 365   | -                               | 209 231                             | -   | -                                      | 1 560 063                               | -   | 1 700 006                       | -                          |
| Total assets                                 | \$ 540 287 854                                 | \$1 313 929 269  | \$ 27 170 876                   | \$ 43 002 104                       | \$ 1 286 226                              | \$ 2 958 591                           | \$ 30 015 208                           | \$ -  | \$104 983 670                   | \$ 8 870 868               |

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

**Schedule I**

|  | St Luke's<br>Physician<br>Group NJ | St Luke's<br>Warren<br>Hospital<br>Foundation | Hillcrest<br>Emergency<br>Services PC | Warren PA<br>Professional<br>Alliance PC | Warren<br>Risk<br>Retention<br>Group, Inc | Hillcrest<br>MSO, Inc | Two<br>Rivers<br>Enterprises Inc | Eliminations     | Consolidated<br>Totals |
|--|------------------------------------|---|---------------------------------------|--|---|-----------------------|----------------------------------|------------------|------------------------|
| <b>Assets</b>                                |                                    |   |                                       |  |   |                       |                                  |                  |                        |
| <b>Current</b>                               |                                    |   |                                       |  |   |                       |                                  |                  |                        |
| Cash and cash equivalents                    | \$ 362,688                         | \$ 502,682                                    | \$ 484,643                            | \$ 4,648                                 | \$ -                                      | \$ 6,410              | \$ 16,242                        | \$ -             | \$ 76,885,975          |
| Investment in controlled entities            | -                                  | -   | -                                     | -  | -   | -                     | -                                | (540,287,854)    | \$ -                   |
| Patient accounts receivable, net             | 637,847                            | -   | 1,140,250                             | 95                                       | -   | -                     | -                                | (2,182,350)      | 200,352,091            |
| Other accounts receivable                    | 570,486                            | 5,250   | -                                     | 104,256                                  | -   | 2,182,351             | 180,821                          | (4,427,107)      | \$ 7,922,929           |
| Investments                                  | -                                  | 253,226                                       | -                                     | -  | -   | -                     | -                                | -                | \$ 64,339,935          |
| Inventories                                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | \$ 18,020,219          |
| Prepaid expenses                             | 65,953                             | -   | -                                     | 210                                      | -   | -                     | -                                | -                | \$ 17,939,420          |
| Total current assets                         | 1,636,974                          | 761,158                                       | 1,624,893                             | 109,209                                  | -   | 2,188,761             | 197,063                          | (546,897,311)    | \$ 385,460,569         |
| <b>Assets limited as to use</b>              |                                    |   |                                       |  |   |                       |                                  |                  |                        |
| Funds held by trustee                        | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 55,721,443             |
| Under bond indenture                         | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 35,975,983             |
| Board designated funds                       | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 245,808,543            |
|  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 337,505,969            |
| Property and equipment, net                  | 247,072                            | -   | -                                     | -  | -   | 9,768                 | 1,621,831                        | -                | 618,382,126            |
| Goodwill, net                                | 147,002                            | -   | -                                     | -  | -   | -                     | -                                | -                | 31,836,348             |
| Due from affiliates                          | -                                  | -   | -                                     | 28,523                                   | -   | 310,431               | -                                | (63,836,790)     | -                      |
| Investments temporarily restricted as to use | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 23,246,639             |
| Investments permanently restricted as to use | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 27,564,669             |
| Deferred financing costs                     | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 6,872,570              |
| Annuity contracts                            | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 11,497,695             |
| Other assets                                 | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 28,286,665             |
| Total assets                                 | \$ 2,031,048                       | \$ 761,158                                    | \$ 1,624,893                          | \$ 137,732                               | \$ -                                      | \$ 2,508,960          | \$ 1,818,894                     | \$ (610,734,101) | \$ 1,470,653,250       |

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

|  | St Luke's<br>University Health<br>Network, Inc | Hospital of<br>Bethlehem,<br>Pennsylvania | St Luke's<br>Physician<br>Group | St Luke's<br>Quakertown<br>Hospital | Emergency<br>and<br>Transport<br>Services | Quakertown<br>Rehabilitation<br>Center | Miners<br>Memorial<br>Medical<br>Center | St Luke's<br>Hospital<br>Anderson<br>Campus | St Luke's<br>Warren<br>Hospital | New<br>Valley Rehab<br>LLC |
|--|--|---|---------------------------------|-------------------------------------|---|--|---|---|---------------------------------|----------------------------|
| <b>Liabilities and Net Assets</b>                |  |   |                                 |                                     |   |  |   |   |                                 |                            |
| Current  |  |   |                                 |                                     |   |  |   |   |                                 |                            |
| Accounts payable                                 | \$ -   | \$ 51,135,626                             | \$ 2,415,894                    | \$ 701,181                          | \$ 13,054                                 | \$ -                                   | \$ 625,327                              | \$ -  | \$ 2,272,415                    | \$ 5,184                   |
| Accrued salaries w ages and taxes                | -  | 10,971,975                                | 11,815,520                      | 484,845                             | -   | -                                      | 656,423                                 | -   | 1,374,256                       | 156,169                    |
| Accrued vacation                                 | -  | 22,257,553                                | 4,995,294                       | 1,158,854                           | 103,295                                   | -                                      | 1,164,483                               | -   | 3,307,003                       | -                          |
| Current portion of self insurance reserves       | -  | 18,749,018                                | -                               | -                                   | -   | -                                      | -                                       | -   | 297,856                         | -                          |
| Deferred income                                  | -  | 3,732,796                                 | -                               | -                                   | 11,859                                    | -                                      | -                                       | -   | -                               | -                          |
| Advance from third-party payors                  | -  | 2,099,500                                 | -                               | 38,400                              | -   | -                                      | 260,201                                 | -   | -                               | -                          |
| Patent credit balances                           | -  | 14,735,004                                | -                               | 2,630,430                           | -   | -                                      | 946,673                                 | -   | -                               | -                          |
| Current portion of long-term debt                | -  | 10,722,569                                | 34,562                          | -                                   | -   | -                                      | 5,756                                   | -   | 180,547                         | -                          |
| Current portion of pension costs                 | -  | 2,960,737                                 | 219,986                         | 101,648                             | 83  | -                                      | 27,261                                  | -   | 444,601                         | 1,515                      |
| Accrued interest on long-term debt               | -  | 8,506,947                                 | -                               | -                                   | -   | -                                      | -                                       | -   | 118,513                         | -                          |
| Other Current Liabilities                        | -  | 1,559,272                                 | 33,471                          | 82,012                              | -   | -                                      | 41,963                                  | -   | 349,902                         | -                          |
| Estimated third-party payor settlements          | -  | 6,464,524                                 | -                               | 2,354,223                           | -   | -                                      | 1,919,397                               | -   | 2,281,779                       | -                          |
| <b>Total current liabilities</b>                 | <b>-</b>                                       | <b>153,895,521</b>                        | <b>19,514,727</b>               | <b>7,551,593</b>                    | <b>128,291</b>                            | <b>-</b>                               | <b>5,647,484</b>                        | <b>-</b>                                    | <b>10,626,872</b>               | <b>162,868</b>             |
| Due to affiliates                                | -  | -   | 75,108,084                      | 2,955,000                           | 5,273,950                                 | -                                      | 2,792,054                               | -   | 1,530,649                       | 8,491,290                  |
| Long-term debt net of current portion            | -  | 470,354,224                               | -                               | -                                   | -   | -                                      | 12,203                                  | -   | 39,471,581                      | -                          |
| Asset retirement obligation                      | -  | 3,247,932                                 | -                               | 65,030                              | -   | -                                      | 247,524                                 | -   | -                               | -                          |
| Accrued compensation payable                     | -  | 71,057,695                                | 5,279,691                       | 2,439,547                           | 1,980                                     | -                                      | 654,256                                 | -   | 10,670,421                      | 36,357                     |
| Self insurance reserves                          | -  | 38,066,188                                | -                               | -                                   | -   | -                                      | -                                       | -   | 604,739                         | -                          |
| Other noncurrent liabilities                     | -  | 9,207,872                                 | -                               | 45,107                              | -   | -                                      | 34,238                                  | -   | 1,700,006                       | -                          |
| Sw ap Contracts                                  | -  | 66,942,036                                | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| <b>Total liabilities</b>                         | <b>-</b>                                       | <b>812,771,468</b>                        | <b>99,902,502</b>               | <b>13,056,277</b>                   | <b>5,404,221</b>                          | <b>-</b>                               | <b>9,387,759</b>                        | <b>-</b>                                    | <b>64,604,268</b>               | <b>8,690,515</b>           |
| Net assets                                       |  |   |                                 |                                     |   |  |   |   |                                 |                            |
| Unrestricted net assets (liabilities)            | 477,017,241                                    | 479,741,940                               | (72,731,626)                    | 26,374,339                          | (4,147,229)                               | 2,958,591                              | 18,250,733                              | -   | 39,184,606                      | 180,353                    |
| Less Amounts due from affiliates                 | -  | (33,682,373)                              | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| <b>Net unrestricted net assets (liabilities)</b> | <b>477,017,241</b>                             | <b>446,059,567</b>                        | <b>(72,731,626)</b>             | <b>26,374,339</b>                   | <b>(4,147,229)</b>                        | <b>2,958,591</b>                       | <b>18,250,733</b>                       | <b>-</b>                                    | <b>39,184,606</b>               | <b>180,353</b>             |
| Temporarily restricted net assets                | 35,705,944                                     | 31,019,987                                | -                               | 572,639                             | 29,234                                    | -                                      | 2,366,711                               | -   | 717,228                         | -                          |
| Permanently restricted net assets                | 27,564,669                                     | 24,078,247                                | -                               | 2,998,849                           | -   | -                                      | 10,005                                  | -   | 477,568                         | -                          |
| <b>Total net assets (liabilities)</b>            | <b>540,287,854</b>                             | <b>501,157,801</b>                        | <b>(72,731,626)</b>             | <b>29,945,827</b>                   | <b>(4,117,995)</b>                        | <b>2,958,591</b>                       | <b>20,627,449</b>                       | <b>-</b>                                    | <b>40,379,402</b>               | <b>180,353</b>             |
| <b>Total liabilities and net assets</b>          | <b>\$ 540,287,854</b>                          | <b>\$1,313,929,269</b>                    | <b>\$ 27,170,876</b>            | <b>\$ 43,002,104</b>                | <b>\$ 1,286,226</b>                       | <b>\$ 2,958,591</b>                    | <b>\$ 30,015,208</b>                    | <b>\$ -</b>                                 | <b>\$104,983,670</b>            | <b>\$ 8,870,868</b>        |

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

**Schedule I**

|  | St Luke's<br>Physician<br>Group NJ | St Luke's<br>Warren<br>Hospital<br>Foundation | Hillcrest<br>Emergency<br>Services PC | Warren PA<br>Professional<br>Alliance PC | Warren<br>Risk<br>Retention<br>Group, Inc | Hillcrest<br>MSO, Inc | Two<br>Rivers<br>Enterprises Inc | Eliminations            | Consolidated<br>Totals  |
|--|------------------------------------|---|---------------------------------------|--|---|-----------------------|----------------------------------|-------------------------|-------------------------|
| <b>Liabilities and Net Assets</b>                |                                    |   |                                       |  |   |                       |                                  |                         |                         |
| <b>Current</b>                                   |                                    |   |                                       |  |   |                       |                                  |                         |                         |
| Accounts payable                                 | \$ 2,400,807                       | \$ -  | \$ 272,333                            | \$ 5,742                                 | \$ -                                      | \$ 156,775            | \$ -                             | \$ (2,182,350)          | \$ 57,821,988           |
| Accrued salaries, wages and taxes                | 452,119                            | -   | 1,099,142                             | -  | -   | -                     | -                                | -                       | 27,010,449              |
| Accrued vacation                                 | 82,273                             | -   | -                                     | -  | -   | -                     | -                                | -                       | 33,068,755              |
| Current portion of self insurance reserves       | 12,870                             | -   | -                                     | -  | -   | -                     | -                                | -                       | 19,059,744              |
| Deferred income                                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 3,744,655               |
| Advance from third-party payors                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 2,398,101               |
| Patient credit balances                          | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 18,312,107              |
| Current portion of long-term debt                | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 10,943,434              |
| Current portion of pension costs                 | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 3,755,831               |
| Accrued interest on long-term debt               | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 8,625,460               |
| Other Current Liabilities                        | -                                  | 1,169   | -                                     | 5,749,498                                | -   | 2,045,247             | 7,548,082                        | (11,834,036)            | 5,576,580               |
| Estimated third-party payor settlements          | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 13,019,923              |
| <b>Total current liabilities</b>                 | <b>2,948,069</b>                   | <b>1,169</b>                                  | <b>1,371,475</b>                      | <b>5,755,240</b>                         | <b>-</b>                                  | <b>2,202,022</b>      | <b>7,548,082</b>                 | <b>(14,016,386)</b>     | <b>203,337,027</b>      |
| Due to affiliates                                | 1,071,958                          | 42,761  | 253,418                               | -  | -   | -                     | -                                | (97,519,164)            | -                       |
| Long-term debt, net of current portion           | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 509,838,008             |
| Asset retirement obligation                      | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 3,560,486               |
| Accrued compensation payable                     | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 90,139,947              |
| Self insurance reserves                          | 26,130                             | -   | -                                     | -  | -   | -                     | -                                | -                       | 38,697,057              |
| Other noncurrent liabilities                     | -                                  | -   | -                                     | -  | -   | -                     | -                                | 1                       | 10,987,224              |
| Sw ap Contracts                                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                       | 66,942,036              |
| <b>Total liabilities</b>                         | <b>4,046,157</b>                   | <b>43,930</b>                                 | <b>1,624,893</b>                      | <b>5,755,240</b>                         | <b>-</b>                                  | <b>2,202,022</b>      | <b>7,548,082</b>                 | <b>(111,535,549)</b>    | <b>923,501,785</b>      |
| <b>Net assets</b>                                |                                    |   |                                       |  |   |                       |                                  |                         |                         |
| Unrestricted net assets (liabilities)            | (2,015,109)                        | 260,401                                       | -                                     | (5,617,508)                              | -   | 306,938               | (5,729,188)                      | (468,893,084)           | 485,141,398             |
| Less Amounts due from affiliates                 | -                                  | -   | -                                     | -  | -   | -                     | -                                | 33,682,373              | -                       |
| <b>Net unrestricted net assets (liabilities)</b> | <b>(2,015,109)</b>                 | <b>260,401</b>                                | <b>-</b>                              | <b>(5,617,508)</b>                       | <b>-</b>                                  | <b>306,938</b>        | <b>(5,729,188)</b>               | <b>(435,210,711)</b>    | <b>485,141,398</b>      |
| Temporarily restricted net assets                | -                                  | 456,827                                       | -                                     | -  | -   | -                     | -                                | (36,423,172)            | 34,445,398              |
| Permanently restricted net assets                | -                                  | -   | -                                     | -  | -   | -                     | -                                | (27,564,669)            | 27,564,669              |
| <b>Total net assets (liabilities)</b>            | <b>(2,015,109)</b>                 | <b>717,228</b>                                | <b>-</b>                              | <b>(5,617,508)</b>                       | <b>-</b>                                  | <b>306,938</b>        | <b>(5,729,188)</b>               | <b>(499,198,552)</b>    | <b>547,151,465</b>      |
| <b>Total liabilities and net assets</b>          | <b>\$ 2,031,048</b>                | <b>\$ 761,158</b>                             | <b>\$ 1,624,893</b>                   | <b>\$ 137,732</b>                        | <b>\$ -</b>                               | <b>\$ 2,508,960</b>   | <b>\$ 1,818,894</b>              | <b>\$ (610,734,101)</b> | <b>\$ 1,470,653,250</b> |

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Statement of Operations**  
**Year Ended June 30, 2014**

|   | St Luke's<br>University Health<br>Network, Inc | St Luke's<br>Hospital of<br>Bethlehem,<br>Pennsylvania | St Luke's<br>Physician<br>Group | St Luke's<br>Quakertown<br>Hospital | Emergency<br>and<br>Transport<br>Services | Quakertown<br>Rehabilitation<br>Center | Miners<br>Memorial<br>Medical<br>Center | St Luke's<br>Hospital<br>Anders on<br>Campus | St Luke's<br>Warren<br>Hospital | New<br>Valley Rehab<br>LLC |
|---|--|--|---------------------------------|-------------------------------------|---|--|---|--|---------------------------------|----------------------------|
| Patient service revenue (net of contractual allowances and discounts)             | \$ -   | \$ 657,665,628   | \$ 164,030,013                  | \$ 64,693,934                       | \$ 3,404,032                              | \$ -                                   | \$ 52,922,484                           | \$ 152,198,666                               | \$ 123,385,322                  | \$ 457,228                 |
| Provision for bad debts   | -  | (56,147,587)   | (22,390,158)                    | (8,341,444)                         | (293,648)                                 | -                                      | (4,669,376)                             | (11,675,488)                                 | (16,862,455)                    | -                          |
| Net patient service revenue less provision for bad debts                          | -  | 601,518,041  | 141,639,855                     | 56,352,490                          | 3,110,384                                 | -                                      | 48,253,108                              | 140,523,178                                  | 106,522,867                     | 457,228                    |
| Other operating revenue and gains   | -  | 21,905,165   | 3,996,026                       | 2,840,734                           | 103,794                                   | -                                      | 1,959,175                               | 2,321,711                                    | 1,611,324                       | 174                        |
| Net assets released from restrictions used for operations                         | -  | 2,116,456  | 38,263                          | 77,166                              | 12,086                                    | -                                      | 60,156                                  | 91,731                                       | 76,994                          | -                          |
| Equity in net income from controlled entities                                     | 67,428,111                                     | -  | -                               | -                                   | -   | -                                      | -                                       | -  | -                               | -                          |
| <b>Total revenue</b>  | <b>67,428,111</b>                              | <b>625,539,662</b>                                     | <b>145,674,144</b>              | <b>59,270,390</b>                   | <b>3,226,264</b>                          | <b>-</b>                               | <b>50,272,439</b>                       | <b>142,936,620</b>                           | <b>108,211,185</b>              | <b>457,402</b>             |
| <b>Operating expenses</b>   |  |  |                                 |                                     |   |  |   |  |                                 |                            |
| Salaries and employee benefits  | -  | 295,915,154  | 173,913,516                     | 28,728,302                          | 2,754,942                                 | -                                      | 25,138,263                              | 43,630,374                                   | 52,052,918                      | 227,792                    |
| Supplies and other  | -  | 225,641,539  | 42,247,341                      | 21,954,720                          | 642,999                                   | -                                      | 15,033,771                              | 44,283,819                                   | 37,649,294                      | 89,111                     |
| Depreciation and amortization   | -  | 37,143,426   | 3,969,149                       | 3,789,751                           | 189,174                                   | -                                      | 3,058,241                               | 18,138,971                                   | 6,924,015                       | 72,449                     |
| Interest  | -  | 16,839,342   | 6,331                           | 326,405                             | 2,276                                     | -                                      | 124,417                                 | 5,502,085                                    | 1,755,535                       | -                          |
| <b>Total expenses</b>   | <b>-</b>                                       | <b>575,539,461</b>                                     | <b>220,136,337</b>              | <b>54,799,178</b>                   | <b>3,589,391</b>                          | <b>-</b>                               | <b>43,354,692</b>                       | <b>111,555,249</b>                           | <b>98,381,762</b>               | <b>389,352</b>             |
| <b>Income (loss) from operations</b>  | <b>67,428,111</b>                              | <b>50,000,201</b>                                      | <b>(74,462,193)</b>             | <b>4,471,212</b>                    | <b>(363,127)</b>                          | <b>-</b>                               | <b>6,917,747</b>                        | <b>31,381,371</b>                            | <b>9,829,423</b>                | <b>68,050</b>              |
| <b>Nonoperating gains (losses)</b>  |  |  |                                 |                                     |   |  |   |  |                                 |                            |
| Support of Physician Practices  | -  | (45,566,315)   | 61,004,863                      | (2,585,722)                         | -   | -                                      | (2,428,693)                             | (10,424,133)                                 | -                               | -                          |
| Unrestricted investment income from assets limited as to use                      | -  | 6,928,755  | -                               | 41,908                              | -   | -                                      | -                                       | -  | 377                             | -                          |
| Realized gain (loss) on unrestricted investment                                   | -  | 1,968,691  | -                               | 464                                 | -   | -                                      | -                                       | -  | -                               | -                          |
| Unrestricted gifts, grants and bequests   | -  | 104,171  | -                               | 10,272                              | 7,177                                     | -                                      | 2,085                                   | (78,092)                                     | 66,708                          | -                          |
| Unrestricted investment income from restricted net assets                         | -  | 271,554  | -                               | (4,653)                             | -   | -                                      | (3,842)                                 | -  | -                               | -                          |
| Income from equity method investments   | -  | 15,112,969   | -                               | 2,558,810                           | -   | -                                      | -                                       | (515)  | (22,864)                        | -                          |
| Gain (loss) on disposal of property and equipment                                 | -  | 2,086,859  | (40,236)                        | 7,348                               | (11,771)                                  | -                                      | (256,261)                               | 46,949                                       | 169,860                         | 1,134                      |
| Restructuring Costs   | -  | (99,968)   | (2,125,000)                     | (35,054)                            | -   | -                                      | (1,223)                                 | (12,160)                                     | (43,801)                        | -                          |
| Pre-Acquisition/Merger Costs  | -  | -  | -                               | -                                   | -   | -                                      | -                                       | -  | -                               | -                          |
| Donations to Other Organizations  | -  | (556,976)  | -                               | (29,830)                            | -   | -                                      | (17,500)                                | (2,479)                                      | -                               | -                          |
| Unrealized gain (loss) on derivative  | -  | 1,888,763  | -                               | -                                   | -   | -                                      | -                                       | -  | -                               | -                          |
| Goodwill Impairment   | -  | -  | (15,031)                        | -                                   | -   | -                                      | -                                       | -  | -                               | -                          |
| Gain on Retirement/Purchase of Bonds  | -  | -  | -                               | -                                   | -   | -                                      | -                                       | -  | -                               | -                          |
| <b>Nonoperating gains</b>   | <b>-</b>                                       | <b>(17,861,497)</b>                                    | <b>58,824,596</b>               | <b>(36,457)</b>                     | <b>(4,594)</b>                            | <b>-</b>                               | <b>(2,705,434)</b>                      | <b>(10,470,430)</b>                          | <b>170,280</b>                  | <b>1,134</b>               |
| Excess (deficiency) of revenue and gains in excess of expenses                    | 67,428,111                                     | 32,138,704   | (15,637,597)                    | 4,434,755                           | (367,721)                                 | -                                      | 4,212,313                               | 20,910,941                                   | 9,999,703                       | 69,184                     |
| Net assets released from restrictions used for purchase of property and equipment | -  | 8,735,137  | -                               | 32,987                              | -   | -                                      | 216,089                                 | 300,589                                      | 37,200                          | -                          |
| Contribution of building  | -  | -  | -                               | -                                   | -   | -                                      | -                                       | -  | -                               | -                          |
| Other Changes in Unrestricted Assets  | -  | -  | -                               | -                                   | -   | -                                      | -                                       | (2,224,120)                                  | -                               | -                          |
| Net Asset Transfer To/From Affiliate  | -  | (15,069,060)   | -                               | -                                   | -   | -                                      | -                                       | 17,069,060                                   | -                               | -                          |
| Net assets released to Specific Purpose Fund                                      | -  | -  | -                               | -                                   | -   | -                                      | -                                       | -  | -                               | -                          |
| Change in additional pension liability  | -  | (22,592,401)   | (1,139,950)                     | (773,904)                           | (937)                                     | -                                      | (253,034)                               | (412,614)                                    | 1,551,603                       | -                          |
| Warren Physician Practice Support   | -  | -  | -                               | -                                   | -   | -                                      | -                                       | -  | (2,512,762)                     | -                          |
| Change in fair market value of total return SWAP                                  | -  | (2,879,088)  | -                               | -                                   | -   | -                                      | -                                       | -  | -                               | -                          |
| Net unrealized gains on investments   | -  | 31,530,062   | -                               | 257,737                             | -   | -                                      | -                                       | -  | 228                             | -                          |
| Extraordinary Gains/(Losses)  | -  | (19,312)   | -                               | -                                   | -   | -                                      | -                                       | -  | -                               | -                          |
| <b>Increase (decrease) in unrestricted net assets</b>                             | <b>\$ 67,428,111</b>                           | <b>\$ 31,844,042</b>                                   | <b>\$ (16,777,547)</b>          | <b>\$ 3,951,575</b>                 | <b>\$ (368,658)</b>                       | <b>\$ -</b>                            | <b>\$ 4,175,368</b>                     | <b>\$ 35,643,856</b>                         | <b>\$ 9,075,972</b>             | <b>\$ 69,184</b>           |

**St. Luke's University Health Network, Inc. and Controlled Entities**  
**Consolidating Statement of Operations**  
**Year Ended June 30, 2014**

**Schedule II**

|   | St Luke's<br>Physician<br>Group NJ | St Luke's<br>Warren<br>Hospital<br>Foundation | Hillcrest<br>Emergency<br>Services PC | Warren PA<br>Professional<br>Alliance PC | Warren<br>Risk<br>Retention<br>Group, Inc | Hillcrest<br>MSO, Inc | Two<br>Rivers<br>Enterprises Inc | Eliminations    | Consolidated<br>Totals |
|---|------------------------------------|---|---------------------------------------|--|---|-----------------------|----------------------------------|-----------------|------------------------|
| Patient service revenue (net of contractual allowances and discounts)             | \$ 9,038,725                       | \$ -  | \$ 8,302,396                          | \$ -                                     | \$ -                                      | \$ -                  | \$ -                             | \$ (615,333)    | \$ 1,235,483,095       |
| Provision for bad debts   | (456,042)                          | -   | (2,545,865)                           | -  | -   | -                     | -                                | -               | (123,382,063)          |
| Net patient service revenue less provision for bad debts                          | 8,582,683                          | -   | 5,756,531                             | -  | -   | -                     | -                                | (615,333)       | 1,112,101,032          |
| Other operating revenue and gains   | 8,041                              | 355,628                                       | -                                     | 5,012                                    | -   | -                     | 1,391,265                        | (1,391,267)     | 35,106,782             |
| Net assets released from restrictions used for operations                         | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | 2,472,852              |
| Equity in net income from controlled entities                                     | -                                  | -   | -                                     | -  | -   | -                     | -                                | (67,428,111)    | -                      |
| Total revenue   | 8,590,724                          | 355,628                                       | 5,756,531                             | 5,012                                    | -   | -                     | 1,391,265                        | (69,434,711)    | 1,149,680,666          |
| <b>Operating expenses</b>   |                                    |   |                                       |  |   |                       |                                  |                 |                        |
| Salaries and employee benefits  | 7,690,353                          | 74,390  | 3,716,711                             | -  | -   | -                     | -                                | 1               | 633,842,716            |
| Supplies and other  | 4,616,496                          | 139,181                                       | 2,039,820                             | 171,786                                  | -   | -                     | (73,554)                         | (2,006,602)     | 392,429,721            |
| Depreciation and amortization   | 225,261                            | -   | -                                     | -  | -   | -                     | 59,103                           | -               | 73,569,540             |
| Interest  | -                                  | -   | -                                     | -  | -   | -                     | -                                | 1               | 24,556,392             |
| Total expenses  | 12,532,110                         | 213,571                                       | 5,756,531                             | 171,786                                  | -   | -                     | (14,451)                         | (2,006,600)     | 1,124,398,369          |
| Income (loss) from operations   | (3,941,386)                        | 142,057                                       | -                                     | (166,774)                                | -   | -                     | 1,405,716                        | (67,428,111)    | 25,282,297             |
| <b>Nonoperating gains (losses)</b>  |                                    |   |                                       |  |   |                       |                                  |                 |                        |
| Support of Physician Practices  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | -                      |
| Unrestricted investment income from assets limited as to use                      | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | 6,971,040              |
| Realized gain (loss) on unrestricted investment                                   | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | 1,969,155              |
| Unrestricted gifts, grants and bequests   | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | 112,321                |
| Unrestricted investment income from restricted net assets                         | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | 263,059                |
| Income from equity method investments   | -                                  | 5,997   | -                                     | -  | -   | -                     | -                                | 22,862          | 17,677,259             |
| Gain (loss) on disposal of property and equipment                                 | -                                  | -   | -                                     | -  | -   | -                     | (12,182)                         | -               | 1,991,700              |
| Restructuring Costs   | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | (2,317,206)            |
| Pre-Acquisition/Merger Costs  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | -                      |
| Donations to Other Organizations  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | (606,785)              |
| Unrealized gain (loss) on derivative  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | 1,888,763              |
| Goodwill Impairment   | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | (15,031)               |
| Gain on Retirement/Purchase of Bonds  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | -                      |
| Nonoperating gains  | -                                  | 5,997   | -                                     | -  | -   | -                     | (12,182)                         | 22,862          | 27,934,275             |
| Excess (deficiency) of revenue and gains in excess of expenses                    | (3,941,386)                        | 148,054                                       | -                                     | (166,774)                                | -   | -                     | 1,393,534                        | (67,405,249)    | 53,216,572             |
| Net assets released from restrictions used for purchase of property and equipment | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | 9,322,002              |
| Contribution of building  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | -                      |
| Other Changes in Unrestricted Assets  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | (2,224,120)            |
| Net Asset Transfer To/From Affiliate  | -                                  | -   | -                                     | -  | -   | (306,938)             | 306,938                          | (2,000,000)     | -                      |
| Net assets released to Specific Purpose Fund                                      | -                                  | (163,817)                                     | -                                     | -  | -   | -                     | -                                | -               | (163,817)              |
| Change in additional pension liability  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | (23,621,237)           |
| Warren Physician Practice Support   | 2,750,742                          | -   | -                                     | -  | -   | -                     | (250,000)                        | 12,020          | -                      |
| Change in fair market value of total return SWAP                                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | (2,879,088)            |
| Net unrealized gains on investments   | -                                  | 43,966  | -                                     | -  | -   | -                     | -                                | -               | 31,831,993             |
| Extraordinary Gains/(Losses)  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -               | (19,312)               |
|   | (1,190,644)                        | 28,203  | -                                     | (166,774)                                | -   | (306,938)             | 1,450,472                        | (69,393,229)    | 65,462,993             |
| Increase (decrease) in unrestricted net assets                                    | \$ (1,190,644)                     | \$ 28,203                                     | \$ -                                  | \$ (166,774)                             | \$ -                                      | \$ (306,938)          | \$ 1,450,472                     | \$ (69,393,229) | \$ 65,462,993          |

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

|   | St Luke's<br>University Health<br>Network, Inc | St Luke's<br>Hospital of<br>Bethlehem,<br>Pennsylvania | St Luke's<br>Physician<br>Group | St Luke's<br>Quakertown<br>Hospital | Emergency<br>and<br>Transport<br>Services | Quakertown<br>Rehabilitation<br>Center | Miners<br>Memorial<br>Medical<br>Center | St Luke's<br>Hospital<br>Anderson<br>Campus | St Luke's<br>Warren<br>Hospital | New<br>Valley Rehab<br>LLC |
|---|--|--|---------------------------------|-------------------------------------|---|--|---|---|---------------------------------|----------------------------|
| Patient service revenue (net of contractual allowances and discounts)             | \$ -   | \$ 771 700 946   | \$ 142 205 349                  | \$ 67 377 394                       | \$ 3 280 335                              | \$ -                                   | \$ 49 146 627                           | \$ -  | \$ 133 519 761                  | \$ 423 641                 |
| Provision for bad debts   | -  | (48 043 398)   | (17 826 746)                    | (7 213 952)                         | (338 648)                                 | -                                      | (4 214 025)                             | -   | (20 374 048)                    | -                          |
| Net patient service revenue less provision for bad debts                          | -  | 723 657 548  | 124 378 603                     | 60 163 442                          | 2 941 687                                 | -                                      | 44 932 602                              | -   | 113 145 713                     | 423 641                    |
| Other operating revenue and gains   | -  | 27 079 462   | 2 655 711                       | 2 810 471                           | 103 233                                   | -                                      | 2 284 317                               | -   | 1 912 035                       | 1 268                      |
| Net assets released from restrictions used for operations                         | -  | 1 199 254  | 177 008                         | 33 742                              | 5 903                                     | -                                      | 23 095                                  | -   | -                               | -                          |
| Equity in net income from controlled entities                                     | 153 712 718                                    | -  | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Total revenue   | 153 712 718                                    | 751 936 264  | 127 211 322                     | 63 007 655                          | 3 050 823                                 | -                                      | 47 240 014                              | -   | 115 057 748                     | 424 909                    |
| <b>Operating expenses</b>   |  |  |                                 |                                     |   |  |   |   |                                 |                            |
| Salaries and employee benefits  | -  | 339 945 267  | 148 763 585                     | 29 914 641                          | 2 655 474                                 | -                                      | 24 753 601                              | -   | 59 533 793                      | 149 245                    |
| Supplies and other  | -  | 265 930 842  | 37 078 028                      | 22 347 068                          | 624 563                                   | -                                      | 13 911 067                              | -   | 41 184 969                      | 68 925                     |
| Depreciation and amortization   | -  | 51 952 121   | 2 300 876                       | 3 830 826                           | 165 149                                   | -                                      | 2 719 853                               | -   | 5 620 631                       | 93 597                     |
| Interest  | -  | 20 458 554   | 12 090                          | 120 168                             | 3 001                                     | -                                      | 4 475                                   | -   | 2 675 747                       | 1 917                      |
| Total expenses  | -  | 678 286 784  | 188 154 579                     | 56 212 703                          | 3 448 187                                 | -                                      | 41 388 996                              | -   | 109 015 140                     | 313 684                    |
| Income (loss) from operations   | 153 712 718                                    | 73 649 480   | (60 943 257)                    | 6 794 952                           | (397 364)                                 | -                                      | 5 851 018                               | -   | 6 042 608                       | 111 225                    |
| <b>Nonoperating gains (losses)</b>  |  |  |                                 |                                     |   |  |   |   |                                 |                            |
| Support of Physician Practices  | -  | (47 221 716)   | 51 019 438                      | (2 342 608)                         | -   | -                                      | (1 455 113)                             | -   | -                               | -                          |
| Unrestricted investment income from assets limited as to use                      | -  | 7 345 118  | -                               | 44 281                              | -   | -                                      | -                                       | -   | -                               | -                          |
| Realized gain (loss) on unrestricted investment                                   | -  | 1 104 097  | -                               | 1 313                               | -   | -                                      | -                                       | -   | -                               | -                          |
| Unrestricted gifts grants and bequests  | -  | 188 596  | -                               | 12 973                              | 8 160                                     | -                                      | 4 030                                   | -   | 300                             | -                          |
| Unrestricted investment income from restricted net assets                         | -  | 257 854  | -                               | (4 606)                             | -   | -                                      | (3 755)                                 | -   | -                               | -                          |
| Unrestricted investment (loss) income   | -  | 2 265 655  | -                               | -                                   | -   | -                                      | -                                       | -   | 286 973                         | -                          |
| Gain (loss) on disposal of property and equipment                                 | -  | (776 749)  | 1 750                           | -                                   | -   | -                                      | 715 435                                 | -   | 21 612                          | (384)                      |
| Restructuring Costs   | -  | (595 585)  | (304 947)                       | (37 530)                            | (725)                                     | -                                      | (30 270)                                | -   | (18 925)                        | -                          |
| Pre-Acquisition/Merger Costs  | -  | (138)  | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Donations to Other Organizations  | -  | (481 834)  | -                               | (16 800)                            | -   | -                                      | (200)                                   | -   | -                               | -                          |
| Unrealized gain (loss) on derivative  | -  | 2 006 392  | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Goodwill Impairment   | -  | -  | (547 850)                       | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Gain on Retirement/Purchase of Bonds  | -  | -  | -                               | -                                   | -   | -                                      | -                                       | -   | 1 088 875                       | -                          |
| Nonoperating gains  | -  | (35 908 310)   | 50 168 391                      | (2 342 977)                         | 7 435                                     | -                                      | (769 873)                               | -   | 1 378 835                       | (384)                      |
| Excess (deficiency) of revenue and gains in excess of expenses                    | 153 712 718                                    | 37 741 170   | (10 774 866)                    | 4 451 975                           | (389 929)                                 | -                                      | 5 081 145                               | -   | 7 421 443                       | 110 841                    |
| Net assets released from restrictions used for purchase of property and equipment | -  | 1 698 753  | -                               | 27 067                              | 8 720                                     | -                                      | 37 827                                  | -   | 26 784                          | -                          |
| Contribution of building  | -  | 722 300  | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Other Changes in Unrestricted Assets  | -  | -  | -                               | -                                   | -   | -                                      | -                                       | -   | (886 251)                       | -                          |
| Net Asset Transfer To/From Affiliate  | -  | (4 347 117)  | -                               | -                                   | -   | -                                      | -                                       | -   | 5 609 720                       | -                          |
| Net assets released to Specific Purpose Fund                                      | -  | -  | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Change in additional pension liability  | -  | 48 612 754   | 9 814 807                       | 3 233 899                           | 396                                       | -                                      | 517 492                                 | -   | 10 113 670                      | -                          |
| Warren Physician Practice Support   | -  | -  | -                               | -                                   | -   | -                                      | -                                       | -   | (2 277 407)                     | -                          |
| Change in fair market value of total return SWAP                                  | -  | 26 862 226   | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Pocono MRI Beginning unrestricted net assets                                      | -  | 293 351  | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Net unrealized gains on investments   | -  | 15 887 681   | -                               | 138 944                             | -   | -                                      | -                                       | -   | 3 098                           | -                          |
| Extraordinary Gains/(Losses)  | -  | (2 661 253)  | -                               | -                                   | -   | -                                      | -                                       | -   | -                               | -                          |
| Increase (decrease) in unrestricted net assets                                    | \$ 153 712 718                                 | \$ 124 809 865   | \$ (960 059)                    | \$ 7 851 885                        | \$ (380 813)                              | \$ -                                   | \$ 5 636 464                            | \$ -  | \$ 20 011 057                   | \$ 110 841                 |

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

**Schedule II**

|   | St Luke's<br>Physician<br>Group NJ | St Luke's<br>Warren<br>Hospital<br>Foundation | Hillcrest<br>Emergency<br>Services PC | Warren PA<br>Professional<br>Alliance PC | Warren<br>Risk<br>Retention<br>Group, Inc | Hillcrest<br>MSO, Inc | Two<br>Rivers<br>Enterprises Inc | Eliminations     | Consolidated<br>Totals |
|---|------------------------------------|---|---------------------------------------|--|---|-----------------------|----------------------------------|------------------|------------------------|
| Patient service revenue (net of contractual allowances and discounts)             | \$ 7 206 824                       | \$ -  | \$ 9 183 437                          | \$ -                                     | \$ -                                      | \$ -                  | \$ -                             | \$ (801 900)     | \$ 1 183 242 414       |
| Provision for bad debts   | (199 390)                          | -   | (2 462 504)                           | (700)                                    | -   | -                     | -                                | -                | (100 673 411)          |
| Net patient service revenue less provision for bad debts                          | 7 007 434                          | -   | 6 720 933                             | (700)                                    | -   | -                     | -                                | (801 900)        | 1 082 569 003          |
| Other operating revenue and gains   | 13 289                             | 287 196                                       | -                                     | 4 362                                    | 426 972                                   | 2 083 296             | 65 029                           | (1 685 455)      | 38 041 186             |
| Net assets released from restrictions used for operations                         | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 1 439 002              |
| Equity in net income from controlled entities                                     | -                                  | -   | -                                     | -  | -   | -                     | -                                | (153 712 718)    | -                      |
| Total revenue   | 7 020 723                          | 287 196                                       | 6 720 933                             | 3 662                                    | 426 972                                   | 2 083 296             | 65 029                           | (156 200 073)    | 1 122 049 191          |
| <b>Operating expenses</b>   |                                    |   |                                       |  |   |                       |                                  |                  |                        |
| Salaries and employee benefits  | 6 278 084                          | 37 809  | 3 880 905                             | -  | -   | 908 574               | -                                | -                | 616 820 978            |
| Supplies and other  | 3 313 070                          | 104 496                                       | 2 840 028                             | 172 640                                  | 1 017 704                                 | 369 732               | 165 995                          | (2 457 020)      | 386 672 107            |
| Depreciation and amortization   | 113 099                            | -   | -                                     | 7 573                                    | -   | 10 805                | 35 622                           | -                | 66 850 152             |
| Interest  | -                                  | -   | -                                     | 60 316                                   | -   | -                     | 29 953                           | -                | 23 366 221             |
| Total expenses  | 9 704 253                          | 142 305                                       | 6 720 933                             | 240 529                                  | 1 017 704                                 | 1 289 111             | 231 570                          | (2 457 020)      | 1 093 709 458          |
| Income (loss) from operations   | (2 683 530)                        | 144 891                                       | -                                     | (236 867)                                | (590 732)                                 | 794 185               | (166 541)                        | (153 743 053)    | 28 339 733             |
| <b>Nonoperating gains (losses)</b>  |                                    |   |                                       |  |   |                       |                                  |                  |                        |
| Support of Physician Practices  | -                                  | -   | -                                     | -  | -   | -                     | -                                | (1)              | -                      |
| Unrestricted investment income from assets limited as to use                      | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 7 389 399              |
| Realized gain (loss) on unrestricted investment                                   | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 1 105 410              |
| Unrestricted gifts, grants and bequests   | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 214 059                |
| Unrestricted investment income from restricted net assets                         | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 249 493                |
| Unrestricted investment (loss) income   | -                                  | 5 126   | -                                     | -  | 25 402                                    | -                     | -                                | 631 282          | 3 214 438              |
| Gain (loss) on disposal of property and equipment                                 | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | (38 336)               |
| Restructuring Costs   | -                                  | -   | -                                     | -  | 13 014                                    | -                     | -                                | -                | (974 968)              |
| Pre-Acquisition/Merger Costs  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | (138)                  |
| Donations to Other Organizations  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | (498 834)              |
| Unrealized gain (loss) on derivative  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 2 006 392              |
| Goodwill Impairment   | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | (547 850)              |
| Gain on Retirement/Purchase of Bonds  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 1 088 875              |
| Nonoperating gains  | -                                  | 5 126   | -                                     | -  | 38 416                                    | -                     | -                                | 631 281          | 13 207 940             |
| Excess (deficiency) of revenue and gains in excess of expenses                    | (2 683 530)                        | 150 017                                       | -                                     | (236 867)                                | (552 316)                                 | 794 185               | (166 541)                        | (153 111 772)    | 41 547 673             |
| Net assets released from restrictions used for purchase of property and equipment | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 1 799 151              |
| Contribution of building  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 722 300                |
| Other Changes in Unrestricted Assets  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | (886 251)              |
| Net Asset Transfer To/From Affiliate  | -                                  | -   | -                                     | -  | (3 262 603)                               | -                     | -                                | 2 000 000        | -                      |
| Net assets released to Specific Purpose Fund                                      | -                                  | (89 873)                                      | -                                     | -  | -   | -                     | -                                | -                | (89 873)               |
| Change in additional pension liability  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 72 293 018             |
| Warren Physician Practice Support   | 2 489 120                          | -   | -                                     | 240 000                                  | -   | (83 554)              | -                                | (368 159)        | -                      |
| Change in fair market value of total return SWAP                                  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 26 862 226             |
| Pocono MRI Beginning unrestricted net assets                                      | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | 293 351                |
| Net unrealized gains on investments   | -                                  | 23 894  | -                                     | -  | 11 546                                    | -                     | -                                | -                | 16 065 163             |
| Extraordinary Gains/(Losses)  | -                                  | -   | -                                     | -  | -   | -                     | -                                | -                | (2 661 253)            |
|   | (194 410)                          | 84 038  | -                                     | 3 133                                    | (3 803 373)                               | 710 631               | (166 541)                        | (151 479 931)    | 155 945 505            |
| Increase (decrease) in unrestricted net assets                                    | \$ (194 410)                       | \$ 84 038                                     | \$ -                                  | \$ 3 133                                 | \$ (3 803 373)                            | \$ 710 631            | \$ (166 541)                     | \$ (151 479 931) | \$ 155 945 505         |