


Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

LUTHERAN MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

150 55TH STREET

Room/suite

City or town, state or country, and ZIP + 4

BROOKLYN, NY 11220

F Name and address of principal officer

RICHARD LANGFELDER
150 55TH STREET
BROOKLYN, NY 11220

H(a) Is this a group return for affiliates?

☐ Yes ☒ No

H(b) Are all affiliates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW.LUTHERANMEDICALCENTER.COM

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1955

M State of legal domicile

NY

Part I

Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities SEE SCHEDULE O		
Revenue	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	29
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	28
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	2,990
	6 Total number of volunteers (estimate if necessary)	6	460
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	99,970
	b Net unrelated business taxable income from Form 990-T, line 34	7b	-37,863
Expenses			
	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	10,374,768	11,696,323
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	367,456,000	363,756,000
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,077,154	1,490,076
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	17,364,028	19,888,648
		396,271,950	396,831,047
Net Assets or Fund Balances	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	188,401	71,600
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	224,978,699	232,150,400
	16a Professional fundraising fees (Part IX, column (A), line 11e)	60,000	195,483
	b Total fundraising expenses (Part IX, column (D), line 25) 518,830		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	161,059,910	154,512,156
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	386,287,010	386,929,639
	19 Revenue less expenses Subtract line 18 from line 12	9,984,940	9,901,408
	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	288,082,579	372,212,868
	22 Net assets or fund balances Subtract line 21 from line 20	233,059,349	347,572,399
		55,023,230	24,640,469

Part II

Signature Block

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

Sign Here

Signature of officer

2012-11-09

Date

RICHARD LANGFELDER CHIEF FINANCIAL OFFICER

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

Date

2012-11-09

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)

P00743140

Firm's name (or yours if self-employed), address, and ZIP + 4

DELOITTE TAX LLP
TWO JERICO PLAZA
JERICO, NY 11753

EIN 86-1065772

Phone no (516) 918-7000

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

SEE SCHEDULE O

2

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

Yes

No

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

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a

(Code) (Expenses \$ 80,294,218 including grants of \$ 0) (Revenue \$ 88,384,923)

SEE SCHEDULE O

4b

(Code) (Expenses \$ 21,634,492 including grants of \$ 0) (Revenue \$ 15,336,799)

SEE SCHEDULE O

4c

(Code) (Expenses \$ 8,316,323 including grants of \$ 0) (Revenue \$ 7,637,124)

SEE SCHEDULE O

(Code) (Expenses \$ 177,349,020 including grants of \$) (Revenue \$ 271,679,966)

A FULL DESCRIPTION OF THE NUMEROUS AND VARIED OTHER HEALTHCARE SERVICES PROVIDED BY LUTHERAN MEDICAL CENTER ARE CONTAINED IN THE ORGANIZATION'S 2011 ANNUAL REPORT, WHICH IS PUBLISHED ON THE HOSPITAL'S WEBPAGE AT WWW.LUTHERANMEDICALCENTER.COM/DATA/DOCUMENTS/LHCANNUALREPORT2011.PDF

4d

Other program services (Describe in Schedule O)
























(Expenses \$ 177,349,020 including grants of \$) (Revenue \$ 271,679,966)

4e

Total program service expenses \$ 287,594,053

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance									
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>									
					Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .				1a	430		Yes	
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.				1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?				1c	Yes			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return. .				2a	2,990		Yes	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).				2b				
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?				3a	Yes			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.				3b	Yes			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?				4a				No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.								
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?				5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?				5b				No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?				5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?				6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?				6b				
7	Organizations that may receive deductible contributions under section 170(c).								
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?				7a	Yes			
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?				7b	Yes			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?				7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year.				7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?				7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?				7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?				7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?				7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?				8				
9	Sponsoring organizations maintaining donor advised funds.								
a	Did the organization make any taxable distributions under section 4966?				9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?				9b				
10	Section 501(c)(7) organizations. Enter								
a	Initiation fees and capital contributions included on Part VIII, line 12.				10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.				10b				
11	Section 501(c)(12) organizations. Enter								
a	Gross income from members or shareholders.				11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).				11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?				12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.				12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.								
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.				13a				
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.				13b				
c	Enter the aggregate amount of reserves on hand.				13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?				14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.				14b				

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	29		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	28
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	NY
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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization.	LUTHERAN MEDICAL CENTER 150 55TH STREET BROOKLYN, NY 112202559 (718) 630-7100

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

☐ Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

Form **990** (2011)

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	7,607,996	0	829,847

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization: 462

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
LMC PHYSICIAN SERVICES 150 55TH ST BROOKLYN, NY 11220	PHYSICIAN SERVICES	17,005,045
UNIVERSITY PHYSICIANS OF BROOKLYN 450 CLARKSON AVE BROOKLYN, NY 11203	PHYSICIAN SERVICES	7,737,823
SHORE ROAD RADIOLOGY 150 55TH ST BROOKLYN, NY 11220	PHYSICIAN SERVICES	3,296,964
NES HEALTHCARE GROUP 3724 NATIONAL DR STE 109 RALEIGH, NC 27612	PHYSICIAN SERVICES	2,702,597
GEORGE FERZLI 65 CROMWELL AVE STATEN ISLAND, NY 10304	PHYSICIAN SERVICES	1,992,423

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶28

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514		
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a						
	b	Membership dues	1b						
	c	Fundraising events	1c	489,103					
	d	Related organizations	1d	7,000					
	e	Government grants (contributions)	1e						
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	11,200,220					
	g	Noncash contributions included in lines 1a-1f \$ _____							
	h	Total. Add lines 1a-1f		11,696,323					
Program Service Revenue			Business Code						
	2a	PATIENT SERVICE REVENUE	622110	191,891,929	191,891,929				
	b	MEDICARE PAYMENTS	923130	123,320,941	123,320,941				
	c	MEDICAID PAYMENTS	923130	48,543,130	48,543,130				
	d								
	e								
	f	All other program service revenue							
	g	Total. Add lines 2a-2f		363,756,000					
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		1,101,941			1,101,941		
	4	Income from investment of tax-exempt bond proceeds . .							
	5	Royalties							
	6a	Gross rents	(i) Real	(ii) Personal					
			698,655						
			b	Less rental expenses	0				
			c	Rental income or (loss)	698,655				
	d	Net rental income or (loss)		698,655		50,836	647,819		
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other					
				388,135					
			b	Less cost or other basis and sales expenses	0				
			c	Gain or (loss)	388,135				
	d	Net gain or (loss)		388,135	388,135				
	8a	Gross income from fundraising events (not including \$ 489,103 of contributions reported on line 1c) See Part IV, line 18							
			a	695,826					
			b	Less direct expenses	b	449,644			
	c	Net income or (loss) from fundraising events . .		246,182			246,182		
	9a	Gross income from gaming activities See Part IV, line 19							
			a						
			b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities . .							
	10a	Gross sales of inventory, less returns and allowances							
			a						
			b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory . .							
	Miscellaneous Revenue		Business Code						
11a	NEIGHBORHOOD HEALTH CE	621498	11,708,186	11,708,186					
b	MEDICAID EHR INCENTIVE	900099	2,983,796	2,983,796					
c	MEDICAL EDUCATION PROG	900099	1,658,610	1,658,610					
d	All other revenue		2,593,219	2,544,085	49,134				
e	Total. Add lines 11a-11d		18,943,811						
12	Total revenue. See Instructions		396,831,047	383,038,812	99,970	1,995,942			

Part IX

Statement of Functional Expenses

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

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	71,600	71,600		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	5,492,080	4,239,508	1,166,398	86,174
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	168,259,539	129,884,796	38,286,354	88,389
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	14,795,666	11,421,237	3,369,192	5,237
9	Other employee benefits	29,953,073	23,121,713	6,796,447	34,913
10	Payroll taxes	13,650,042	10,536,894	3,102,238	10,910
11	Fees for services (non-employees)				
a	Management	1,352,368	450	1,351,918	
b	Legal	956,806	50,940	905,866	
c	Accounting	207,356		207,356	
d	Lobbying	167,531	167,531		
e	Professional fundraising See Part IV, line 17	195,483			195,483
f	Investment management fees				
g	Other	50,650		50,650	
12	Advertising and promotion	238,349	13,211	225,138	
13	Office expenses	43,837,382	40,171,203	3,666,179	
14	Information technology	238,972	40,422	125,826	72,724
15	Royalties				
16	Occupancy	6,044,601	868,372	5,176,229	
17	Travel	104,352	33,267	71,085	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	82,888	28,065	54,823	
20	Interest	3,505,170		3,505,170	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	12,063,265	9,312,011	2,751,254	
23	Insurance	19,436,450	15,003,603	4,432,847	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	PHYSICIAN PAYMENTS	29,840,361	29,840,361		
b	PURCHASED SERVICES	14,982,127	8,879,990	6,102,137	
c	BAD DEBTS	11,379,187	0	11,379,187	
d	REPAIRS AND MAINTENANCE	7,093,422	3,060,506	4,032,916	
e					
f	All other expenses	2,930,919	848,373	2,057,546	25,000
25	Total functional expenses. Add lines 1 through 24f	386,929,639	287,594,053	98,816,756	518,830
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			5,518	1	3,995
	2	Savings and temporary cash investments			15,630,482	2	12,746,832
	3	Pledges and grants receivable, net			2,689,265	3	5,352,250
	4	Accounts receivable, net			47,113,211	4	53,654,415
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			4,201,200	8	4,183,098
	9	Prepaid expenses and deferred charges			7,420,461	9	26,341,064
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	336,560,196			
	b	Less: accumulated depreciation	10b	223,630,136	105,893,365	10c	112,930,060
	11	Investments—publicly traded securities			42,058,875	11	35,740,623
	12	Investments—other securities. See Part IV, line 11			13,577,030	12	13,988,000
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets			1,509,253	14	71,363,222
	15	Other assets. See Part IV, line 11			47,983,919	15	35,909,309
	16	Total assets. Add lines 1 through 15 (must equal line 34)			288,082,579	16	372,212,868
Liabilities	17	Accounts payable and accrued expenses			50,334,563	17	54,055,398
	18	Grants payable				18	
	19	Deferred revenue			3,217,484	19	3,034,032
	20	Tax-exempt bond liabilities			60,271,003	20	55,318,177
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties			12,392,705	23	35,828,851
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			106,843,594	25	199,335,941
	26	Total liabilities. Add lines 17 through 25			233,059,349	26	347,572,399
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			52,366,246	27	21,681,411
	28	Temporarily restricted net assets			2,349,000	28	2,651,074
	29	Permanently restricted net assets			307,984	29	307,984
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			55,023,230	33	24,640,469
	34	Total liabilities and net assets/fund balances			288,082,579	34	372,212,868

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	396,831,047
2	Total expenses (must equal Part IX, column (A), line 25)	2	386,929,639
3	Revenue less expenses Subtract line 2 from line 1	3	9,901,408
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	55,023,230
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-40,284,169
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	24,640,469

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization LUTHERAN MEDICAL CENTER	Employer identification number 11-1839567
---	--

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

An organization organized and operated exclusively to test for public safety Se**section 509(a)(4).**

11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support							
Calendar year (or fiscal year beginning in)		(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7	Amounts from line 4						
8	Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9	Net income from unrelated business activities, whether or not the business is regularly carried on						
10	Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11	Total support (Add lines 7 through 10)						
12	Gross receipts from related activities, etc (See instructions)					12	
13	First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

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

Part IIIPart III

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

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

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization			
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization			
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions			

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

Facts And Circumstances Test

Explanation

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below.

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization LUTHERAN MEDICAL CENTER	Employer identification number 11-1839567
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

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

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

Part II-A

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

- A

Check

☐

if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

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

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?	Yes		17,117
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		6,352
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	Yes		96,996
	i Other activities? If "Yes," describe in Part IV	Yes		167,531
j	Total lines 1c through 1i			287,996
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	THE HOSPITAL HAS MEMBERSHIP WITH CERTAIN HOSPITAL GROUPS AND/OR ASSOCIATIONS TO WHICH IT PAYS DUES AND THESE ORGANIZATIONS INCLUDING THE GREATER NEW YORK HOSPITAL ASSOCIATION (GNYHA), THE HOSPITAL ASSOCIATION OF NEW YORK (HANYS) AND THE HEALTHCARE EDUCATION PROJECT ENGAGED IN LOBBYING ACTIVITIES. PART II-B LN 1A-1H LUTHERAN MEDICAL CENTER EMPLOYS A PERSON WHO AS PART OF HER FUNTION ADVOCATES AND LOBBIES IN ALBANY ON BEHALF OF THE HOSPITAL WITH RESPECT TO GOVERNMENTAL POLICIES AND LEGISLATION IMPORTANT TO LMC.

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
Attach to Form 990. See separate instructions.

Name of the organization
LUTHERAN MEDICAL CENTER

Employer identification number
11-1839567

Part I

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

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

Part II

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

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

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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

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

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

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

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

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

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

Part III

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Amount
1c	
1d	
1e	
1f	




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

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

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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


- a** Board designated or quasi-endowment 
- b** Permanent endowment 
- c** Term endowment 

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,575,733		1,575,733
b Buildings		143,032,521	89,028,297	54,004,224
c Leasehold improvements		13,573,615	3,057,277	10,516,338
d Equipment		172,924,656	131,455,396	41,469,260
e Other		5,453,671	89,166	5,364,505
Total. Add lines 1a-1e <i>(Column (d) should equal Form 990, Part X, column (B), line 10(c).)</i> 				112,930,060

Part XI

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

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

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	FIN 48 FOOTNOTE IN 2006, THE FASB ISSUED FASB INTERPRETATION (FIN) NO. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES- AN INTERPRETATION OF FASB STATEMENT NO. 109. FIN NO. 48 CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS IN ACCORDANCE WITH FASB STATEMENT NO. 109, ACCOUNTING FOR INCOME TAXES. IT PRESCRIBES AN UNCERTAINTY THRESHOLD AND MEASUREMENT ATTRIBUTES FOR FINANCIAL STATEMENT DISCLOSURE OF TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN ON A TAX RETURN. LUTHERAN HEALTHCARE ADOPTED FIN NO. 48 IN 2007. THE IMPACT OF ADOPTING FIN NO. 48 WAS NOT MATERIAL.

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.

11-1839567

Part II

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

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		<u>DINNER DANCE</u> (event type)	<u>JOURNAL</u> (event type)	<u>1</u> (total number)	(Add col (a) through col (c))
Revenue	1	Gross receipts	943,838	177,130	63,961
	2	Less Charitable contributions	282,800	177,130	29,173
	3	Gross income (line 1 minus line 2)	661,038	34,788	695,826
Direct Expenses	4	Cash prizes	6,450		6,450
	5	Non-cash prizes	1,950		1,950
	6	Rent/facility costs	111,539		111,539
	7	Food and beverages	138,976		138,976
	8	Entertainment	36,228		36,228
	9	Other direct expenses	89,407	30,305	34,789
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶			(449,644)
	11	Net income summary Combine lines 3 and 10 in column (d). ▶			246,182

Part III

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

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

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

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

b If "No," Explain _____

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

b If "Yes," Explain _____

- 11

Does the organization operate gaming activities with nonmembers?

Yes

No
- 12

Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?

Yes

No

13

Indicate the percentage of gaming activity operated in

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

14

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

Name

Address

15a

Does the organization have a contract with a third party from whom the organization receives gaming revenue?

Yes

No

b

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

c

If "Yes," enter name and address

Name

Address

16

Gaming manager information

Name

Gaming manager compensation

\$

Description of services provided

Director/officer

Employee

Independent contractor

17

Mandatory distributions

a

Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?

Yes

No

b

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

Part IV

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

Identifier	ReturnReference	Explanation
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
LUTHERAN MEDICAL CENTER

Employer identification number
11-1839567

Part I

Charity Care and Certain Other Community Benefits at Cost

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

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			18,613,847	7,172,254	11,441,593	3 050 %
b Medicaid (from Worksheet 3, column a)			150,252,762	131,847,969	18,404,793	4 900 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			1,162,457	914,852	247,605	0 070 %
d Total Charity Care and Means-Tested Government Programs			170,029,066	139,935,075	30,093,991	8 020 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			130,379	0	130,379	0 030 %
f Health professions education (from Worksheet 5)			31,699,501	12,480,812	19,218,689	5 120 %
g Subsidized health services (from Worksheet 6)			8,278,049	0	8,278,049	2 200 %
h Research (from Worksheet 7)			339,774	41,499	298,275	0 080 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			71,600	0	71,600	0 020 %
j Total Other Benefits			40,519,303	12,522,311	27,996,992	7 450 %
k Total. Add lines 7d and 7j			210,548,369	152,457,386	58,090,983	15 470 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support			17,748	0	17,748	0 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building			122,648	0	122,648	0 030 %
7Community health improvement advocacy			47,226	0	47,226	0 010 %
8Workforce development						
9Other						
10Total			187,622		187,622	0 040 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	211,379,187	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3296,000	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5125,373,376	
6	Enter Medicare allowable costs of care relating to payments on line 5	6134,879,397	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7-9,506,021	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input checked="" type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9aYes	
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.	9bYes	

Part IVManagement Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1				
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13				

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

LUTHERAN MEDICAL CENTER

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 100 000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	<input type="checkbox"/> Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21		No

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

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

Name and address		Type of Facility (Describe)
1		
2		
3		
4		
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Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 3C LUTHERAN MEDICAL CENTER USES THE FEDERAL POVERTY GUIDELINES (FPG) TO DETERMINE ELIGIBILITY FOR DISCOUNTED CARE TO LOW-INCOME PATIENTS

Identifier	ReturnReference	Explanation
		PART I, LINE 7 LUTHERAN MEDICAL CENTER USED VARIOUS COSTING METHODS IN CALCULATING THE AMOUNTS LISTED ON PART I, LINE 7 LMC UTILIZED FIGURES FROM ITS POWERHEALTH DECISION SUPPORT SYSTEM WHICH FIGURES COSTS BASED ON A COST ACCOUNTING SYSTEM FOR HEALTH PROFESSIONS EDUCATION, LMC USED INTERNAL DATA AND DIRECTLY COSTING OUT SOME OF THESE EXPENSES BY IDENTIFYING THE ACTUAL DIRECT EXPENSE AND ADDING IN INDIRECT PROGRAM EXPENSE

Identifier	ReturnReference	Explanation
		PART I, LINE 7G LUTHERAN MEDICAL CENTER ("LMC") CONTROLS SEVERAL AFFILIATED TAX-EXEMPT PHYSICIAN GROUPS THAT, PURSUANT TO A SERVICE AGREEMENT, PROVIDE TEACHING ADMINISTRATIVE, SUPERVISORY AND DIRECT PATIENT CARE SERVICES TO LMC'S PATIENTS LMC PAYS THESE PHYSICIAN GROUPS FOR THEIR SERVICES AT FAIR MARKET VALUE LMC ALSO PROVIDES A MISSION SUPPORT PAYMENT TO THE PHYSICIAN GROUPS TO RECOGNIZE THE UN-REIMBURSED CHARITY CARE AND UNDER-REIMBURSED MEDICAID SERVICES THE GROUPS PROVIDE TO LMC PATIENTS IN SUPPORT OF LMC'S MISSION IN 2011 LMC PAID THE LMC PC'S \$8,278,049.00 FOR PHYSICIAN RELATED UN-REIMBURSED AND UNDER-REIMBURSED SERVICES PROVIDED TO CHARITY CARE AND MEDICAID PATIENTS

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) LUTHERAN MEDICAL CENTER HAS INCLUDED BAD DEBT EXPENSE IN THE AMOUNT OF \$11,379,187 ON THE FORM 990 PART IX, LINE 25 THIS AMOUNT IS EXCLUDED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN SCHEDULE H, PART I, LINE 7 COL (F) AS PER THE INSTRUCTIONS

Identifier	ReturnReference	Explanation
		<p>PART II LMC DIRECTLY PARTICIPATES IN VARIOUS COMMUNITY BUILDING ACTIVITIES TO HELP PROMOTE THE HEALTH OF ALL OF THE MEMBERS OF THE COMMUNITY IT SERVES. EXAMPLES OF THESE INCLUDE THE FACT THAT LMC DIRECTLY EMPLOYEES A PERSON WHO'S ROLE IS TO PROMOTE AND ADVOCATE ON BEHALF OF LUTHERAN TO ALL OTHER COMMUNITY GROUPS, AND ROUTINELY PARTICIPATES IN VARIOUS COMMUNITY MEETINGS AND EVENTS. IN ADDITION THE HOSPITAL SUPPORTS AND PROMOTES VARIOUS COALITION BUILDING ACTIVITIES AND AN EXAMPLE OF THIS IS THE FAITH BASED COMMUNITY COALITION GROUP STARTED BY THE HOSPITAL'S SVP OF SPIRITUAL CARE & MISSION. THERE ARE MANY OTHER COMMUNITY GROUPS PARTICIPATING IN THIS COALITION. INDIRECTLY LMC SUPPORTS COMMUNITY BUILDING ACTIVITIES THROUGH ITS AFFILIATE THE LUTHERAN FAMILY HEALTH CENTER WHICH PROVIDES AN INTEGRATIVE APPROACH TO COMMUNITY BASED SERVICES DESIGNED TO SUPPORT COMMUNITY-BUILDING AND THE STRENGTHENING OF FAMILY TIES. THE CENTER PROVIDES A HOST OF CULTURALLY COMPETENT SERVICES INCLUDING ADULT AND FAMILY EDUCATION CLASSES, MENTAL HEALTH COUNSELING FOR CHILDREN AND FAMILIES IN TRAUMA THROUGH ITS HEALTHY CONNECTIONS PROGRAM, ADULT AND FAMILY EDUCATION, WIC NUTRITION SERVICES, PEDIATRIC LITERACY SERVICES THROUGH THE REACH OUT AND READ PROGRAM, AND VOLUNTEERISM AND LEADERSHIP DEVELOPMENT THROUGH A SPONSORED AMERICORP PROGRAM, CALLED THE SUNSET PARK COMMUNITY HEALTHCORPS. AT THE CENTER'S CORE IS THE FAMILY SUPPORT SERVICES (FSS) PROGRAM, WHICH SERVES AS THE HUB FOR OUTREACH, EDUCATION, SUPPORTIVE COUNSELING, AND CARE MANAGEMENT. THE FSS PROGRAM UTILIZES A CARE MANAGEMENT MODEL TO PROVIDE A HOST OF SUPPORTIVE SERVICES TO CLIENTS INCLUDING SHORT-TERM COUNSELING, INFORMATION AND REFERRAL, IMMIGRATION COUNSELING, CAREER COUNSELING, ADVOCACY, LIFE SKILLS WORKSHOPS AND ASSISTANCE WITH THE ENROLLMENT IN VARIOUS ENTITLEMENTS AND PUBLIC BENEFITS. THE FSS PROGRAM HAS OVER 5,500 PARTICIPANTS.</p>

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 2011 LUTHERAN HEALTHCARE AUDITED FINANCIAL STATEMENT NOTE REGARDINGBAD DEBT AND CHARITY CARE LUTHERAN MEDICAL CENTER OPERATES A 468-BED HOSPITAL AND IS A CO-OPERATOR WITH LFHC OF A NETWORK OF NINE (9) NEIGHBORHOOD PRIMARY CARE SITES, FIFTEEN (15) SCHOOL HEALTH PROGRAMS WITH 16 DENTAL PROGRAMS, AND A DIVERSE RANGE OF COMMUNITY-BASED PROGRAMS THAT PROVIDE APPROXIMATELY 608,000 MEDICAL AND DENTAL VISITS ANNUALLY THE MISSION OF LUTHERAN HEALTHCARE IS AS FOLLOWS A LUTHERAN HEALTHCARE EXISTS ONLY TO SERVE THE NEEDS OF ITS NEIGHBORS B LUTHERAN HEALTHCARE DEFINES HEALTH AS THE TOTAL WELL-BEING OF THE COMMUNITY AND ITS RESIDENTS BEYOND THE ABSENCE OF INDIVIDUAL PHYSICAL ILLNESS, THIS INCLUDES, AT LEAST, DECENT HOUSING, THE ABILITY TO SPEAK ENGLISH, EMPLOYMENT AND EDUCATIONAL OPPORTUNITIES, AND CIVIC PARTICIPATION C LUTHERAN HEALTHCARE UNDERSTANDS THAT A HOSPITAL IS NOT A COLLECTION OF BUILDINGS, MACHINES, AND BEDS, BUT A STAFF OF TALENTED, CREATIVE, AND COMMITTED PEOPLE WHO SERVE THE COMMUNITY AS THEY ARE NEEDED D LUTHERAN HEALTHCARE WORKS WITH ITS NEIGHBORS, EACH RELYING ON THE OTHER AS FRIENDS WHO CARE ABOUT AND ASSIST EACH OTHER IN KEEPING WITH THIS MISSION, LUTHERAN HEALTHCARE PROVIDES MEDICAL CARE TO ALL PATIENTS, REGARDLESS OF THEIR ABILITY TO PAY PATIENTS ARE NOTIFIED OF THE AVAILABILITY OF FREE AND REDUCED PRICE CARE, AND PATIENTSARE EVALUATED FOR CHARITY CARE IN ACCORDANCE WITH ESTABLISHED POLICIES IN ADDITION, LUTHERAN HEALTHCARE OPERATES NUMEROUS COMMUNITY BENEFIT PROGRAMS THAT SEEK TO IMPROVE THE HEALTH AND WELFARE OF ITS COMMUNITY SERVICES PROVIDED TO THESE PATIENTS ARE NOT REPORTED AS REVENUE IN THE COMBINED STATEMENTS OF OPERATIONS THE ESTIMATED COST INCURRED BY LUTHERAN HEALTHCARE TO PROVIDE SERVICES TO PATIENTS WHO ARE UNABLE TO PAY WAS APPROXIMATELY \$34,289,000 AND \$35,124,000 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY THE ESTIMATED COST OF THESE CHARITY CARE SERVICES WAS DETERMINED USING A RATIO OF COST TOGROSS CHARGES AND APPLYING THAT RATIO TO THE GROSS CHARGES ASSOCIATED WITH PROVIDING CARE TO CHARITY PATIENTS FOR THE PERIOD GROSS CHARGES ASSOCIATED WITH PROVIDING CARE TO CHARITY PATIENTS INCLUDES ONLY THE RELATED CHARGES FOR THOSE PATIENTS WHO ARE FINANCIALLY UNABLE TO PAY AND QUALIFY UNDER LUTHERAN HEALTHCARE'S CHARITY CARE POLICY AND THAT DO NOT OTHERWISE QUALIFY FOR REIMBURSEMENT FROM A GOVERNMENTAL PROGRAM LUTHERAN HEALTHCARE ALSO PROVIDES A SIGNIFICANT AMOUNT OF UNCOMPENSATED CARE TO THEIR PATIENTS THAT IS REPORTED AS A PROVISION FOR BAD DEBTS, WHICH IS NOT INCLUDED IN THE AMOUNTS REPORTED ABOVE SUCH PROVISION FOR BAD DEBTS AMOUNTED TO APPROXIMATELY \$11,379,187 AND \$20,782,316 FOR 2011 AND 2010, RESPECTIVELY</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE COST WAS DETERMINED USING THE HOSPITAL'S DECISION SUPPORT AND COST ACCOUNTING SYSTEM KNOWN AS POWERHEALTH THE SHORTFALL IN PART IS A RESULT OF PROVIDING SERVICES TO LOW INCOME OR INDIGENT PATIENTS COMBINED WITH MEDICARE COVERAGE AND MEDICARE RATE REDUCTIONS IMPACTING 2011

Identifier	ReturnReference	Explanation
		PART III, LINE 9B ACCOUNTS ARE REFERRED TO COLLECTION AT THE DISCOUNTED AMOUNTS AND ANY FINANCIAL ASSISTANCE ACCOUNTS ARE SO NOTED ALL AGENCIES COLLECTING ON BEHALF OF THE HOSPITAL RECEIVE AND ARE REQUIRED TO FOLLOW THE HOSPITAL'S GUIDELINES FOR COLLECTIONS

Identifier	ReturnReference	Explanation
LUTHERAN MEDICAL CENTER		PART V, SECTION B, LINE 9 FREE CARE IS PROVIDED UNDER THE FOLLOWING CIRCUMSTANCES FOR PRE-NATAL, PEDIATRIC SERVICES INCLUDING PEDIATRIC ER WHERE INCOME IS AT OR BELOW 100% OF THE FPL

Identifier	ReturnReference	Explanation
LUTHERAN MEDICAL CENTER		PART V, SECTION B, LINE 11H LMC USES FAMILY SIZE AS AN ADDITIONAL FACTOR IN DETERMINING ELIGIBILITY FOR DISCOUNTED CARE

Identifier	ReturnReference	Explanation
LUTHERAN MEDICAL CENTER		PART V, SECTION B, LINE 19D THE MAXIMUM CHARGE TO ANY FAP-ELIGIBLE PATIENT FOR EMERGENCY OR MEDICALLY NECESSARY CARE IS SET AT THE COMPRABLE MEDICAID RATE

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 THROUGHOUT LUTHERAN HEALTHCARE'S (LHC) 129-YEAR HISTORY, NEEDS ASSESSMENT AND STRATEGIC PLANNING HAVE EVOLVED INTO A COLLABORATIVE PROCESS IN WHICH STAKEHOLDERS AT EVERY LEVEL PLAY A CRITICAL ROLE IN THE DETERMINATION OF A STRATEGIC RESPONSE TO COMMUNITY NEEDS LUTHERAN'S PARTICIPATORY PROCESS IS DIRECTED BY AND IN COOPERATION WITH SENIOR LEADERSHIP, COMMUNITY PARTNERS, PATIENTS, AND STAFF REPRESENTATIVES FROM CLINICAL, RESEARCH, ADMINISTRATIVE, AND COMMUNITY OUTREACH DIVISIONS LHC USES DEMOGRAPHIC AND DIAGNOSTIC DATA FROM HOSPITAL ADMISSIONS, AMBULATORY CARE VISITS, UTILIZATION RATES AND COMMUNITY-LEVEL DATA SETS AND REPORTS THESE INCLUDE BUT ARE NOT LIMITED TO THE FEDERAL DECENNIAL CENSUS AND AMERICAN COMMUNITY SURVEY (ISSUED BY THE NYS DEPARTMENT OF CITY PLANNING), "STATISTICS AND DATA" PROVIDED BY THE NEW YORK STATE DEPARTMENT OF HEALTH</p> <p>(HTTP //WWW HEALTH STATE NY US/STATISTICS/) INCLUDING PQI, QARR, BRFS, AND NYS CANCER REGISTRY, PREVENTION QUALITY INDICATOR DATA, "COMMUNITY HEALTH PROFILES," AND NUMEROUS OTHER REFERENCE MATERIALS COMPILED BY THE NEW YORK CITY DEPARTMENT OF HEALTH AND MENTAL HYGIENE IN LATE SEPTEMBER 2010, SUNSET PARK, BROOKLYN WAS ONE OF THE FIRST 21 COMMUNITIES NATIONWIDE TO RECEIVE A PROMISE NEIGHBORHOOD PLANNING GRANT FROM THE US DEPARTMENT OF EDUCATION AS THE LEAD AGENCY, LUTHERAN HEALTHCARE, THROUGH THE LUTHERAN FAMILY HEALTH CENTERS, RECEIVED THIS \$500,000 PLANNING GRANT TO CREATE A PROMISE NEIGHBORHOOD IN COLLABORATION WITH OTHER COMMUNITY BASED ORGANIZATIONS, COMMUNITY SCHOOLS, BUSINESSES AND FAITH BASED ORGANIZATIONS THE VISION OF THIS FEDERALLY FUNDED PROGRAM IS THAT ALL CHILDREN AND YOUTH GROWING UP IN PROMISE NEIGHBORHOODS HAVE ACCESS TO GREAT SCHOOLS AND STRONG SYSTEMS OF FAMILY AND COMMUNITY SUPPORT TO IMPROVE EDUCATIONAL OUTCOMES AS PART OF THIS PLANNING PROCESS, SUNSET PARK PROMISE NEIGHBORHOOD CONDUCTED AN EXTENSIVE COMMUNITY NEEDS ASSESSMENT AND ASSET MAPPING NEARLY 3,000 CHILDREN AND ADULTS AND OVER 30 ORGANIZATIONS WERE ENGAGED IN A PROCESS THAT INCLUDED ASSET MAPPING ACTIVITIES, A COMPREHENSIVE COMMUNITY NEEDS SURVEY, AND A SERIES OF ISSUE-SPECIFIC FOCUS GROUPS THROUGH THIS COMPREHENSIVE PROCESS, LUTHERAN HAS LEARNED ABOUT THE STRENGTHS AND RESOURCES OF THE SUNSET PARK COMMUNITY IT HAS ALSO LEARNED ABOUT THE NEEDS OF THE COMMUNITY AND THE CHALLENGES OF LIVING IN SUNSET PARK GAPS IN PROGRAMS, SERVICES AND ADVOCACY HAVE BECOME CLEAR, AS HAVE POTENTIAL SOLUTIONS FOR IMPROVING THE LIVES OF THE FAMILIES AND CHILDREN OF SUNSET PARK</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 THE EDUCATION AND INFORMATION REGARDING THE AVAILABLE GOVERNMENTAL ASSISTANCE PROGRAMS I E , MEDICAID AND OTHERS, AS WELL AS THE FACILITY'S FINANCIAL ASSISTANCE POLICY IS MADE WIDELY AVAILABLE TO PATIENTS THROUGH VARIOUS VENUES FIRST, THIS INFORMATION IS POSTED IN KEY AREAS THROUGHOUT THE FACILITY INCLUDING THE ER, AND OUTPATIENT AREAS IN ADDITION TO THE POSTED INFORMATION THERE ARE VARIOUS BROCHURES AVAILABLE THROUGHOUT THE HOSPITAL AS WELL BOTH THE POSTED INFORMATION AND BROCHURES ARE AVAILABLE IN SEVERAL DIFFERENT LANGUAGES INCLUDING THOSE LANGUAGES THAT HAVE BEEN DEFINED BY LOCAL CENSUS STUDIES AS THE MAIN LANGUAGES FOR THE LMC SERVICE AREA THERE IS ALSO A FREQUENTLY ASKED QUESTIONS (FAQS) DOCUMENT REGARDING THESE SERVICES IN THE SAME FORMATS AND VENUES AS ABOVE AND ON THE HOSPITAL'S WEBSITE AS WELL ANOTHER KEY AREA IS THE TRAINING OF THE LMC FRONT LINE STAFF (ADMITTING, REGISTRATION AND PATIENT ACCOUNT STAFF) IN TERMS OF THE AVAILABLE GOVERNMENTAL ASSISTANCE PROGRAMS, APPLICATION PROCEDURES AND THE HOSPITAL'S FINANCIAL ASSISTANCE PROGRAMS

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 LHC USES DEMOGRAPHIC AND DIAGNOSTIC DATA FROM HOSPITAL ADMISSIONS, AMBULATORY CARE VISITS AND UTILIZATION RATES TO KEEP CURRENT ON PATIENT NEEDS AND TO DETERMINE OUR GENERAL SERVICE AREA IN ADDITION, CENSUS DATA, STATISTICAL REPORTS FROM THE NEW YORK CITY DEPARTMENT OF HEALTH AND MENTAL HYGIENE AND THE UNITED HOSPITAL FUND, AS WELL AS THE NYS PREVENTION AGENDA ARE USED TO HELP IDENTIFY OUR SERVICE AREA IN 2011, 478,000 PEOPLE WERE SERVED THROUGH ONE OF LUTHERAN HEALTHCARE'S ORGANIZATIONS THE LHC SYSTEM, LOCATED THROUGHOUT SOUTHWEST AND CENTRAL BROOKLYN, SERVES ONE OF THE MOST CULTURALLY, ETHNICALLY AND LINGUISTICALLY DIVERSE COMMUNITIES IN THE WORLD LHC CONSIDERS ITS CENTRAL SERVICE AREA TO BE NEIGHBORHOODS SUNSET PARK, BAY RIDGE, BENSONHURST, DYKER HEIGHTS, PARK SLOPE, RED HOOK, BOROUGH PARK, EAST FLATBUSH AND CROWN HEIGHTS ZIP CODES FULLY CONTAINED 11203, 11204, 11209, 11210, 11214, 11215, 11217, 11218, 11219, 11220, 11223, 11224, 11225, 11226, 11228, 11230, 11231, 11232 ZIP CODES PARTIALLY CONTAINED 10011, 10001, 10003, 10010, 10011, 10012, 10016, 10018, 10027, 10035, 10036, 10301, 10455, 11201, 11207, 11212, 11213, 11216, 11217, 11121, 11213, 11229, 11233, 11234, 11235, 11236, 11238, 11239, 11433 COMMUNITY DEMOGRAPHICS* 37 PERCENT LATINO/HISPANIC 27 PERCENT CHINESE 10 PERCENT ORTHODOX JEWISH 7 PERCENT ARABIC 7 PERCENT RUSSIAN 28 PERCENT LIVE BELOW 100 PERCENT FEDERAL POVERTY LEVEL 16 PERCENT ARE OVER THE AGE OF 60* 2000 CENSUS DATA</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 5 PROVIDE ANY OTHER INFORMATION IMPORTANT TO DESCRIBING HOW THE ORGANIZATION'S HOSPITALS 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) LUTHERAN FURTHER FACILITATED OUR EXEMPT STATUS BY PROMOTING HEALTH INITIATIVES THAT ARE BASED ON COMMUNITY NEEDS AFTER ASSESSING THE NEEDS OF THE COMMUNITY WE HAVE BROUGHT NEW CLINICAL SERVICES TO SOUTHWEST BROOKLYN FOR EXAMPLE, LUTHERAN MADE MAJOR STRIDES TOWARD DEVELOPING A COMPREHENSIVE BREAST SURGERY PROGRAM FOR WOMEN WITH BREAST CANCER AND OTHER BREAST DISEASES IN JANUARY 2011, LUTHERAN APPOINTED BREAST SURGEON ALAN SICKLES, M D , AS COORDINATOR OF THE BREAST SURGERY PROGRAM AS PART OF THIS NEW PROGRAM, LUTHERAN HOLDS A WEEKLY BREAST IMAGING CONFERENCE, EVERY TUESDAY MORNING, THAT INCLUDES SURGEONS, RADIOLOGISTS, PATHOLOGISTS AND ONCOLOGISTS WHO CONFER AND DISCUSS EIGHT TO TEN CASES WEEKLY IN ADDITION, IN AUGUST 2011 LUTHERAN BECAME THE FIRST HEALTH CARE SYSTEM IN BROOKLYN TO OFFER A 3D DIGITAL MAMMOGRAPHY SYSTEM THIS TECHNOLOGY OFFERS THE NEXT LEVEL IN BREAST IMAGING BECAUSE IT USES HIGH - POWERED COMPUTERS TO CONVERT DIGITAL BREAST IMAGES INTO A STACK OF VERY THIN "SLICES" BUILDING WHAT IS ESSENTIALLY A 3D IMAGE OF THE BREAST THIS 3D IMAGE ALLOWS THE RADIOLOGY DEPARTMENT TO ZOOM IN FOR CLOSE-UPS OF SPECIFIC AREAS OF INTEREST TO SHOW ONE MILLIMETER AT A TIME, WHICH IS PARTICULARLY HELPFUL FOR WOMEN WITH DENSE BREASTS, MASSES OR NODULES 2011 WAS A YEAR OF EXPANSION FOR THE OUTPATIENT ARM OF LUTHERAN HEALTHCARE THE NEW LUTHERAN FAMILY HEALTH CENTER - BROOKLYN CHINESE SITE OPENED IN FEBRUARY 2011 LOCATED IN THE HEART OF BROOKLYN'S CHINATOWN, THIS AREA NOW HAS THE LARGEST CONCENTRATION OF CHINESE RESIDENTS IN NEW YORK CITY THE SITE ADDED SERVICE HOURS ON SATURDAYS, TO ACCOMMODATE RAPID GROWTH OF THIS POPULATION SINCE THE INTRODUCTION OF THE NEW WEEKEND HOURS, ALLOWING THE SITE TO BE OPEN 7 DAYS A WEEK, THERE HAS BEEN A 5 6% INCREASE IN VISIT VOLUME SINCE FEBRUARY 2012 AS COMPARED TO LAST YEAR ADDITIONALLY, WE HAVE EXPANDED OUR REHABILITATION PROGRAM BY OPENING A BRAND NEW OUTPATIENT PHYSICAL THERAPY SITE IN FEBRUARY 2011 AND IN OCTOBER 2011 WE OPENED THE ONLY CARDIAC REHABILITATION PROGRAM IN BROOKLYN, WHICH PROVIDES AN INDIVIDUALIZED, SUPERVISED EXERCISE PROGRAM FOR PATIENTS WITH CARDIOVASCULAR DISEASE WE HAVE HAD CONTINUED SUCCESS IN OUR COMMUNITY MEDICINE PROGRAM LAST YEAR WE SERVED MORE THAN 5,000 HOMELESS NEW YORKERS WITH MORE THAN 20,000 MEDICAL AND BEHAVIORAL HEALTH SERVICE VISITS IN THE 15 SHELTER AND COMMUNITY BASED CLINICS WE OPERATE THROUGHOUT NYC ADDITIONALLY, OUR FAMILY SUPPORT CENTER - (COMMUNITY-BASED PROGRAMS) ADDRESS SOCIAL, EDUCATIONAL, VOCATIONAL AND NUTRITIONAL NEEDS INCLUDING ADULT EDUCATION NEARLY INTERVENTION (SCREENING) FAMILY SUPPORT PATIENT ADVOCACY "REACH OUT AND READ" SENIOR PROGRAM SLIDING SCALE FEE/ASSISTED ENROLLMENT IN INSURANCE PROGRAMS THREE DAY CARE CENTER TRANSPORTATION WIC PROGRAM</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 LUTHERAN HEALTHCARE (LHC) IS AN ACADEMIC, FAITH-BASED, COMMUNITY HEALTH CARE AND SOCIAL SUPPORT ORGANIZATION COMMITTED TO EXCELLENCE THE PRINCIPAL PROVIDER OF HEALTH CARE FOR THE RESIDENTS OF SOUTHWEST AND CENTRAL BROOKLYN, THE SYSTEM PROVIDES SUPERB PRIMARY AND SUPPORTIVE CARE THIS UNIQUELY INTEGRATED HEALTH CARE SYSTEM INCLUDES LUTHERAN MEDICAL CENTER (LMC), LUTHERAN FAMILY HEALTH CENTERS (LFHC), LUTHERAN AUGUSTANA CENTER FOR EXTENDED CARE AND REHABILITATION (LAC), SENIOR HOUSING AND COMMUNITY CARE ORGANIZATION IN 2011, ACCESS TO CARE EXPANDED SIGNIFICANTLY SYSTEM-WIDE, OUR 916 PHYSICIANS AND 3,648 EMPLOYEES SERVED 177,525 PEOPLE LUTHERAN MEDICAL CENTER (LMC) MANAGING NEARLY 63,698 EMERGENCY VISITS, 17,572 SURGICAL PROCEDURES AND 28,409 INPATIENT DISCHARGES THE LUTHERAN FAMILY HEALTH CENTERS (LFHC) HANDLED NEARLY 608,358 PATIENT VISITS AND PROVIDED HEALTH AND DENTAL SERVICES TO OVER 10,000 CHILDREN IN 31 SCHOOLS LUTHERANS THREE SENIOR HOUSING FACILITIES HAVE MORE THAN 800 RESIDENTS WHILE AUGUSTANA PROVIDES LONG TERM CARE AND REHABILITATION PROVIDES SERVICES TO APPROXIMATELY 908 RESIDENTS

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	NY

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
LUTHERAN MEDICAL CENTER

Employer identification number
11-1839567

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) UNITED HOSPITAL FUND1411 BROADWAY MANHATTAN,NY 10018	13-1562656	501(C)(3)	16,000		N/A	N/A	GENERAL SUPPORT
(2) HOTZOLOH OF FLATBUSH1880 OCEAN AVE BROOKLYN,NY 11230	13-3213138	501(C)(3)	15,000		N/A	N/A	GENERAL SUPPORT
(3) HOTZOLOH OF BUROUGH PARK5215 16TH AVE BROOKLYN,NY 11204	11-3043090	501(C)(3)	13,000		N/A	N/A	GENERAL SUPPORT

2

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

3

3

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

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 SCHEDULE I, PART I, LINE 1
		SCHEDULE I, PART I, LINE 1 LUTHERAN MEDICAL CENTER ONLY MAKES GRANTS TO CHARITABLE ORGANIZATIONS LOCATED IN ITS NEIGHBORING COMMUNITY THESE FUNDS ARE USED TO SUPPORT THE TAX EXEMPT MISSION AND COMMUNITY BETTERMENT AIMS OF EACH ORGANIZATION LUTHERAN REQUIRES EACH APPLICANT (FOR GRANT AID) TO PROVIDE A DETAILED DESCRIPTION OF THE USE OF THE INTENDED FUNDS AND SUCH AMOUNTS ARE GRANTED AFTER LUTHERAN HAS VERIFIED THAT THE INTENDED PROJECT SUPPORTS THE COMMUNITY

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
LUTHERAN MEDICAL CENTER

Employer identification number
11-1839567

Part I

Questions Regarding Compensation

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

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

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

[illegible]

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
	PART I, LINE 4B	WENDY Z. GOLDSTEIN, PRESIDENT & CEO IS THE ONLY INDIVIDUAL REPORTED ON SCHEDULE J THAT PARTICIPATES IN A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN. MS. GOLDSTEIN ALSO PARTICIPATES IN A SECTION 457F PLAN AND HER 2011 DEFERRALS ARE REPORTED ON THE FORM 990, SCHEDULE J, PART II, COLUMN (C).
	PART I, LINE 7	LUTHERAN MEDICAL CENTER DOES NOT HAVE A FORMAL EXECUTIVE BONUS PROGRAM IN PLACE. EXECUTIVE BONUSES ARE DISCRETIONARY AND PROVIDED AT THE APPROVAL OF THE BOARD OF DIRECTORS FOR THE CEO AND THE CEO'S RECOMMENDATIONS FOR OTHER SR. EXECUTIVES BASED ON WORK PERFORMANCE DURING THE YEAR. THE BOARD OF DIRECTORS RETAINS THE RIGHT TO APPROVE OR DISAPPROVE ALL BONUSES AND TYPICALLY BASES ITS DECISION UPON MARKET DATA PROVIDED BY THE EXTERNAL CONSULTING FIRM THE MEDICAL CENTER USES TO DETERMINE COMPENSATION.

Software ID:
Software Version:
EIN: 11-1839567
Name: LUTHERAN MEDICAL CENTER

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
WENDY Z GOLDSTEIN	(i) (ii)	826,912 0	150,000 0	80,832 0	269,495 0	30,327 0	1,357,566 0	0 0
BARBARA ARKY	(i) (ii)	367,205 0	0 0	32,800 0	13,010 0	29,985 0	443,000 0	0 0
RICHARD LANGFELDER	(i) (ii)	489,603 0	0 0	61,000 0	15,132 0	26,318 0	592,053 0	0 0
CLAUDIA CAINE	(i) (ii)	649,633 0	0 0	24,018 0	16,901 0	17,854 0	708,406 0	0 0
BETH RAUCHER MD	(i) (ii)	388,784 0	0 0	30,838 0	13,364 0	33,514 0	466,500 0	0 0
STEVE ART	(i) (ii)	226,526 0	0 0	31,010 0	10,921 0	16,315 0	284,772 0	0 0
MYLES DAVIS	(i) (ii)	224,433 0	0 0	47,650 0	11,139 0	11,058 0	294,280 0	0 0
GEORGE MARTIN MD	(i) (ii)	555,563 0	30,000 0	64,279 0	12,528 0	17,194 0	679,564 0	0 0
MICHAEL PARKS	(i) (ii)	247,847 0	0 0	45,676 0	11,489 0	23,806 0	328,818 0	0 0
ROSANNE RASO	(i) (ii)	269,763 0	0 0	30,732 0	11,595 0	25,418 0	337,508 0	0 0
FRANK SCHEETS	(i) (ii)	310,649 0	0 0	46,925 0	12,020 0	27,753 0	397,347 0	0 0
KAREN LENNON	(i) (ii)	228,410 0	0 0	30,992 0	11,029 0	21,914 0	292,345 0	0 0
CANDACE FINKELSTEIN	(i) (ii)	337,928 0	0 0	26,630 0	12,468 0	23,512 0	400,538 0	0 0
AUDREY SAITTA MD	(i) (ii)	506,322 0	0 0	16,762 0	11,853 0	24,967 0	559,904 0	0 0
IFFATH HOSKINS MD	(i) (ii)	519,477 0	8,750 0	40,389 0	7,121 0	11,182 0	586,919 0	0 0
WILLIAM M WIRCHANSKY MD	(i) (ii)	322,204 0	0 0	2,257 0	10,109 0	6,293 0	340,863 0	0 0
CLAUDIA LYON MD	(i) (ii)	272,884 0	40,000 0	22,313 0	9,845 0	22,418 0	367,460 0	0 0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
LUTHERAN MEDICAL CENTER

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Employer identification number

11-1839567

Part I

Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A DORMITORY AUTHORITY STATE OF NEW YORK	14-6000923	649901U94	03-27-2003	91,804,147	RENOVATION OF HOSPITAL FACILITY REFUND BONDS ISSUED 5/4/75 & 7/12/79		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	31,245,000							
2	Amount of bonds defeased								
3	Total proceeds of issue	93,536,081							
4	Gross proceeds in reserve funds	11,110,515							
5	Capitalized interest from proceeds	1,041,309							
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	1,170,791							
8	Credit enhancement from proceeds	1,704,651							
9	Working capital expenditures from proceeds	423,782							
10	Capital expenditures from proceeds	43,007,758							
11	Other spent proceeds	40,597,767							
12	Other unspent proceeds								
13	Year of substantial completion	2005							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
PART II, LINE 3		THE DIFFERENCE BETWEEN THE ISSUE PRICE OF THE BONDS AND TOTAL PROCEEDS IS DUE TO INVESTMENT EARNINGS
PART II, LINE 4		THE REPORTED AMOUNT INCLUDES A DEBT SERVICE RESERVE FUND OF \$8,395,000, AND A DEBT SERVICE FUND OF \$2,715,515
PART III, LINE 3C		MANAGEMENT FREQUENTLY SEEKS PROFESSIONAL ADVICE FROM EXTERNAL EXPERTS ON TAX-EXEMPT BOND PRIVATE BUSINESS USE AND ARBITRAGE REPORTING RULES
PART IV, LINES 4B AND 4C		THERE WERE TWO GICS HOLDING GROSS PROCEEDS OF THE BONDS, ONE WITH AIG MATCHED FUNDING CORP (TERM 28 3 YEARS), AND ONE WITH MBIA, INC (TERM 2 3 YEARS)
PART IV, LINE 5		AMOUNTS HELD BEYOND AN ALLOWABLE TEMPORARY PERIOD WERE APPROPRIATELY YIELD RESTRICTED

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization LUTHERAN MEDICAL CENTER	Employer identification number 11-1839567
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Identifier	Return Reference	Explanation
ORGANIZATION MISSION STATEMENT	FORM 990, PART I, LINE 1	LUTHERAN MEDICAL CENTER IS A COMPREHENSIVE HEALTH CARE AND SOCIAL SUPPORT SYSTEM SERVING THE DIVERSE AND GROWING COMMUNITIES OF SOUTHWEST BROOKLYN

Identifier	Return Reference	Explanation
ORGANIZATION MISSION STATEMENT	PART III LINE 1	LUTHERAN MEDICAL CENTER HAS NO REASON FOR BEING OF ITS OWN, IT EXISTS ONLY TO SERVE THE NEEDS OF ITS NEIGHBORS LUTHERAN MEDICAL CENTER DEFINES HEALTH AS THE TOTAL WELL BEING OF THE COMMUNITY AND ITS RESIDENTS BEYOND THE ABSENCE OF INDIVIDUAL PHYSICAL ILLNESS, THIS INCLUDES, AT LEAST, DECENT HOUSING, THE ABILITY TO COMMUNICATE EFFECTIVELY, EMPLOYMENT, EDUCATIONAL OPPORTUNITIES AND CIVIC PARTICIPATION LUTHERAN MEDICAL CENTER UNDERSTANDS THAT A HOSPITAL IS NOT A COLLECTION OF BUILDINGS, MACHINES AND BEDS, BUT A STAFF OF TALENTED, CREATIVE AND COMMITTED PEOPLE WHO SERVE THE COMMUNITY AS THEY ARE NEEDED LUTHERAN MEDICAL CENTER WORKS IN PARTNERSHIP WITH ITS NEIGHBORS, EACH RELYING ON THE OTHER AS FRIENDS WHO CARE ABOUT AND ASSIST EACH OTHER MOTIVATED TO SERVE BY ITS OWN HISTORY WITHIN THE BIBLICAL TRADITION OF FAITH AND TEACHING, AND ORGANIZED AS A NOT-FOR-PROFIT ORGANIZATION ACCORDING TO THE UNIQUELY AMERICAN HERITAGE OF DEMOCRATIC VOLUNTARY ASSOCIATION, LUTHERAN MEDICAL CENTER'S PURPOSE IS TO SERVE AS THE CORPORATE VEHICLE FOR ITS TRUSTEES, MEDICAL AND DENTAL STAFF, NURSES, EMPLOYEES, VOLUNTEERS AND OTHERS, TO CARE FOR THE NEEDS OF OUR NEIGHBORS *LUTHERAN MEDICAL CENTER IS A SOCIAL MINISTRY OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA (ELCA)

Identifier	Return Reference	Explanation
PROGRAM SERVICE STATEMENT	FORM 990, PART III LINE 4A	<p>THE LARGEST PROGRAM OFFERED BY LUTHERAN IS THE MEDICAL/SURGICAL INPATIENT SERVICE, WHICH CAN ACCOMMODATE APPROXIMATELY 248 PATIENTS ON A DAILY BASIS. MANY RESIDENTS OF THE SOUTHWEST AREA OF BROOKLYN RELY ON LUTHERAN AS ITS MAIN HEALTH CARE PROVIDER ESPECIALLY FOR INPATIENT CARE SERVICES. DURING 2011, THE MEDICAL CENTER ADMITTED, TREATED AND DISCHARGED 15,826 PATIENTS FROM THE MEDICAL/SURGICAL PROGRAM. THESE PATIENTS REMAINED IN-HOUSE ON AVERAGE FOR 5.1 DAYS, RESULTING IN APPROXIMATELY 80,709 DAYS OF MEDICAL/SURGICAL CARE PROVIDED. A SIGNIFICANT PORTION OF THESE PATIENTS JUST OVER 3%, PRESENTED WITHOUT ANY FORM OF INSURANCE COVERAGE OR THE ABILITY TO PAY FOR THE CARE RECEIVED. IN CY 2011 THESE UNINSURED MEDICAL/SURGICAL PATIENTS GENERATED IN EXCESS OF \$13.3 MILLION OF CHARGES FOR SERVICES THAT WILL GO UN-REIMBURSED BY THE PATIENT OR ANY THIRD PARTY PAYER. IN ADDITION TO THE UNINSURED PATIENTS, LMC TREATS A HIGH NUMBER OF WHAT IS CONSIDERED MEDICALLY INDIGENT OR 'UNDER-INSURED' PATIENTS. THESE PATIENTS INCLUDING THOSE WITH MEDICAID COVERAGE MAKE UP A SIGNIFICANT PORTION OF THE PATIENTS SERVED BY LMC. IN THE INPATIENT MEDICAL/SURGICAL PROGRAM ALONE, APPROXIMATELY 30% OF THE TOTAL PATIENTS TREATED WERE CONSIDERED MEDICALLY INDIGENT. ALTHOUGH THIS CAN BE FINANCIALLY CHALLENGING TO A HEALTH CARE PROVIDER, LUTHERAN VIEWS THIS CHALLENGE AS PART OF ITS OVERALL MISSION, IN THAT IT EXISTS ONLY TO SERVE THE NEEDS OF ITS NEIGHBORS AND TO KEEP PEOPLE HEALTHY. AND TO THE EXTENT POSSIBLE, AND OUT OF THE HOSPITAL LUTHERAN HAS SUCCESSFULLY INCREASED ACCESS TO HIGH QUALITY COMMUNITY BASED HEALTH CARE SERVICES AND HAS WORKED HARD TO REDUCE MEDICAL DISPARITIES IN THE COMMUNITY IT SERVES, WHILE ALSO STAYING CURRENT WITH PATIENT SAFETY INITIATIVES AND ADVANCED TECHNOLOGY, ALL WHICH ARE NECESSARY TO CONTINUE ITS MISSION TO PROVIDE A HIGH QUALITY SERVICE TO THOSE IN NEED IN ITS SURROUNDING COMMUNITIES.</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICE STATEMENT	FORM 990, PART III LINE 4B	<p>THE EMERGENCY ROOM SERVICE AND TRAUMA CENTER IS A VITAL SERVICE PROVIDED TO THE RESIDENTS OF SOUTHWEST BROOKLYN. EMERGENCY TREATMENT SERVICES ARE AVAILABLE TO ALL THOSE THAT PRESENT ON A 24-HOUR/365-DAY PER YEAR BASIS. THE EMERGENCY ROOM IS STAFFED BY A MULTI-LINGUAL, DIVERSE TEAM OF HIGHLY TRAINED PHYSICIANS, NURSES, PHYSICIAN ASSISTANTS, NURSE PRACTITIONERS AND SOCIAL WORKERS, WHO WORK CLOSELY WITH TRAUMA SURGEONS AND STROKE SPECIALISTS AND ALL OTHER STAFF TO PROVIDE HIGH QUALITY HEALTH CARE SERVICES AROUND THE CLOCK 365 DAYS PER YEAR. THE EMERGENCY ROOM SERVICE IS A MAJOR GATEWAY TO INPATIENT SERVICES AND IN 2011, 15,631 OR 24% OF THE TOTAL OF 66,262 INDIVIDUAL PATIENT ENCOUNTERS RESULTED IN AN ADMISSION TO AN INPATIENT SERVICE. WITH THE RECENT CLOSINGS AND/OR DOWNSIZING OF OTHER HOSPITALS IN THE AREA, LMC CONTINUES TO EXPERIENCE AN INCREASE IN PATIENT VOLUME WITH HIGHER ACUITY LEVELS, I.E., SICKER PATIENTS SEEKING EMERGENCY SERVICES. DUE TO THE EPISODIC NATURE OF THIS SERVICE THE UNDOCUMENTED, UNINSURED AND UNDERINSURED PATIENTS TEND TO BE HIGHER PERCENTAGE-WISE THAN IN ANY OTHER SERVICE. THE MAJORITY OF THE PATIENTS THAT DO PRESENT WITH INSURANCE TEND TO BE MEDICAID FEE-FOR-SERVICE OR MEDICAID HMO, WHICH IS CONSIDERED MEDICALLY INDIGENT. WHEN COMBINED WITH THE UNINSURED THE DATA REVEALS THAT JUST ABOUT 60% OF ALL PATIENTS PRESENTING TO THE ER FOR EMERGENCY SERVICES WERE EITHER, UNDOCUMENTED, UNINSURED OR UNDERINSURED IN CY 2011.</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICE STATEMENT	FORM 990, PART III LINE 4C	<p>THE THIRD LARGEST PROGRAM OF THE MEDICAL CENTER IS THE INPATIENT MATERNITY SERVICE. DURING 2011, THE MEDICAL CENTER WAS ABLE TO ACCOMMODATE, ON AVERAGE, APPROXIMATELY 34 PATIENTS PER DAY AND TREATED AND DISCHARGED 4,395 PATIENTS. THE AVERAGE LENGTH OF STAY FOR PATIENTS IN THIS PROGRAM WAS APPROXIMATELY 2.6 DAYS, WHICH TRANSLATED INTO 11,343 DAYS OF MATERNITY CARE PROVIDED IN 2011. THIS UNIT SUPPORTED APPROXIMATELY 4,065 BIRTHING MOMS DURING 2011. APPROXIMATELY 2.0% OF THE OB PATIENTS WERE SELF-PAY AND/OR CHARITY-CARE PATIENTS, I.E., MEANING THEY PRESENTED WITHOUT INSURANCE OR THE ABILITY TO PAY AND WERE CONSIDERED 'UNINSURED'. THE MAJORITY OF THE PATIENTS IN THIS SERVICE, ABOUT 85% WERE CONSIDERED MEDICALLY INDIGENT. THIS SERVICE TENDS TO HAVE LESS UNINSURED AS NY'S INSURANCE COVERAGE FOR PREGNANT WOMEN, NEWBORNS AND CHILDREN IS PROBABLY THE BEST IN THE COUNTRY, BUT IT DID HAVE A SIGNIFICANT PERCENTAGE OF 'UNDERINSURED' PATIENTS. THE OBJECTIVES FOR THE OBSTETRICS PROGRAM IS TO OFFER THE FINEST CARE TO OUR NEIGHBORS BY PROVIDING HIGHLY QUALIFIED PHYSICIANS, PERINATOLOGISTS, NEONATOLOGISTS AND NURSING STAFF.</p>

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE EVANGELICAL LUTHERAN CHURCH IN AMERICA ("ELCA"), A MINNESOTA NOT-FOR-PROFIT CORPORATION, IS THE SOLE MEMBER OF LUTHERAN MEDICAL CENTER ("LMC")

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	AS SOLE MEMBER, THE ELCA ELECTS THE GOVERNING BODY OF LMC

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	THE POWERS RESERVED TO MEMBERS UNDER THE NEW YORK NOT-FOR-PROFIT CORPORATION LAW ARE HELD BY THE ELCA. SUCH POWERS INCLUDE THE RIGHT TO ELECT AND REMOVE MEMBERS OF THE GOVERNING BODY, APPROVAL OF AMENDMENTS TO LMC'S CERTIFICATE OF INCORPORATION, AND THE RIGHT TO APPROVE SIGNIFICANT CORPORATE TRANSACTIONS (E.G. S. MERGERS, CONSOLIDATIONS, DISSOLUTION). IN ADDITION, THE ELCA IS VESTED WITH THE POWER TO AMEND THE CONSTITUTION SECTION OF LMC'S CONSTITUTION AND BYLAWS, WHICH SUCH SECTION SETS OUT THE MISSION, NAME AND QUALIFICATIONS OF BOARD MEMBERS, AMONG OTHER SIMILAR ITEMS.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	A COPY OF THE FORM 990 WILL BE PROVIDED TO EACH MEMBER OF THE LUTHERAN MEDICAL CENTER BOARD OF DIRECTORS PRIOR TO ITS FILING WITH THE INTERNAL REVENUE SERVICE (IN EITHER AN ELECTRONIC OR PAPER FORMAT) THE FORM 990 WILL BE REVIEWED WITH THE LUTHERAN MEDICAL CENTER AUDIT & LEGAL COMMITTEE ON OCTOBER 23, 2012, THE AUDIT & LEGAL COMMITTEE WILL THEN PROVIDE AN OVERVIEW OF THE FORM 990 TO THE FULL LUTHERAN MEDICAL CENTER BOARD

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	LUTHERAN MEDICAL CENTER REQUIRES ALL BOARD OF TRUSTEES MEMBERS TO COMPLETE AN ANNUAL CONFLICT OF INTEREST AND RELATED MATTERS DISCLOSURE STATEMENT PRIOR TO SERVING ON THE BOARD FOR THE CURRENT YEAR THIS DISCLOSURE STATEMENT IS MONITORED AND REVIEWED BY LUTHERAN'S GENERAL COUNSEL

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE LUTHERAN MEDICAL CENTER BOARD OF TRUSTEES ENGAGES SULLIVAN COTTER & ASSOCIATES, INC TO PROVIDE ANNUAL REPORTS AND SUPPORTING DATA RELATIVE TO EXECUTIVE COMPENSATION THE COMPENSATION COMMITTEE, ACTING ON BEHALF OF THE FULL LUTHERAN BOARD OF TRUSTEES, RECEIVES AND REVIEWS THESE REPORTS WHICH CONTAIN A) A MARKET ANALYSIS OF THE TOTAL COMPENSATION LEVELS OF SENIOR EXECUTIVES IN RELATION TO THEIR PEERS IN THE MARKETPLACE, B) A REVIEW OF CURRENT COMPENSATION AND BENEFIT PLAN DESIGNS TO ENSURE COMPETITIVENESS TO THE MARKETPLACE, AND C) COMPLIANCE WITH STATE AND/OR FEDERAL REGULATIONS THE COMPENSATION COMMITTEE RELIES UPON THE DATA AND RECOMMENDATIONS PROVIDED BY SULLIVAN COTTER & ASSOCIATES TO DETERMINE THE COMPENSATION LEVEL OF THE CEO FOR THE OTHER KEY EXECUTIVE POSITIONS, THE CEO RECOMMENDS ADJUSTMENTS TO THE COMMITTEE WHO IN TURN REVIEW THESE RECOMMENDATIONS UTILIZING THE SULLIVAN COTTER & ASSOCIATES REPORTS AND APPROVES, DISAPPROVES OR ALTERS THE PROPOSALS OF THE CEO FOR THE OTHER SENIOR EXECUTIVES

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	LUTHERAN MEDICAL CENTER POSTS ITS CURRENT ANNUAL REPORT ON ITS WEBSITE, WWW.LUTHERANMEDICALCENTER.COM. THE ORGANIZATION'S FINANCIAL STATEMENTS, GOVERNING DOCUMENTS AND CONFLICTS OF INTEREST POLICY ARE AVAILABLE TO THE PUBLIC UPON REQUEST AND AT THE DISCRETION OF THE MEDICAL CENTER'S GENERAL COUNSEL.

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -470,000 DEFINED BENEFIT PLAN ADJUSTMENTS -40,937,000 TRANSFER OF NET ASSETS TO/FROM RELATED PARTIES 1,120,000 ROUNDING ADJUSTMENT 2,831 TOTAL TO FORM 990, PART XI, LINE 5 -40,284,169

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
LUTHERAN MEDICAL CENTER

Employer identification number
11-1839567

Part I

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

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

Part II

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

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

Part III

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

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

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) SHORE ROAD COMMUNITY SERVICES 150 55TH STREET BROOKLYN, NY 11220	NURSING & HOUSING	NY	LMC COMMUNITY FOUNDATION	C			
(2) SHORE HILL HOUSING ASSOCIATES 150 55TH STREET BROOKLYN, NY 11220	HOUSING	NY	N/A	C			

Part V

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

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

1

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

a

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

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

Yes

Yes

No

Yes

No

No

No

Yes

Yes

Yes

Yes

Yes

Yes

Yes

No

No

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

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

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID:

Software Version:

EIN: 11-1839567

Name: LUTHERAN MEDICAL CENTER

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
LUTHERAN AUGUSTANA CECR INC 5434 2ND AVE BROOKLYN, NY 11220 11-2150953	EXTENDED CARE	NY	501(C)(3)	9	N/A		No
HEALTH PLUS PREPAID HEALTH SERVICES PLAN 5800 3RD AVENUE BROOKLYN, NY 11220 11-3245559	INSURANCE	NY	501(C)(4)	N/A	N/A	Yes	
SHORE HILL HOUSING COMPANY INC 9000 SHORE ROAD BROOKLYN, NY 11209 23-7405105	HOUSING	NY	501(C)(3)	7	N/A		No
HARBOR HILL HOUSING 150 55TH STREET BROOKLYN, NY 11220 11-3152691	HOUSING	NY	501(C)(3)	9	N/A		No
SUNSET BAY COMMUNITY SERVICES 150 55TH STREET BROOKLYN, NY 11220 11-2439925	HOUSING	NY	501(C)(3)	7	N/A		No
LMC COMMUNITY FOUNDATION 150 55TH STREET BROOKLYN, NY 11220 23-7439784	SUPPORT ORG	NY	501(C)(3)	11B	N/A		No
COMMUNITY CARE ORGANLZATLON 246 55TH STREET APT AA4 BROOKLYN, NY 11220 11-3001682	HOME HEALTH	NY	501(C)(3)	9	N/A		No
SUNSET GARDENS HOUSING CORP 150 55TH STREET BROOKLYN, NY 11220 20-3461755	HOUSING	NY	501(C)(3)	7	N/A		No
LMC HEALTH SYSTEM INC 150 55TH STREET BROOKLYN, NY 11220 11-3589771	SUPPORT ORG	NY	501(C)(3)	11A	N/A		No
LMC PHYSICIAN SERVICES PC 150 55TH STREET BROOKLYN, NY 11220 11-3192423	PHYS SERVICE	NY	501(C)(3)	11C	N/A		No
SHORE ROAD RADIOLOGY ASSOCIATES PC 150 55TH STREET BROOKLYN, NY 11220 11-2665457	HEALTHCARE	NY	501(C)(3)	11C	N/A		No
SHORE ROAD CARDIOLOGY ASSOCIATES PC 150 55TH STREET BROOKLYN, NY 11220 11-2670952	HEALTHCARE	NY	501(C)(3)	11C	N/A		No

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) HEALTH PLUS PREPAID HEALTH SERVICES PLAN	E	292,165	
(2) HEALTH PLUS PREPAID HEALTH SERVICES PLAN	J	458,196	
(3) HEALTH PLUS PREPAID HEALTH SERVICES PLAN	K	44,952,742	
(4) HEALTH PLUS PREPAID HEALTH SERVICES PLAN	M	1,430,999	
(5) HEALTH PLUS PREPAID HEALTH SERVICES PLAN	N	3,141,161	
(6) HEALTH PLUS PREPAID HEALTH SERVICES PLAN	O	20,043	
(7) HEALTH PLUS PREPAID HEALTH SERVICES PLAN	P	3,837,350	

Lutheran HealthCare

Combined Financial Statements as of and for the
Years Ended December 31, 2011 and 2010,
Supplemental Combining Information as of and for
the Years Ended December 31, 2011 and 2010, and
Independent Auditors' Report

LUTHERAN HEALTHCARE

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INDEPENDENT AUDITORS' REPORT

To the Boards of Trustees of
Lutheran Medical Center and Sunset Park Health Council, Inc
Brooklyn, New York

We have audited the accompanying combined balance sheets of Lutheran Medical Center ("Medical Center") and its subsidiaries and Sunset Park Health Council, Inc ("Sunset Park"), d/b/a Lutheran Family Health Centers (collectively, "Lutheran HealthCare") as of December 31, 2011 and 2010, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of Lutheran HealthCare's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of Lutheran Augustana Center for Extended Care and Rehabilitation, Inc., Shore Hill Housing Company, Inc., Harbor Hill Housing Development Fund Corporation, Sunset Gardens Housing Development Fund Corporation, or Shore Hill Housing Associates, L.P. (collectively referred to as the "Other Combined Entities"), which statements reflect total assets constituting 14% and 17% of combined total assets as of December 31, 2011 and 2010, and total revenues constituting 3% of combined total revenue for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Other Combined Entities, is based solely on the reports of such other auditors.

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

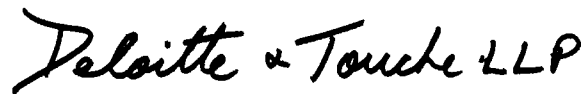
In our opinion, based on our audits and the reports of the other auditors, such combined financial statements present fairly, in all material respects, the financial position of Lutheran HealthCare as of December 31, 2011 and 2010, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 16 to the combined financial statements, during 2007, the Medical Center transferred certain assets, liabilities, and operations of the Lutheran Family Health Center ("Health Center") to Sunset Park. The Medical Center and Sunset Park have been established as "co-operators" of the Health Center. The Medical Center continues to provide support services to allow the Health Center to operate as it did before the transaction. Both the Medical Center and Sunset Park are included in the accompanying combined financial statements.

As discussed in Note 1 to the combined financial statements, Lutheran HealthCare adopted the provisions of ASU 2010-24, Health Care Entities (Topic 954), *Presentation of Insurance Claims and Related Insurance Recoveries* on January 1, 2011 and retroactively applied.

As discussed in Note 17 to the combined financial statements, Health Plus Prepaid Health Services Plan, Inc. ("HealthPlus") has entered into an agreement to sell all of its operating and non-financial assets. The sale closed on May 1, 2012.

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplemental combining information on pages 39 through 53 is presented for the purpose of additional analysis of the basic combined financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual entities, and is not a required part of the basic combined financial statements. This additional information is the responsibility of Lutheran HealthCare's management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined 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, based on our audits and (as to the amounts included for the Other Combined Entities) the reports of other auditors, such information is fairly stated in all material respects in relation to the basic combined financial statements as a whole.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

May 29, 2012

LUTHERAN HEALTHCARE

COMBINED BALANCE SHEETS

AS OF DECEMBER 31, 2011 AND 2010

(In thousands)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 131.846	\$ 84.461
Investments	100.868	104.446
Assets limited as to use	1.542	2.241
Patient accounts receivable — less allowance for uncollectible accounts of \$16.214 and \$23.987 in 2011 and 2010, respectively	70.254	64.982
Premiums receivable	30.446	30.975
Other receivables	18.380	25.472
Due from third-party payors	15.867	19.817
Other current assets	<u>35.795</u>	<u>17.356</u>
Total current assets	404.998	349.750
ASSETS LIMITED AS TO USE — Less current portion	70.360	67.791
PROPERTY AND EQUIPMENT — Net	183.164	179.729
OTHER ASSETS	<u>73.384</u>	<u>53.349</u>
TOTAL	<u>\$731.906</u>	<u>\$650.619</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 62.266	\$ 55.266
Accrued salaries and related liabilities	29.675	26.290
Accrued medical costs	105.588	83.624
Current portion of long-term debt	23.544	8.943
Current portion of professional liabilities	2.600	2.600
Other current liabilities	3.922	1.661
Current portion of due to third-party payors	<u>4.179</u>	<u>6.825</u>
Total current liabilities	<u>231.774</u>	<u>185.209</u>
LONG-TERM LIABILITIES		
Due to third-party payors	29.367	30.225
Professional liabilities — less current portion	79.555	58.762
Long-term debt — less current portion	131.427	128.063
Accrued pension liability	83.338	46.693
Other long-term liabilities	<u>21.666</u>	<u>22.784</u>
Total long-term liabilities	<u>345.353</u>	<u>286.527</u>
Total liabilities	<u>577.127</u>	<u>471.736</u>
NET ASSETS		
Unrestricted (including contingent reserve of \$79.538 and \$91.355 in 2011 and 2010, respectively — Note 4)	150.866	175.208
Temporarily restricted	3.419	3.169
Permanently restricted	<u>494</u>	<u>506</u>
Total net assets	<u>154.779</u>	<u>178.883</u>
TOTAL	<u>\$731.906</u>	<u>\$650.619</u>

See notes to combined financial statements

LUTHERAN HEALTHCARE

COMBINED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In thousands)

	2011	2010
REVENUE		
Net patient service revenue	\$ 477.923	\$ 468.691
Premium revenue	1,040.017	871.919
Grant income	47.485	40.640
Investment income	3.831	3.742
Net assets released from restrictions	1.682	2.331
Other revenue	20.206	17.616
	<u>1,591.144</u>	<u>1,404.939</u>
Total revenue		
EXPENSES		
Salaries and wages	348.165	331.406
Employee benefits	104.872	98.054
Supplies and expenses	260.239	250.351
Medical costs	823.962	683.704
Depreciation and amortization	20.371	18.763
Interest	5.802	5.841
Provision for bad debts	19.927	26.961
	<u>1,583.338</u>	<u>1,415.080</u>
Total expenses		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	7.806	(10.141)
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Defined benefit plan adjustments	(40.937)	(4.279)
Changes in unrealized gains and losses on investments	(155)	2.803
Contributions	1.205	147
Net assets released for capital acquisitions	7.739	11.266
	<u>7.739</u>	<u>11.266</u>
DECREASE IN UNRESTRICTED NET ASSETS	\$ (24.342)	\$ (204)

See notes to combined financial statements

LUTHERAN HEALTHCARE

COMBINED STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS — January 1, 2010	<u>\$175,412</u>	<u>\$ 7,919</u>	<u>\$491</u>	<u>\$183,822</u>
Deficiency of revenues over expenses	(10,141)			(10,141)
Changes in unrealized gains and losses on investments	2,803			2,803
Contributions	147	8,847		8,994
Realized gain loss on sale of investments			15	15
Net assets released from restrictions				
Operating expenses		(2,331)		(2,331)
Capital acquisitions	11,266	(11,266)		-
Defined benefit plan adjustments	<u>(4,279)</u>	<u> </u>	<u> </u>	<u>(4,279)</u>
Change in net assets	<u>(204)</u>	<u>(4,750)</u>	<u>15</u>	<u>(4,939)</u>
NET ASSETS — December 31, 2010	<u>175,208</u>	<u>3,169</u>	<u>506</u>	<u>178,883</u>
Excess of revenues over expenses	7,806			7,806
Changes in unrealized gains and losses on investments	(155)		(12)	(167)
Contributions	1,205	9,671		10,876
Net assets released from restrictions				
Operating expenses		(1,682)		(1,682)
Capital acquisitions	7,739	(7,739)		
Defined benefit plan adjustments	<u>(40,937)</u>	<u> </u>	<u> </u>	<u>(40,937)</u>
Change in net assets	<u>(24,342)</u>	<u>250</u>	<u>(12)</u>	<u>(24,104)</u>
NET ASSETS — December 31, 2011	<u>\$150,866</u>	<u>\$ 3,419</u>	<u>\$494</u>	<u>\$154,779</u>

See notes to combined financial statements

LUTHERAN HEALTHCARE

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In thousands)

	2011	2010
OPERATING ACTIVITIES		
Change in net assets	\$ (24,104)	\$ (4,939)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	20,371	18,763
Provision for bad debts	19,927	26,961
Restricted contributions	(8,313)	(6,958)
Defined benefit plan adjustments	40,937	4,279
Changes in unrealized gains and losses on investments	167	(2,803)
Realized gains and losses on investments	137	425
Changes in operating assets and liabilities		
Patient accounts receivable	(25,199)	(34,799)
Premiums receivable	529	(9,054)
Other receivables	7,092	3,430
Due from and to third-party payors	446	949
Other current assets	(18,439)	(3,822)
Accounts payable, accrued expenses, accrued salaries, and related liabilities	8,075	(335)
Accrued medical costs	21,964	(31,350)
Professional liabilities	20,793	48,200
Accrued pension liability	(4,292)	(2,502)
Other assets and liabilities	(18,989)	(32,096)
Net cash provided by (used in) operating activities	<u>41,102</u>	<u>(25,651)</u>
INVESTING ACTIVITIES		
Capital expenditures	(20,449)	(16,920)
Purchases of investments	(98,549)	(160,373)
Proceeds from sales of investments	101,868	156,149
Purchases of assets limited as to use	(26,436)	(22,736)
Proceeds from sales of assets limited as to use	<u>24,521</u>	<u>36,746</u>
Net cash used in investing activities	<u>(19,045)</u>	<u>(7,134)</u>
FINANCING ACTIVITIES		
Proceeds from line of credit borrowing	5,000	
Repayments of line of credit borrowing	(5,000)	
Proceeds from issuance of long-term debt	26,193	20,038
Repayments of long-term debt	(9,009)	(49,058)
Payment of debt issuance costs	(169)	
Restricted contributions	<u>8,313</u>	<u>6,958</u>
Net cash provided by (used in) financing activities	<u>25,328</u>	<u>(22,062)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,385	(54,847)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>84,461</u>	<u>139,308</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 131,846</u>	<u>\$ 84,461</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 5,838</u>	<u>\$ 5,809</u>
Capital lease obligations incurred	<u>\$ 781</u>	<u>\$ 5,657</u>
Accruals for the acquisition of property and equipment	<u>\$ 2,310</u>	<u>\$ 2,440</u>

See notes to combined financial statements

LUTHERAN HEALTHCARE

NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lutheran Medical Center ("Medical Center") is a not-for-profit membership corporation organized under the New York State not-for-profit corporation law, whose sole member is the Evangelical Lutheran Church in America. The Medical Center operates an acute care hospital.

Sunset Park Health Council, Inc., a New York not-for-profit corporation, d/b/a Lutheran Family Health Centers, is referred to herein as "Lutheran Family Health Centers," LFHC, or "Sunset Park." LFHC is a Federally Qualified Health Center that, prior to 2007, operated as a division of the Medical Center.

Lutheran Medical Center and its subsidiaries and LFHC are referred to herein as "Lutheran HealthCare." Lutheran HealthCare provides a comprehensive integrated network of health services including inpatient and outpatient services, physician services, prepaid health care insurance coverage, home health care, long-term care, and senior housing primarily to the residents of Brooklyn, New York.

The following are subsidiaries of the Medical Center:

Health Plus Prepaid Health Services Plan, Inc. ("HealthPlus" or the "Plan") — A licensed, prepaid health services plan which provides comprehensive prepaid health care coverage to Medicaid, Family Health Plus, Child Health Plus and Medicare recipients. Effective January 1, 2009, the Plan was approved to operate a Medicare Advantage Plan within the same service areas as its State of New York programs. The Plan received 4% and 1% of its premium revenue from the Medicare Program in 2011 and 2010. The Plan's Medicare agreement extends through December 31, 2012.

Lutheran Augustana Center for Extended Care and Rehabilitation, Inc. ("Augustana") — A long-term nursing care facility.

Senior Housing Projects — Comprised of Shore Hill Housing Company, Inc. ("Shore Hill"), Shore Hill Housing Associates, L.P., Sunset Gardens Housing Development Fund Corporation ("Sunset Gardens"), and Harbor Hill Housing Development Fund Corporation ("Harbor Hill") and provide housing and rent subsidies for people meeting requirements defined by the United States Department of Housing and Urban Development (HUD).

Professional Corporations — Comprised of Shore Road Radiology, P.C. and LMC Physician Services, P.C.

Other — Comprised of various other related organizations, including Shore Road Community Services, Inc., Sunset Bay Community Services, Inc., Community Care Organization, Inc., and LMC Community Foundation ("Lutheran Foundation").

Principles of Combination — The accompanying combined financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Entities*, and other pronouncements applicable to health care organizations.

The combined financial statements include the accounts of all of the entities outlined above. The Medical Center accounts for its interests in entities in which it has significant influence on the equity basis of accounting. Such entities are presented in the supplemental combining information on a cost basis. Significant intercompany transactions and balances have been eliminated. Except as discussed in Note 11, the assets of any member of the combined group may not be available to meet the obligations of other members in the group.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant estimates include the allowances for uncollectible patient accounts receivable and contractual allowances, estimated amounts due to and from third-party payors, valuation of investments, pension cost assumptions, accrued medical costs, premium revenue and the related receivables, stop-loss receivables, the estimated liability for self-insured losses, premium deficiency reserve, and certain other liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents — Lutheran HealthCare considers all highly liquid debt instruments purchased with a maturity of three months or less that are not deemed to be assets limited as to use to be cash equivalents.

Investments — Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. Investments received as a gift are initially recorded at fair value at the date of gift.

Investment income (interest, dividends, realized gains and losses, and the amortization of premium and accretion of discount to maturity) is included within revenue, unless the income or gain (loss) is restricted by donor or by law. Unrealized gains and losses on investments classified as available for sale are excluded from the excess of revenues over expenses and reported as a change in net assets, except that declines in fair value that are judged to be other-than-temporary are reported as realized losses. Gains and losses are determined using the specific identification cost basis. Investment income is reported net of expenses related to the management and custody of investments. Investments classified as current assets are available to support current operations.

Alternative investments held by the defined benefit plan, for which no quoted market prices are readily available, are carried at fair value determined based upon information provided by the fund managers. The fund managers' estimates and assumptions of fair values of nonmarketable investments may differ significantly from the values that would have been used had a ready market existed, and may also differ significantly from the values at which such investments may be sold, and the differences could be material.

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

Other-Than-Temporary Impairment of Investments — Lutheran HealthCare reviews its investments to identify those for which market value is below cost. Lutheran HealthCare then makes a determination as to whether the investment should be considered other-than-temporarily impaired based on guidelines established by the Financial Accounting Standards Board (FASB). Lutheran HealthCare considers various factors in determining whether to recognize a decline in value, including the length of time and

extent to which the fair value has been less than Lutheran HealthCare's cost basis, the financial condition and near-term prospects of the issuer or investee, and Lutheran HealthCare's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. No losses related to declines in value that were other than temporary in nature were recognized in 2011 or 2010.

Assets Limited as to Use — Assets limited as to use primarily include assets held to meet regulatory requirements, assets held to meet requirements under indenture agreements, donor-restricted assets, and designated assets set aside by the Board of Trustees, over which the board retains control and may, at its discretion, subsequently use for other purposes.

Other Current Assets — Other current assets consist principally of prepaid expenses and supplies. Prepaid expenses include prepaid premiums on professional primary and excess insurance coverage of \$23,247,000 as of December 31, 2011. The coverage period for the primary insurance is through September 30, 2012, and for the excess insurance coverage is through September 30, 2014. The prepayment was financed by a lending institution, see Note 11. Supplies are valued at the lower of cost (first-in, first-out method) or market, and aggregated \$4,197,000 and \$4,215,000 as of December 31, 2011 and 2010, respectively.

Property and Equipment — Property and equipment acquisitions are recorded at cost, if purchased, and those acquired by gift at fair market value at the date of the gift. Capitalized lease obligations are recorded at the present value of the minimum lease payments at the inception of the lease. Leased assets are amortized over the lesser of the estimated useful life of the asset or lease term. Such amortization is reported within depreciation and amortization in the accompanying statements of operations. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Estimated useful lives by classification are as follows:

Buildings and improvements	5–40 years
Equipment	3–25 years

Impairment of Long-Lived Assets — Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, an impairment loss is recognized in an amount by which the asset's carrying value exceeds its estimated fair value.

Other Assets — Other assets consist of costs incurred in connection with the issuance of debt, the non-current portion of pledges receivable, and tenant security deposits. Debt issuance costs are being amortized over the life of the debt using the interest method. The cost and accumulated amortization for debt issuance costs were \$5,538,000 and \$2,445,000 as of December 31, 2011, and \$5,369,000 and \$2,179,000 as of December 31, 2010.

Professional and General Liabilities — Prior to October 1, 1997, the Medical Center was self-insured for professional and general insurance liabilities. Subsequent to that date, the Medical Center has purchased claims-made insurance policies from a commercial insurer. Asserted claims prior to October 1, 1997, and claim incidents that have been incurred but not reported are recorded taking into consideration the severity of incidents and expected timing of claim payments. The liabilities for outstanding losses and loss-related expenses, and the related provision for losses, and loss-related expenses include estimates for malpractice losses incurred but not reported, as well as losses pending settlement. Such liabilities are necessarily based on estimates and, while management believes the amounts provided are adequate, the ultimate liability may be in excess of or less than the amounts

provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The methods for making such estimates and the resulting liability are actuarially reviewed on an annual basis, and any adjustments required are reflected in operations currently.

Lutheran Family Health Center is designated as a federally qualified community health center and receives funding under Section 330 of the Public Health Service Act (PHSA). As such, malpractice coverage is provided on an occurrence basis under certain legislative covenants of this section of the PHSA.

Defined Benefit Pension Plan — Lutheran HealthCare recognizes the underfunded status of its defined benefit plan as a liability in its balance sheet. Changes in the funded status of the plan are reported as a change in unrestricted net assets presented below the excess (deficiency) of revenues over expenses in its statements of operations and changes in net assets in the year in which the changes occur. Lutheran HealthCare's policy is to contribute amounts sufficient to meet the funding requirements under the Employee Retirement Income Security Act of 1974 or required under contractual arrangements.

Patient Care Receivables and Net Patient Service Revenue — Lutheran HealthCare has agreements with third-party payors that provide for payments at amounts different from their established charges. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per-diem or per visit payments. Under certain agreements, Lutheran HealthCare is reimbursed at interim rates with final settlement in subsequent periods. Patient care receivables and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement are subject to negotiation, audit, and/or final determination by the third-party payors. 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 estimates are changed. Contracts, laws, and regulations governing Medicare, Medicaid, Blue Cross, and various managed care contracts are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in estimates decreased the excess of revenues over expenses in 2011 by \$2,014,000 and increased the deficiency of revenues over expenses by \$3,523,000 in 2010.

A portion of the accrual for estimated settlements with third-party payors has been classified as long-term because such amounts, by their nature or by virtue of regulation or legislation, are not expected to be paid or collected within one year.

Premium Receivables and Premium Revenue — During 2011 and 2010, HealthPlus received 96% and 99%, respectively, of its premium revenue from various programs of the State of New York. At December 31, 2011 and 2010, substantially all premiums receivable were due from the State of New York. HealthPlus has Medicaid agreements with both the New York State Department of Health (NYSDOH) and the City of New York Department of Health (the "City"). HealthPlus' Medicaid program for New York City residents is administered by the City. HealthPlus' Medicaid program for Nassau County residents is covered under its agreement with NYSDOH. HealthPlus' Medicaid agreements with both NYSDOH and the City extend through February 28, 2013. HealthPlus' agreement with the NYSDOH for Family Health Plus includes both New York City and Nassau County residents; the agreement extends through February 28, 2013. The term of HealthPlus' agreement with NYSDOH for Child Health Plus for both New York City and Nassau County residents extends through December 31, 2012.

HealthPlus receives a monthly premium per member during each member's term of enrollment. The premium is recognized over the period of enrollment and varies based on actuarially predetermined groups based upon the age, gender, and financial need category of the enrollee. For HealthPlus' State of New York and Federal business, only Medicaid, Family Health Plus, Child Health Plus and Medicare eligible persons living within the Boroughs of Queens, Staten Island, Bronx, Brooklyn, Manhattan, and Nassau County in Long Island, New York can participate in the Plan.

The State of New York has rate setting authority over payments for services rendered to Medicaid, Family Health Plus, and Child Health Plus members. Changes to the premium rates paid to the Plan or termination of any of the contracts could have an adverse effect on the Plan's ongoing operations. The Centers for Medicare and Medicaid Services has rate setting authority over payments for services rendered to Medicare members. Based on continually changing enrollment data, there is a reasonable possibility that estimates relating to the recognition of premium revenue may increase or decrease by a material amount in the near term. During 2011, the Plan increased its premium revenue by \$2.8 million relating to changes in prior year premium rates and adjustments to enrollment data.

Premium Deficiency Reserve — HealthPlus recognizes premium deficiency reserves based upon expected premium revenue, medical expense, and administrative expense levels and remaining contractual obligations using the Plan's historical experience. No premium deficiency reserves were recognized as of December 31, 2011 or 2010.

Grants and Contributions — Unrestricted gifts and bequests made to Lutheran HealthCare are recorded as revenue. Unconditional promises to give cash and other assets to Lutheran HealthCare are reported at fair market value at the date the promise is received. Conditional promises to give are reported at fair market value at the date the condition has been met. Gifts are reported as either temporarily or permanently restricted if they are received with a donor stipulation that limits the use of the donated assets. Revenue related to grants is recognized as the related costs are incurred. To the extent that Lutheran HealthCare receives grants for capital, they are excluded from the performance indicator.

Temporarily and Permanently Restricted Net Assets — Temporarily restricted net assets are those whose use by Lutheran HealthCare has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Lutheran HealthCare in perpetuity.

When a donor restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

Pledges — Pledges receivable, which are unsecured, are recorded as contributions at the date the unconditional promise to give is made. As of December 31, 2011 and 2010, pledges receivable aggregated \$150,000.

Other Revenue — Other revenue includes unrestricted contributions and other nonpatient-related revenues.

Medical Costs — HealthPlus contracts with various health care providers, including the Medical Center and Sunset Park, for the provision of medical care to its members. The Plan compensates these providers on either a capitation or fee-for-service basis. Medical costs are accrued in the period services are

provided to enrollees, based in part on estimates for medical costs which have been incurred but not reported and on estimates of final rates to be promulgated by the State of New York. The estimates are made using various actuarial and statistical methods based upon historical financial and operational data. The liability for accrued medical costs includes the related assessments and state pool taxes. Management believes that methodologies employed to estimate accrued medical costs are reasonable and the amounts recorded at December 31, 2011 and 2010, are appropriate. Such estimates are regularly monitored and reviewed. Adjustments to accrued medical costs to reflect actual experiences, if any, are reflected in the combined statements of operations in the period in which such changes in estimates become known to management. Due to uncertainties inherent in the claims estimation process, it is at least reasonably possible that the claims paid in the near term could differ materially from the accrued amounts. Included in medical costs is an estimate for accrued physician and hospital claims incurred but not reported. For the years ended December 31, 2011 and 2010, medical costs were reduced by approximately \$13 million and \$17 million, respectively, reflecting the difference between claims paid and the liability originally estimated in prior years.

Assessments and State Pool Taxes — In accordance with the New York State Health Care Reform Act, the Plan is required to pay tax on all Article 28 (inpatient hospital, outpatient hospital, diagnostic, and treatment centers) costs for non-Medicare patients. During 2011 and 2010, the assessable rate was 7.04% for Medicaid and Family Health Plus eligible patients and 9.63% for Child Health Plus eligible patients. Assessments and state pool taxes include estimates of amounts that will ultimately be assessed. Adjustments to such estimates to reflect actual payments are reflected in the statements of operations in the period in which such changes in estimate become known to management. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that payments could differ materially from the amounts recorded as due to New York State. During 2011, the Plan increased its liability for prior year assessments and state pool taxes by approximately \$0.3 million.

Stop-Loss Insurance — The Plan maintains stop-loss insurance coverage with insurance carriers and the State of New York for claims in order to limit losses on individual members. Stop-loss insurance premiums are reported in medical costs and recoveries are reported as reductions in medical costs. Stop-loss recoveries recognized as a reduction in medical costs were approximately \$15 million and \$84 million in 2011 and 2010, respectively. Stop-loss recoveries include estimates of amounts that will ultimately be recovered. Adjustments to such estimates to reflect actual recoveries are reflected in the statements of operations in the period in which such adjustments become known to management. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that recoveries could differ materially from the amounts recorded as receivable. Stop-loss recoveries in 2011 were less than estimated at December 31, 2010 by approximately \$20 million. During 2010, stop-loss recoveries exceeded the amount of the receivable recorded at December 31, 2009 by approximately \$36 million. At December 31, 2011 and 2010, substantially all of the stop-loss receivables were due from the State of New York.

Performance Indicator — For purposes of display, Lutheran HealthCare considers all of its health care and related activities to be part of its normal operations and considers the excess (deficiency) of revenues over expenses as the performance indicator. Changes in unrestricted net assets that are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments not classified as trading securities, transfers of assets to and from affiliates for other than goods and services, defined benefit plan adjustments, and grants and contributions of long-lived assets (including assets released from restrictions for such use).

Charity Care — Lutheran HealthCare provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Lutheran

HealthCare does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue

Tax Status — Sunset Park, the Medical Center, and all but two of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. Income taxes are not significant

Adoption of New Accounting Pronouncements — In August 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-24, *Health Care Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The provisions of ASU 2010-24 were adopted by Lutheran HealthCare on January 1, 2011, and retrospectively applied. The adoption of this ASU increased other noncurrent assets and professional liabilities by \$69.9 million and \$50.0 million in the combined balance sheets at December 31, 2011 and 2010, respectively, and had no impact on the statements of operations or changes in net assets for the years ended December 31, 2011 and 2010.

In August 2010, the FASB issued ASU No. 2010-23, *Health Care Entities (Topic 954), Measuring Charity Care for Disclosure* ("ASU 2010-23"), which requires that cost be used as a measurement for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. It also requires disclosure of the method used to identify or determine such costs. Lutheran HealthCare adopted the provisions of ASU 2010-23 on January 1, 2011. The adoption of ASU 2010-23 did not have a material impact on Lutheran HealthCare's combined financial statements. The additional disclosures required under this ASU are included in Note 2 to the combined financial statements.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS* ("ASU 2011-04"). The purpose of this ASU is to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. In addition, some of the amendments could change how the fair value measurements guidance in Accounting Standards Codification (ASC) 820 is applied. The amendments in this ASU are to be applied prospectively. The provisions of ASU 2011-04 are effective for Lutheran HealthCare beginning January 1, 2012. The adoption of ASU 2011-04 is not expected to have a material impact on the financial condition, results of operations or cash flows of Lutheran HealthCare.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The adoption of ASU 2011-07 will require Lutheran HealthCare to change the presentation of its combined statements of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, the ASU will require Lutheran HealthCare to provide enhanced disclosures about its sources of patient service revenue, policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provisions of ASU 2011-07 are effective for Lutheran HealthCare beginning January 1, 2012. The adoption of ASU 2011-07 is not expected to have any material impact on Lutheran HealthCare's combined financial position, results of operations or cash flows.

Subsequent Events — Lutheran HealthCare has evaluated subsequent events through May 29, 2012, which is the date the financial statements were issued.

2. CHARITY CARE

Lutheran Medical Center operates a 468-bed hospital and is a co-operator with LFHC of a network of nine (9) neighborhood primary care sites, fifteen (15) school health programs with 16 dental programs, and a diverse range of community-based programs that provide approximately 608,000 medical and dental visits annually

The mission of Lutheran HealthCare is as follows

- a Lutheran HealthCare exists only to serve the needs of its neighbors
- b Lutheran HealthCare defines health as the total well-being of the community and its residents. Beyond the absence of individual physical illness, this includes, at least, decent housing, the ability to speak English, employment and educational opportunities, and civic participation
- c Lutheran HealthCare understands that a hospital is not a collection of buildings, machines, and beds, but a staff of talented, creative, and committed people who serve the community as they are needed
- d Lutheran HealthCare works with its neighbors, each relying on the other as friends who care about and assist each other

In keeping with this mission, Lutheran HealthCare provides medical care to all patients, regardless of their ability to pay. Patients are notified of the availability of free and reduced price care, and patients are evaluated for charity care in accordance with established policies. In addition, Lutheran HealthCare operates numerous community benefit programs that seek to improve the health and welfare of its community. Services provided to these patients are not reported as revenue in the combined statements of operations.

The estimated cost incurred by Lutheran HealthCare to provide services to patients who are unable to pay was approximately \$34,289,000 and \$35,124,000 for the years ended December 31, 2011 and 2010, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period. Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under Lutheran HealthCare's charity care policy and that do not otherwise qualify for reimbursement from a governmental program. Lutheran HealthCare also provides a significant amount of uncompensated care to their patients that is reported as a provision for bad debts, which is not included in the amounts reported above. Such provision for bad debts amounted to approximately \$19,927,000 and \$26,961,000 for 2011 and 2010, respectively.

3. THIRD-PARTY REIMBURSEMENT PROGRAMS

Medicare — Inpatient acute care services and long-term nursing care services provided to Medicare program beneficiaries are paid based on Medicare's Prospective Payment System (PPS). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Settlements are calculated for add-ons to the PPS rates related to the indirect medical education and disproportionate share costs. Inpatient rehabilitation services are paid based on Medicare's prospective payment system for rehabilitation facilities. These rates vary based on clinical and other factors, similar to PPS. Inpatient psychiatric services are paid based on a prospective per-diem rate. Such payments are also adjusted to reflect clinical, diagnostic, and other factors. Direct medical education costs are reimbursed based on costs per resident from a base year trended to the current year, and adjusted for

eligible resident counts and Medicare utilization. Most outpatient services are paid under Medicare's Outpatient Prospective Payment System (OPPS) based on Ambulatory Payment Classification groups. Those outpatient services excluded from OPPS continue to be paid based on fee schedules or cost-based methodologies. Eligible bad debts and charity care write-offs related to deductibles and coinsurance of Medicare patients are also reimbursed at 70% of the amounts written off. Any cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of the annual cost reports. The Medical Center's Medicare cost reports have been audited and settled by the Medicare fiscal intermediary through the year ended December 31, 2005.

Non-Medicare Payments — The New York State Legislature (NYS) enacted the Health Care Reform Act of 2000 (HCRA 2000). Under this system, all non-Medicare payors, except Medicaid, workers' compensation, and no-fault insurance programs, negotiate payment rates with the individual hospital. If negotiated rates are not established, payors are billed at providers' established charges. Medicaid, workers' compensation, and no-fault payors pay rates promulgated by the New York State Department of Health (NYSDOH) on a prospective basis. Adjustments to current and prior years' rates for these payors will continue to be made in the future. Effective December 1, 2009, NYS implemented an updated inpatient case mix system, called APR DRGs. This system is intended to more accurately measure and reimburse for patient acuity and will increase the prospective nature of the rates. Outpatient reforms were implemented effective December 1, 2008.

In 2003, the Medical Center was informed by representatives of the Medicaid Fraud Control Unit of the Office of the New York State Attorney General that their office was conducting an investigation into the past Medicaid billings of certain part-time satellite clinics operated on the Medical Center's license. The matter was resolved in a civil settlement, executed in September 2006, which obligates the Medical Center to repay the State a total of \$9,000,000. Of this amount, \$1,575,000 had already been repaid to the State as of September 2006, and the balance of \$7,425,000 is to be repaid in equal monthly installments over nine years starting in October 2006. The balance outstanding at December 31, 2011 and 2010, was \$3,009,000 and \$3,837,000, respectively. Consistent with, and following execution of the Affiliation Agreement, discussed in Note 16, this repayment obligation has been assumed as a liability in the financial statements of LFHC and is reported in the accompanying combined balance sheets with due to third-party payors.

4. PREPAID HEALTH CARE REGULATORY REQUIREMENTS

Escrow Deposit Account — In accordance with Part 98 of New York Codes of Rules and Regulations (NYCRR), the Plan is required to maintain an escrow deposit account equal to 5% of projected medical costs for the subsequent calendar year. The following additional requirements must be met:

- e. The deposit must be in the form of a trust account, approved by New York State Insurance Department (NYSID), with a custodian that is a New York State bank or trust company.
- f. The assets in the escrow account must be valued at their current fair market value and consist only of cash, certificates of deposit, or of the type specified in Part 1404(a)(1) and (2) of Insurance Law (government bonds and bonds of American institutions that are adequately collateralized, insured or highly rated as determined by NYSID).
- g. The escrow deposit must be fully funded by March 31 of each year.
- h. As of April 30th of each year, the custodian must furnish a statement to NYSID and NYSDOH identifying the assets held in trust as of March 31, including the estimated fair market value of the assets. NYSID may approve withdrawal of amounts held in escrow that exceed the requirement.

The required balance, based on 5% of estimated annual medical costs, amounted to \$48.2 million and \$41.7 million at December 31, 2011 and 2010, respectively. Escrow deposit balances at December 31, 2011 and 2010, were approximately \$45.4 million and \$44.0 million, respectively. Prior to March 31, 2012, the Plan funded the remaining amount required by NYSDOH. Access to the escrow deposit account is prohibited without the written concurrence of the NYSID and the NYSDOH. During 2011, the Plan became responsible for the full pharmacy benefit for the Medicaid and Family Health Plus programs. The associated medical costs are not subject to the 5% escrow deposit requirement in 2011 and 2012.

Contingent Reserve — In addition, NYCRR requires the Plan to maintain statutory net assets equal to 7.25% of net premium income for its Medicaid and Family Health Plus programs, and 11.5% of net premium income for its other programs as of December 31, 2011 and 10.5% of net premium income for all programs as of December 31, 2010. The reserve requirements will increase by 1% per year until reaching 12.5% of all premium revenue. Statutory net assets at December 31, 2011 and 2010 were approximately \$109.4 million and \$94.8 million, respectively. The statutory net asset reserve requirement at December 31, 2011 was approximately \$79.5 million. Management estimates that the Plan will be required to maintain statutory net assets equal to \$104.6 million at December 31, 2012.

The Plan may not make any distribution of statutory net assets until the Plan's net worth remains at a minimum of 15% subsequent to the distribution as the Plan derives more than 75% of its revenue from New York State.

5. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments — Investments as of December 31, 2011 and 2010, consist of the following (in thousands)

	2011	2010
U.S. government and agency obligations	\$ 24,869	\$ 29,830
Corporate debt obligations	48,262	47,237
Equity mutual funds	6,763	5,999
Convertible debt instruments		894
Mortgage-backed securities	17,021	19,762
Cash investments	<u>3,953</u>	<u>724</u>
Total	<u>\$ 100,868</u>	<u>\$ 104,446</u>

Assets Limited as to Use — Assets limited as to use as of December 31, 2011 and 2010, consist of the following (in thousands)

	2011	2010
Debt requirements — cash investments	\$ 18,136	\$ 16,781
Regulatory requirements		
Cash investments	1,226	1,332
U S government and agency obligations	14,755	16,130
Corporate debt obligations	30,346	27,472
Donor restricted		
Cash investments	3,773	3,522
Beneficial interest in trust	140	153
Board designated — cash investments	<u>3,526</u>	<u>4,642</u>
Total assets limited as to use	71,902	70,032
Less current portion	<u>(1,542)</u>	<u>(2,241)</u>
Total assets limited as to use — less current portion	<u>\$ 70,360</u>	<u>\$ 67,791</u>

Investment Returns — The composition of investment returns for the years ended December 31, 2011 and 2010, is as follows (in thousands)

	2011	2010
Interest and dividend income	\$ 3,968	\$ 4,167
Realized gains and (losses) on investments — net	<u>(137)</u>	<u>(425)</u>
Total	<u>\$ 3,831</u>	<u>\$ 3,742</u>
Other changes in unrestricted net assets — net change in unrealized gains and (losses) on investments	<u>\$ (155)</u>	<u>\$ 2,803</u>

Unrealized Losses — As of December 31, 2011 and 2010, individual investments in an unrealized loss position are not material

6. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. A fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 — Quoted prices for identical assets or liabilities in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 — Pricing inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 — Unobservable inputs that cannot be corroborated by observable market data

The following tables present information as of December 31, 2011 and 2010, about Lutheran HealthCare's financial assets that are measured at fair value on a recurring basis (in thousands)

As of December 31, 2011	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Investments and assets limited as to use				
Cash investments	\$ 30.613	\$ -	\$ -	\$ 30.613
Debt securities				
U S government and agency obligations		39.624		39.624
Corporate debt obligations		78.608		78.608
Mortgage-backed securities		17.021		17.021
Beneficial interest in trust		141		141
Equity mutual funds	<u>6.763</u>	<u> </u>	<u> </u>	<u>6.763</u>
Total	<u>\$ 37.376</u>	<u>\$ 135.394</u>	<u>\$</u>	<u>\$ 172.770</u>
Share of assets held in pension plan				
Debt securities				
Corporate debt obligations	\$ -	\$ 11.977	\$ -	\$ 11.977
Mortgage-backed securities		1.343		1.343
Alternative investments			48.638	48.638
Common collective trusts		10.126		10.126
Equity mutual funds	15.406			15.406
Fixed income mutual funds	21.014			21.014
Equity securities	<u>34.728</u>	<u> </u>	<u> </u>	<u>34.728</u>
Total	<u>\$ 71.148</u>	<u>\$ 23.446</u>	<u>\$ 48.638</u>	<u>\$ 143.232</u>

As of December 31, 2010	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Investments and assets limited as to use				
Cash investments	\$ 27.001	\$ -	\$ -	\$ 27.001
Debt securities				
U S government and agency obligations		45.960		45.960
Corporate debt obligations		74.709		74.709
Mortgage-backed securities		19.762		19.762
Convertible debt instruments		894		894
Beneficial interest in trust		153		153
Equity mutual funds	5.999			5.999
Total	\$ 33.000	\$ 141.478	\$ -	\$ 174.478
Share of assets held in pension plan				
Debt securities				
U S government and agency obligations	\$ 33	\$ -	\$ -	\$ 33
Corporate debt obligations		11.289		11.289
Mortgage-backed securities		1.211		1.211
Alternative investments			52.675	52.675
Common collective trusts		11.464		11.464
Equity mutual funds	14.235			14.235
Fixed income mutual funds	17.479			17.479
Equity securities	34.336			34.336
Total	\$ 66.083	\$ 23.964	\$ 52.675	\$ 142.722

Certain investments classified as level 3 in 2010 were reclassified to level 2 based on the nature of their underlying investments

Share of Assets Held in the Pension Plan — As discussed in Note 9, the Health Services Retirement Plan (HSRP) administers the assets of Lutheran HealthCare's pension plan. The assets of all of the plans administered by HSRP are maintained in one trust account and allocated to the participating plans. The above table presents Lutheran HealthCare's pro rata share of each investment category.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash Investments — The carrying value of cash investments approximates fair value as maturities are less than three months and/or include money market funds that are based on quoted prices and actively traded.

U S Government and Agency Obligations — The fair values of investments in U S government and agency obligations classified as Level 2 were primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Corporate Debt Obligations — The fair values of investments in corporate debt obligations classified as Level 2 were primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics (such as early redemption options).

Mortgage-Backed Securities — The fair values of mortgage backed securities classified as Level 2 were primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Equity Securities and Mutual Funds — Fair value estimates for equity securities and mutual funds are based on quoted market prices.

Alternative Investments — The alternative investments presented above are Lutheran HealthCare's pro rata share of alternative investments held by the pension plan (see Note 9). Of the total alternative investments, approximately 72% (71% in 2010) are in hedge funds, 21% (24% in 2010) in commingled equity funds and 7% (5% in 2010) in private equity funds. The estimated fair values of the alternative investments for which no quoted market prices are readily available are determined based upon information provided by the fund managers to HSRP. Such information is generally based on the pro rata interest in the net asset value of the investments. The values for the underlying investments are fair value estimates determined by external fund managers based on recent filings, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Common Collective Trusts — The fair value of a common collective trust is based on the net asset value (NAV) of the fund, representing the fair value of the underlying investments which are generally securities which are traded on an active market. Such investments are classified as Level 2 because the pension plan has the ability to redeem its investment in the fund at the NAV per share (or its equivalent) at the measurement date or within the near term and there are no other potential liquidity restrictions.

Receivables and Payables — The carrying value of Lutheran HealthCare's receivables and payables approximates fair value, as maturities are very short term.

Long-Term Debt — The carrying amounts and fair values of the Medical Center's and Augustana's long-term debt are based on current traded value. Such amounts at December 31, 2011 and 2010, are as follows (in thousands):

	2011	2010
Carrying amount	<u>\$ 79,854</u>	<u>\$ 85,167</u>
Estimated fair value	<u>\$ 80,993</u>	<u>\$ 79,940</u>

The fair values of Lutheran HealthCare's remaining long-term debt approximate the carrying amounts.

Interest Rate Swap Instruments — The fair values of interest rate swap instrument (see Note 11) were determined using the zero-coupon method. This method calculates the future net settlement payments required by the swap based on the current forward rates implied by the yield curve. These net payments are then discounted using a zero coupon discount rate derived from the London InterBank Offered Rate (LIBOR) swap curve. Management considers these inputs to be Level 2.

The following table presents the changes in fair value measurements using significant unobservable inputs (Level 3) for assets held in the pension plan for the years ended December 31, 2011 and 2010 (in thousands)

	Hedge Funds	Comingled Equity Funds	Private Equity Funds	Total
Balance — January 1, 2010	\$ 32,999	\$ 10,869	\$ 1,174	\$ 45,042
Purchase and sales	699	187	770	1,656
Realized gains and losses	(12)	161	94	243
Unrealized gains and losses	<u>3,883</u>	<u>1,495</u>	<u>356</u>	<u>5,734</u>
Balance — December 31, 2010	37,569	12,712	2,394	52,675
Purchase and sales	1,167	(1,882)	552	(163)
Realized gains and losses	(488)	555	14	81
Unrealized gains and losses	<u>(3,280)</u>	<u>(969)</u>	<u>294</u>	<u>(3,955)</u>
Balance — December 31, 2011	<u>\$ 34,968</u>	<u>\$ 10,416</u>	<u>\$ 3,254</u>	<u>\$ 48,638</u>

Included within the share of assets held in the pension plan are investments in certain limited liability partnerships and corporations and common collective trusts that report fair value using a calculated net asset value or its equivalent. Attributes relating to the nature and risk of such investments as of December 31, 2011 and 2010, are as follows:

	Fair Value as of December 31, 2011 (in thousands)	Fair Value as of December 31, 2010 (in thousands)	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Assets held in pension plan					
Common collective trust					
EB Temporary Investment Fund II (a)	\$ 2,496	\$ 3,054	None	daily	N/A
MCM International Stock Index Fund (b)	7,630	8,410	None	daily	N/A
Total	<u>\$ 10,126</u>	<u>\$ 1,464</u>			
Limited liability partnerships and corporations					
AXIOM International Equity Fund II (c)	\$ 3,827	\$ 4,634	None	monthly	15 days
City of London Investable Emerging Markets Country Fund (d)	6,239	7,749	None	monthly	30 days
Archstone Offshore Funds, Ltd. (e)	11,150	11,459	None	quarterly	90 days
Forester Partners, L.P. (f)	3,354	3,316	None	annual	95 days
Nves Ledge Capital Offshore Fund (g)	5,650	5,421	None	annual	90 days
Gresham Investment Management Fund Tap Fund (h)	4,749	4,989	None	monthly	5 days
Common Fund Capital Natural Resources Partners VII, L.P. (i)	583	325	1,134	illiquid	N/A
Wellington Strategic Real Asset Pool (j)	10,415	12,713	None	monthly	30 days
HRJ Capital Special Opportunities II (U.S.) L.P. (k)	820	906	63	illiquid	N/A
HRJ Capital Special Opportunities II (International) L.P. (l)	482	460	151	illiquid	N/A
Park Street Capital Private Equity Fund IX, L.P. (m)	923	547	780	illiquid	N/A
Flag Venture Partners VII, L.P. (n)	446	651	705	illiquid	N/A
Total	<u>\$ 48,638</u>	<u>\$ 2,675</u>			

- (a) **EB Temporary Investment Fund** — The primary investment objective of the Fund is a high level of current income consistent with stability of principal and liquidity. The assets are invested in a diversified portfolio of U.S. Treasuries, federal agencies, sponsored agencies or sponsored corporations and short-term corporate obligations, maturing in 397 days or less.
- (b) **MCM International Stock Index Fund** — The fund seeks to replicate the performance of the MSCI EAFE index with minimal tracking error. The assets are invested in stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.
- (c) **AXIOM International Equity Fund II** — The investment philosophy employs a bottom-up growth-oriented investment discipline that relies on detailed fundamental stock analysis to identify companies that are improving more quickly than generally expected. The assets are invested in non-U.S. securities that have a minimum market capitalization of \$250 million, are covered by three or more sell-side brokerage analyst and have liquidity of over \$1 million per day.
- (d) **City of London Investable Emerging Markets Country Fund** — This fund employs a value oriented strategy which seeks to outperform the MSCI Emerging Markets Index while maintaining a lower level of volatility through active country allocation and stock selection. The assets of the fund are primarily invested in closed-end funds as an investment medium. The investment universe includes local and offshore listed as well as New York and UK listed funds.

- (e) Archstone Offshore Funds, Ltd. — The fund employs a multi-manager strategy that seeks consistent long-term growth of capital with reduced volatility. The fund invests primarily through a diversified group of at least eight funds and managers that employ a wide variety of investment techniques and strategies.
- (f) Forester Partners, L.P. — The fund employs a fundamental approach to hedge fund research utilizing both qualitative and quantitative analysis. The fund invests in a variety of hedge funds.
- (g) Nyes Ledge Capital Offshore Fund — The fund employs a fundamental three-step approach to fund manager selection: determine the economic basis for a particular asset class or market segment, identify appropriate strategies designed to exploit the targeted inefficiency, and source organizations that are properly structured to implement the identified strategies. The fund invests in a variety of hedge funds.
- (h) Gresham Investment Management Fund Tap Fund — The fund employs a long only strategy that seeks capital appreciation by investing in a portfolio of commodities. The fund invests in six commodity groups: agriculture, base metals, precious metals, softs and others, energy, and livestock and up to five commodities within each group.
- (i) Common Fund Capital Natural Resources Partners VII, L.P. — The fund seeks to earn long-term capital appreciation, portfolio diversification through low and negative correlation to other asset classes and potential as an inflation hedge. The fund invests in 12 to 15 funds in the energy, timber, and natural resources sectors. The bulk of the fund focuses on managers directly involved in oil and gas production and oil field services. The remainder are allocated to timber and other energy strategies.
- (j) Wellington Strategic Real Asset Pool — The investment strategy seeks to outperform a customized benchmark over a full business cycle. The fund invests in four market segments: global energy equities, global metals and mining equities, commodities and U.S. TIPS.
- (k) HRJ Capital Special Opportunities II (U.S.) L.P. — The fund will target special opportunity funds headquartered in the U.S. whose investments are primarily in portfolio companies with operations in the U.S. The fund made commitments to 6 to 8 domestic managers pursuing turnaround, distressed and special situations strategies.
- (l) HRJ Capital Special Opportunities II (International) L.P. — The fund will target special opportunity funds headquartered outside the U.S. whose investments are primarily in portfolio companies with operations outside the U.S. The fund made commitments to 6 to 8 international managers pursuing turnaround, distressed and special situations strategies.
- (m) Park Street Capital Private Equity Fund IX, L.P. — The fund's portfolio will consist predominantly of U.S.-based managers, with a 50/50 split between venture capital and non-venture capital private equity investments. The fund invests in approximately 20 to 25 venture and non-venture private equity managers.
- (n) Flag Venture Partners VII, L.P. — The fund's mission is to construct a portfolio of select, top-quality fund managers in order to generate superior returns. The fund will invest in approximately 24 to 25 underlying venture funds. 80% of the fund will be invested in information technology and communications-focused managers, with the balance to health care or specialized strategies.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010, is as follows (in thousands)

	2011	2010
Land	\$ 11,433	\$ 11,433
Buildings and improvements	229,904	215,548
Equipment	204,883	192,865
Construction-in-progress	<u>3,892</u>	<u>11,364</u>
Property and equipment — gross	450,112	431,210
Less accumulated depreciation and amortization	<u>(266,948)</u>	<u>(251,481)</u>
Property and equipment — net	<u>\$ 183,164</u>	<u>\$ 179,729</u>

Lutheran HealthCare capitalizes interest during the construction period. During 2011 and 2010, approximately \$86,000 and \$156,000, respectively, of interest related to construction projects was capitalized.

Substantially all property, buildings, and equipment serve as collateral for debt obligations.

As of December 31, 2011, Lutheran HealthCare is committed to contracts approximating \$4,000,000 for the completion of the projects. All of this is expected to be grant funded or funded utilizing temporarily restricted net assets.

Equipment under capital leases as of December 31, 2011 and 2010, is as follows (in thousands)

	2011	2010
Computer hardware and software	\$ 8,464	\$ 6,887
Equipment	26,781	24,238
Less accumulated amortization	<u>(26,859)</u>	<u>(23,262)</u>
Total	<u>\$ 8,386</u>	<u>\$ 7,863</u>

8. PROFESSIONAL LIABILITIES

For the period January 1, 1976 through September 30, 1997, the Medical Center was self-insured for professional and other general liability claims. Effective October 1, 1997, the Medical Center purchased primary and excess professional liability coverage on a claims-made basis and general liability coverage on an occurrence basis from a commercial insurer. All other Lutheran HealthCare entities have professional liability insurance under occurrence basis policies.

The professional liabilities are estimated based on the Medical Center's actual claim experience, asserted claims and incidents that have been incurred but not yet reported, estimates of settlement amounts, administrative and other expenses, and similar items. The undiscounted value of estimated professional liabilities at December 31, 2011 and 2010, approximated \$102,056,000 and \$86,329,000, respectively. These amounts are discounted to the estimated present value of \$82,155,000 and

\$61,362,000 at December 31, 2011 and 2010, respectively, based on a discount factor of 3.0% and 4.75%

Various claimants have asserted malpractice and general liability claims against Lutheran HealthCare. The claims are in various stages of processing and some have been or may ultimately be brought to trial. Furthermore, there are known incidents that have occurred through December 31, 2011, that may result in the assertion of additional claims, and other claims may be asserted arising from services provided in the past. It is the opinion of Lutheran HealthCare management that the ultimate resolution of the claims will not have a material adverse effect on Lutheran HealthCare's financial position or results of operations.

9. RETIREMENT BENEFITS

Defined Benefit Pension Plan — The Medical Center has a noncontributory -defined benefit pension plan covering those employees of the Medical Center and certain affiliated entities not covered under multiemployer union pension plans. The benefits are based on years of service. This plan was partially frozen in 2003 with one class of employees covered under a union agreement remaining active. All other eligible employees were transferred to a defined contribution plan.

Lutheran HealthCare uses a December 31 measurement date.

Obligations and Funded Status — The defined benefit plan's funded status and amounts recognized in the accompanying combined financial statements as of December 31, 2011 and 2010, are as follows (in thousands)

	2011	2010
Change in benefit obligation		
Benefit obligation — beginning of year	\$ 189,415	\$ 169,452
Service cost	4,590	3,887
Interest cost	11,393	10,926
Actuarial losses	29,061	11,178
Benefits paid	<u>(7,889)</u>	<u>(6,028)</u>
Benefit obligation — end of year	<u>226,570</u>	<u>189,415</u>
Change in plan assets		
Fair value of plan assets — beginning of year	142,722	124,536
Actual return on plan assets	(3,436)	16,090
Employer contributions	11,835	8,124
Benefits paid	<u>(7,889)</u>	<u>(6,028)</u>
Fair value of plan assets — end of year	<u>143,232</u>	<u>142,722</u>
Net amount recognized	<u>\$ 83,338</u>	<u>\$ 46,693</u>
Accumulated benefit obligation	<u>\$ 209,011</u>	<u>\$ 175,912</u>
Components of net periodic benefit cost		
Service cost	\$ 4,590	\$ 3,887
Interest cost	11,393	10,926
Expected return of plan assets	(12,473)	(11,694)
Amortization of prior service cost	1	1
Recognized actuarial loss	<u>4,032</u>	<u>2,501</u>
Total net periodic benefit cost	<u>\$ 7,543</u>	<u>\$ 5,621</u>

Included in unrestricted net assets as of December 31, 2011 and 2010, are unrecognized actuarial losses of \$103,087,000 and \$62,148,000, respectively, that have not yet been recognized in net periodic pension cost. The unrecognized actuarial losses expected to be recognized in net periodic pension cost during 2012 are \$7,181,000. Unrecognized prior service costs that have not yet been recognized in net periodic pension cost are immaterial.

Assumptions — The following assumptions were used to determine benefit obligations as of December 31, 2011 and 2010, respectively:

	2011	2010
Discount rate	5.24 %	6.13 %
Salary increase rate	3.00	3.00

For the years ended December 31, 2011 and 2010, the following assumptions were used to determine net periodic benefit cost

	2011	2010
Discount rate	6.13 %	6.59 %
Expected long-term return on assets	8.25	8.25
Rate of compensation increase	3.00	3.00

Plan Assets — The Health Services Retirement Plan (HSRP) administers the assets of Lutheran HealthCare's pension plan. The assets of all of the plans administered by HSRP are maintained in one trust account and allocated to the participating plans. The Plan's asset allocation as of December 31, 2011, is set forth in Note 6.

The plan invests in certain funds or asset pools that are managed by investment managers for which no quoted market price is available (see Note 6).

The Board of Trustees of HSRP assumes the responsibility for establishing the investment policy that is to guide the investment of pension assets. The investment policy describes the degree of investment risk that the trustees deem appropriate. Below is a summary of the investment policy.

The fund assets at December 31, 2011 and 2010, are generally to be allocated according to the following target allocation rates:

	2011	2010
U.S. equities	27 %	27 %
Non-U.S./global equities	14	14
Alternative investments	39	39
Debt securities	<u>20</u>	<u>20</u>
Total	<u>100 %</u>	<u>100 %</u>

The objective of the U.S. equities component is to serve as the primary engine for growth via steady performance with relatively low volatility, as compared to other long-only equity assets classes.

The objective for the non-U.S. stock component is to provide the broad exposure to both developed and emerging markets, best represented by the Morgan Stanley Capital International All-Country World Ex-U.S. Index (MSCI EAFE). The passive investment vehicle employed tracks the MSCI EAFE index that excludes the emerging markets. A dedicated active emerging markets allocation will be maintained within the non-U.S. stock component to offset the lack of emerging markets exposure in the passive portfolio. The target allocation of the aggregate dedicated emerging market portfolio relative to the passive portfolio will be the emerging market weight within the MSCI EAFE index with a permissible range of plus or minus 4%.

The objective of the alternative investments is to enhance total portfolio return through capital appreciation from investments in illiquid, less efficient, private market opportunities and to provide portfolio diversification via relatively lowly correlated assets.

The objective of the fixed income component is to help maintain a source of spending during prolonged economic contractions, to provide protection during deflationary periods and portfolio volatility reduction via steady flow of income and high liquidity.

Ordinary cash flows will be used to maintain the allocation as close as practical to the normal allocation. If cash flows are insufficient to maintain the allocation within the permissible ranges as of any calendar quarter-end, the HSRP staff will transfer balances between the asset classes to bring the allocation back to the target.

Diversification — Fund assets are diversified in an effort to minimize the impact of large losses in individual investments. Multiple investment managers may be retained to further that end.

Investment Objective and Performance Evaluation — The fund's rate of return (net of fees) will be compared with (1) the return of a policy portfolio consisting of 39% of the DJ Wilshire 5000 Stock Index, 15% of the MSCI EAFE, 6% of the MSCI All-Country World Index, and 40% of the Lehman Brothers Aggregate Bond Index and (2) the returns of a broad universe of pension funds.

Cash Flows — Lutheran HealthCare expects to contribute \$10,450,000 to the plan in the year ending December 31, 2012.

Future benefit payments by the defined benefit plan, reflective of expected future service, as of December 31, 2011, are expected to be paid as follows (in thousands):

**Years Ending
December 31**

2012	\$ 9,742
2013	10,496
2014	11,199
2015	11,776
2016	12,756
2017–2021	76,419

Defined Contribution Plan — During 2001, the Medical Center established a 401(k) plan (the "401(k) Plan"), which covers Lutheran HealthCare's employees for full-time nonunion and part-time nonunion employees (scheduled to work at least 50% of the full-time standard) not covered under the defined benefit plan. Contributions of 6% to 8% are made depending on employees' combined age, years of service, and title. Contributions under the 401(k) Plan approximated \$5,778,000 for 2011 and \$8,620,000 for 2010. On April 1, 2011, management suspended the 3%, 5% for certain employees, discretionary component of the contribution.

Other Plans — Lutheran HealthCare is also a contributing employer to several union pension plans. Contributions to the plans are made in accordance with contractual agreements under which contributions are based on a percentage of salaries. The pension expense for these plans aggregated \$7,522,000 for 2011 and \$6,063,000 for 2010.

10. LINE OF CREDIT

The Medical Center has entered into a \$10 million line-of-credit agreement with a bank. At the Medical Center's discretion, the line of credit can either have a floating rate based on the Prime interest rate or it can fix an interest rate at LIBOR, plus 1.25% for a 30- or 60-day period and then reset at the end of the period. The line of credit expires in June 2012. It is secured by a second position on certain assets of the Medical Center and Sunset Park. The line of credit contains certain covenants, among others, which require compliance with certain financial ratios as well as limits on additional indebtedness. As of December 31, 2011 and 2010, the Medical Center had no outstanding balance on the line of credit.

11. LONG-TERM DEBT

Long-term debt as of December 31, 2011 and 2010, is as follows (in thousands)

	2011	2010
Medical Center mortgage loan (a)	\$ 55,318	\$ 60,257
Augustana mortgage loans (b)	24,536	24,910
Sunset Gardens mortgage loan (c)	12,972	12,972
Harbor Hill mortgage loan (d)	7,627	7,627
Shore Hill Housing loan (e)	19,149	19,363
Capital lease obligations	8,497	11,122
Other indebtedness	<u>26,872</u>	<u>755</u>
Total long-term debt	154,971	137,006
Less current portion	<u>23,544</u>	<u>8,943</u>
Total long-term debt — less current portion	<u>\$ 131,427</u>	<u>\$ 128,063</u>

(a) During 2003, the Medical Center entered into a mortgage agreement to refinance certain existing mortgage obligations and to provide additional funds to perform major renovation work at the Medical Center. The Dormitory Authority of the State of New York (DASNY) provided \$85.3 million, which was made available from portions of the proceeds of DASNY's sale of Series 2003 revenue bonds. The loan is payable in monthly payments of principal and interest at a fixed rate of 4.15% through 2028. The mortgage is collateralized by a substantial portion of the Medical Center's and Sunset Park's property, buildings and equipment, and unrestricted assets and revenue and is insured by the U.S. Department of Housing and Urban Development (HUD) under Section 242 of the National Housing Act. The mortgage has certain covenants which, among others, require compliance with specified financial ratios for which noncompliance may limit additional indebtedness. As required, the Medical Center has deposited funds in assets whose use is limited to satisfy the ending balance requirement of \$9,859,000 and \$8,449,000 as of December 31, 2011 and 2010, respectively. For the years ended December 31, 2011 and 2010, the Medical Center was in compliance with its required covenants.

(b) Augustana received financing from DASNY. The original mortgage note was \$17,928,000. On April 29, 1998, additional financing through a supplemental mortgage note was approved by DASNY for additional project costs in the amount of \$2,701,300. Under the terms of Augustana's refinancing agreement with DASNY in December 2000, principal payments are to be made through March 2035 at an interest rate of 6.65%. The mortgage is insured by HUD under Section 232 of the National Housing Act. The balance of this mortgage was \$17,620,000 and \$17,928,000 as of December 31, 2011 and 2010, respectively.

In connection with the terms, provisions, and covenants of the mortgage agreement, Augustana is required to make annual deposits in restricted depreciation and replacement reserve funds. Required deposits are \$14,355 monthly for replacement reserves and \$22,083 for restricted depreciation funds.

In February 2012, this mortgage was refinanced with Century Health Capital, Inc. and is insured by HUD. The loan amount was \$17,566,000, with equal monthly payments of \$94,680 beginning April 1, 2012. Interest is at the rate of 3.73%. Payments are to be made through April 1, 2035.

In August 2001, Augustana received additional financing for facility expansion. The principal amount was \$7,775,000 at an initial interest of 8.00% through October 1, 2002, and 6.75% thereafter. Full mortgage satisfaction is due in 2041. The balance of this mortgage was \$6,916,000 and \$6,982,000 as of December 31, 2011 and 2010, respectively. Required deposits into a replacement reserve fund are \$3,769 monthly.

In connection with the terms, provisions and covenants of this mortgage agreement, Augustana is required to maintain letters of credit approximating \$400,000.

- (c) Sunset Gardens is a not-for-profit corporation organized pursuant to Article XI of the Private Housing Finance Law and Section 402 of the Not-for-Profit Corporation Law to acquire an interest in real property located in Brooklyn, New York and to construct and operate thereon an apartment complex of 81 units, under Section 202 of the National Housing Act. Rental operations began in July 2008, at the time the initial units were completed.

The project has a fully insured HUD mortgage ("capital advance") in the amount \$12,972,000 at December 31, 2011 and 2010. This capital advance bears no interest and need not be repaid so long as the housing remains available to elderly or disabled persons for at least 40 years. Failure to keep the housing available for the elderly or disabled would result in HUD billing the project owner the entire capital advance outstanding, plus interest since the date of the first advance. Management believes that the likelihood that Sunset Gardens will fail to meet its requirements under the HUD mortgage is remote and, accordingly, interest is not being accrued on the mortgage. The amount of such unrecorded interest at December 31, 2011 and 2010, was approximately \$2,677,000 and \$2,061,000, respectively.

- (d) Harbor Hill is a not-for-profit corporation organized pursuant to Article IX of the Private Housing Finance Law and Section 402 of the Not-for-Profit Corporation Law to acquire an interest in real property located in Brooklyn, New York and to construct and operate thereon an apartment complex of 87 units, under Section 202 of the National Housing Act. Rental operations began in October 1995, at the time the initial units were completed.

Harbor Hill has a fully insured HUD mortgage ("capital advance") in the amount of \$7,627,000. This capital advance bears no interest and need not be repaid so long as the housing remains available to elderly or disabled persons for at least 40 years. Failure to keep the housing available for elderly or disabled persons would result in HUD billing the project owner the entire capital advance outstanding plus interest since the date of the first advance. Management believes that the likelihood that Harbor Hill will fail to meet its requirements under the HUD mortgage is remote and, accordingly, interest is not being accrued on the mortgage. The amount of such unrecorded interest at December 31, 2011 and 2010, was approximately \$8,927,000 and \$8,421,000, respectively.

Under the regulatory agreement, the project is required to set aside \$42,960 each year for replacement of property and other project expenditures as approved by HUD. These restricted deposits are held in separate accounts and generally are not available for operating purposes. These assets are presented as assets limited as to use in the accompanying combined balance sheets.

- (e) During 2008, Shore Hill Housing Associates, L.P. obtained financing in the form of a variable rate \$39,000,000 note from the New York State Housing Finance Agency through the issuance of tax-exempt Shore Hill Housing Revenue Bonds, 2008 Series A. Interest only payments were due monthly until May 2010. The average interest rate on this debt was approximately 4% during 2010 and 5% during 2009. In May 2010, the \$39,000,000 note was repaid with \$19,500,000 proceeds of limited partner funding (see Note 18) and \$19,500,000 permanent

mortgage financing with Wells Fargo Bank. Commencing in 2010, monthly payments of principal and interest on the \$19,500,000 mortgage totaling \$73,000 will be required through December 1, 2044. The note is collateralized by a mortgage on the related property.

Concurrently with the execution of the note, the partnership entered into an interest rate swap agreement with JPMorgan Chase Bank. The swap has a notional amount of \$19,167,000 and \$19,380,000 at December 31, 2011 and 2010, respectively. The interest rate swap was entered into to manage interest rate risk associated with the related variable rate debt. The swap agreement fixes the interest rate at 3.451% through September 1, 2023. At December 31, 2011 and 2010, the fair value of the swap liability totaled \$2,906,000 and \$743,000, respectively. This amount is reported with other long-term liabilities in the accompanying combined balance sheets. The change in the fair value of the swap totaled \$2,083,000 and \$58,000 in 2011 and 2010, respectively. Because the swap has not been designated as a hedge for accounting purposes, these amounts are reported with supplies and expenses. Net settlements on the interest rate swap are included as a component of interest expense in the accompanying combined statements of operations.

Lutheran HealthCare and the counterparty in the interest rate swap agreement are exposed to credit risk in the event of nonperformance or early termination. The agreement may be terminated following the occurrence of certain events, at which time Lutheran HealthCare may be required to make a termination payment.

Leases — As of December 31, 2011, future minimum payments, by year and in the aggregate, under capital leases and noncancelable operating leases with initial or remaining terms of one year or more consisted of the following (in thousands):

Years Ending December 31	Capital Leases	Operating Leases
2012	\$ 3.652	\$ 7.673
2013	3.069	7.403
2014	1.542	6.586
2015	.782	3.956
2016	.73	3.657
Thereafter	<u> </u>	<u>6.935</u>
Total minimum lease payments	9.118	<u>\$ 36.210</u>
Less amount representing interest (various rates)	<u>621</u>	
	<u>\$ 8.497</u>	

Total rental expense charged to operations was \$8,947,000 in 2011 and \$8,593,000 in 2010.

Other Indebtedness — On December 15, 2011, the Medical Center entered into an \$18,300,000 non-revolving credit facility with TD Bank. The facility is structured into a three year advance draw period after which it converts to a five year term loan. The annual interest rate is reset monthly and is based on the higher of the (1) LIBOR index plus 2.00% or (2) 2.20%. During the advance period, only interest will be paid monthly. On conversion to the five year term loan, the monthly payment of principle and interest will be based on an amortization of the principle over a ten year period that will result in a

balloon payment at the end of the loan term. At December 31, 2011, the interest rate in effect was 2.28% and the outstanding balance was \$4,100,000.

Other indebtedness also includes \$22,000,000 of financing arrangements that the Medical Center entered into to finance its professional insurance premium. Interest is at the rate of 3.25% with monthly payments being made over a 36-month period.

Maturities of Long-term Debt — Scheduled repayments of long-term debt, including capital leases, as of December 31, 2011, for each of the next five years and thereafter are as follows (in thousands):

Years Ending December 31	
2012	\$ 23,544
2013	14,129
2014	10,537
2015	7,815
2016	7,034
Thereafter	<u>91,912</u>
Total	<u>\$ 154,971</u>

12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2011 and 2010, are available for the following purposes (in thousands):

	2011	2010
Patient care services and educational programs	\$ 2,576	\$ 2,900
Plant replacement and expansion	<u>843</u>	<u>269</u>
	<u>\$ 3,419</u>	<u>\$ 3,169</u>

Permanently restricted net assets as of December 31, 2011 and 2010, were \$494,000 and \$506,000, respectively, and consisted entirely of amounts to be held in perpetuity, the income from which is unrestricted and can be used for any purpose. During 2010, the State of New York passed the Prudent Management of Institutional Funds Act. Lutheran HealthCare has interpreted this law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a temporarily restricted net asset classification until appropriated by the Board of Trustees (the "Board") and expended. This law allows the Board to appropriate so much of the net appreciation of permanently restricted net assets as is prudent considering Lutheran HealthCare's long- and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions. No amounts were appropriated in 2011 or 2010. Accumulated gains are not material.

13. FUNCTIONAL EXPENSES

Lutheran HealthCare provides a comprehensive integrated network of health services.

Functional expenses related to providing such services for the years ended December 31, 2011 and 2010, are as follows (in thousands)

	2011	2010
Health care and related services	\$ 1,281,707	\$ 1,153,982
Program support and general	<u>301,631</u>	<u>261,098</u>
	<u>\$ 1,583,338</u>	<u>\$ 1,415,080</u>

14. CONCENTRATION OF CREDIT RISK

Lutheran HealthCare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. Significant concentrations of accounts receivable for services to Medicaid patients as of December 31, 2011 and 2010, accounted for approximately 52% and 56%, respectively. Significant concentrations of accounts receivable for services to Medicare patients as of December 31, 2011 and 2010, accounted for approximately 23% and 20%, respectively.

Lutheran HealthCare routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds may not be insured or guaranteed by the U.S. government.

At December 31, 2011 and 2010, approximately \$49.6 million and \$52.2 million, respectively, of Lutheran Healthcare's investments in corporate debt obligations were invested in companies in the financial services sector.

15. ACCRUED MEDICAL COSTS

Activity in the liability for accrued medical costs for the years ended December 31, 2011 and 2010, is summarized as follows

	2011	2010
Balance — beginning of year	\$ 83,623,867	\$ 114,973,910
Less stop-loss insurance receivables — net	<u>(14,411,596)</u>	<u>(15,019,903)</u>
Net balance — beginning of year	<u>69,212,271</u>	<u>99,954,007</u>
Incurred related to		
Current year	916,370,444	766,019,256
Prior years	<u>(11,025,859)</u>	<u>(5,252,750)</u>
Total incurred	<u>905,344,585</u>	<u>760,766,506</u>
Paid related to		
Current year	(806,475,401)	(678,447,692)
Prior years	<u>(68,424,843)</u>	<u>(113,060,550)</u>
Total paid	<u>(874,900,244)</u>	<u>(791,508,242)</u>
Net balance — end of year	99,656,612	69,212,271
Plus stop-loss insurance receivable — net	<u>5,930,993</u>	<u>14,411,596</u>
Balance — December 31	<u>\$ 105,587,605</u>	<u>\$ 83,623,867</u>

16. AFFILIATION AGREEMENT

Affiliation Agreement between the Medical Center and Sunset Park — Effective July 1, 2007 (“Effective Date”), the Medical Center transferred the operations of the Health Center to Sunset Park to comply with the requirements of the Health Resources and Services Administration (within the United States Department of Health and Human Services) in order to maintain eligibility for a Federal Section 330 grant (“330 grant”). The Medical Center and Sunset Park entered into an Affiliation Agreement and a Support Services Agreement whereby Sunset Park has been established by NYSDOH as a “co-operator” of the Health Center and the Medical Center continues to provide support services to allow the Health Center to operate as it did before the transaction. The Health Center operates under the Medical Center’s New York State operating certificate and state and federal provider numbers. Patient care services are billed to patients and third-party payors (principally Medicaid and Medicare) by the Medical Center. Although the Medical Center continues to bill for all patient care services furnished by the Health Center in the Medical Center’s name and under the Medical Center’s provider numbers, all of the Health Center’s patient revenues contractually inure to the benefit of Sunset Park under the terms of the Affiliation Agreement. There are several common board members, however, neither the Medical Center nor Sunset Park have the ability to exercise majority control of the other’s board.

A steering committee of equal representation from both entities is responsible for overseeing and facilitating the clinical and administrative arrangements between the Medical Center and Sunset Park. The Medical Center and Sunset Park continue to cooperate in implementing a coordinated and integrated quality assurance/quality management program for the Health Centers.

Accounting for the Affiliation Agreement — Following execution of the Affiliation Agreement, substantially all of the operations and the related assets of the Health Center were transferred to, and its liabilities were assumed by, Sunset Park. The assets transferred and liabilities assumed were accounted for in a manner similar to a pooling-of-interests whereby Sunset Park initially recognized the assets and liabilities transferred at their carrying amounts in the accounts of the Medical Center as of January 1, 2007.

Provision of Clinical Services — Sunset Park is responsible for ensuring that the clinical services of the Health Centers are available and accessible promptly, as appropriate, and in a manner, which ensures continuity of service to the residents of each Health Center's area. In providing clinical services, the parties agreed to utilize the licensed physicians and other health care professionals employed and/or otherwise engaged by Sunset Park. Such physicians are also generally members of the medical and dental staffs of the Medical Center.

Sunset Park Authority — Sunset Park has all of the authority, with respect to the Health Center, required to qualify as a federally qualified health center and to receive 330 grants and has autonomy over all decisions related to operation of the Health Center.

Property and Equipment — As of the Effective Date, title to the property, equipment, and supplies associated with the Health Center remained with the Medical Center. Sunset Park obtained authority to use the property in connection with its co-operation of the Health Center. The property and equipment associated with the Health Center remained subject to Department of Housing and Urban Development (HUD) mortgage covenants (see Note 11). The Medical Center agreed to include Sunset Park as joint owner on the title of three health centers with a net book value of approximately \$2,712,000 as of the Effective Date, and agreed to transfer full title for these three health center facilities to Sunset Park upon the expiration of the HUD covenants. Commencing on the Effective Date, the parties agreed that the Health Center's facilities will be utilized exclusively for the operation of the section 330 grant-supported health centers. Under certain circumstances, the Medical Center has agreed to fund Sunset Park's annual capital improvements in an amount equal to the lower of \$1,500,000 or Sunset Park's depreciation expense for the year.

Employees — Certain physicians and senior management personnel were transferred to Sunset Park's employ during 2007, and the remainder of the nonunionized management personnel were transferred to Sunset Park's employ in 2008. After the Effective Date, Sunset Park began to directly employ or engage any additional clinical staff that provides health services to the Health Center's patients. Certain of the Medical Center employees, including those covered by collective bargaining agreements executed by and binding on the Medical Center, provide services to the Health Center. Such employees remain employees of the Medical Center, but are contracted to Sunset Park.

Services and Flow of Funds — Sunset Park maintains a bank account into which all 330 grant funds (and other grants for which Sunset Park is the direct recipient) are directly deposited. The Medical Center bills patients and third parties, including Medicare and New York State Medicaid, for the Health Center's services generally in accordance with Sunset Park's schedule of charges and discounts. The Medical Center has agreed to collect such billings in accordance with Sunset Park's collection policies. Such collections are initially deposited into the accounts of the Medical Center, however, separate accountability is maintained. The parties agreed to allocate certain amounts initially received or paid by

the Medical Center. Amounts allocated include (i) the New York State general hospital indigent care pool (or successor pool) distributions attributable to the provision of uncompensated care services at the Health Center sites, (ii) costs associated with physician supervision and training of residents in the Medical Center-sponsored residency programs in connection with their clinical rotations to Health Center sites, (iii) Medicare GME reimbursement associated with dental and other residents whose principal site of training consist of one or more Health Center sites, and (iv) costs related to the occupational health program operated through the Health Center. The amounts to be transferred are determined prospectively based on mutually agreed upon annual budgets.

The Medical Center provides certain administrative support services including accounting, human resources support, and information technology/systems management support for which it receives an annual fee. The Medical Center also pays certain nonpayroll and payroll amounts on behalf of Sunset Park and certain other amounts are paid by the Medical Center and allocated to Sunset Park based upon predetermined annual budgets. On a monthly basis, the excess (or deficiency) of cash collected plus or minus allocated net revenue or expenses over expenses paid by the Medical Center on Sunset Park's behalf and the Medical Center service fee for providing support services is reported with the current portion of due from the Medical Center. Such amount is due on demand.

Term of the Agreements — The Affiliation and Support Services Agreements remain in effect for so long as Sunset Park receives the 330 grant to support the Health Center and the parties remain established as co-operators of the Health Center clinical sites in accordance with New York law, unless otherwise terminated in the event of a material breach of any material term or condition of the agreements or upon the mutual agreement of Sunset Park and the Medical Center (the "Parties"). The Agreement will also terminate immediately in the event of the revocation, termination, or expiration of the section 330 grant. Upon termination or expiration of this Agreement, the Parties agreed to cooperate in the orderly winding down of the co-operation of the Health Center.

17. COMMITMENTS AND CONTINGENCIES

Sale of the Plan's Operating and Non-financial Assets - On October 24, 2011, HealthPlus entered into an Asset Purchase Agreement ("APA") with Amerigroup New York, LLC, a New York limited liability company d/b/a Amerigroup Community Care New York ("Amerigroup"). The transaction closed on May 1, 2012.

Under the terms of the APA, Amerigroup is purchasing all of the Plan's operating and non-financial assets, including property and equipment and the Plan's rights and obligations after the closing date under its Medicaid, FHP, CHP and Medicare contracts, including the right to provide services and receive the premium for such services. The purchase price is \$85 million in cash, which is subject to adjustment based on the number of enrolled members at closing. Of this amount, \$5 million will be held in escrow for 18 months and an additional \$5 million will be held in escrow for 36 months to settle claims under the APA.

Amerigroup is not purchasing the Plan's cash and cash equivalents, investments, premiums and other receivables, or assets limited as to use as of the closing date, or any other financial assets. Further, Amerigroup will not be responsible for liabilities that exist up to and including the closing date (including medical claim liabilities). At closing, Amerigroup will assume the obligations and liabilities under the assumed provider and payor contracts and other assumed contracts, for all activity occurring after the closing date and related solely to dates of service after the closing date.

The Plan and Lutheran Medical Center have agreed that the Plan will remain in existence for a period of at least 36 months following the closing date, and will maintain cash and investments in an amount

necessary to satisfy its liabilities. Amerigroup and the Plan intend to enter into a Management Services Agreement under which Amerigroup will provide various services after closing, including the collection of amounts due to the Plan and the payment of Plan liabilities.

After the closing, excess funds will begin to be distributed to the Medical Center. All distributions will be subject to approval by the HealthPlus Board of Trustees and the NYSDOH. Excess funds will be determined based on a formula that deducts from cash and investments all of the appropriate liabilities, closing costs, run out costs, and funding for all escrow amounts. The Medical Center anticipates a distribution of \$75 million subsequent to closing.

Litigation and Regulatory Investigations — Laws and regulations governing health care programs are complex and subject to interpretation for which action for noncompliance includes fines, penalties, and exclusion from the Medicare and Medicaid programs. Lutheran HealthCare is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Lutheran HealthCare's financial position, results of operations or cash flows.

Health Care Reform — In 2010, the Patient Protection and Affordable Care Act (PPACA) was enacted into law. PPACA is expected to result in sweeping changes across the health care industry, including how care is provided and paid for. To fund expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Lutheran HealthCare is unable to fully predict the impact of PPACA on its operations and financial results, however, management expects that future reimbursement for services from both public and private payers will be reduced and made conditional, in part, on various quality measures.

Collective Bargaining Agreement — The organization is subject to collective bargaining agreements with respect to its RN and LPN nursing staff and certain other administrative and clinical positions. The current agreement for RNs runs through February 28, 2013, and covers approximately 700 staff. The agreement for substantially all other union staff runs through April 30, 2015, and covers approximately 2,500 staff.

18. SHORE HILL HOUSING COMPANY RESTRUCTURING

During 2008, Shore Hill restructured the ownership and financing of its apartment building for low-income senior citizens to enable the rehabilitation and improvement of the facility (the "restructuring"). In order to achieve the restructuring, a partnership (Shore Hill Housing Associates, L.P. (the "Partnership")) was formed.

Shore Hill Housing Associates GP, Inc. ("General Partner"), which is owned 79% by Shore Hill and 21% by the Lutheran Foundation, is the general partner and owns 0.01% of the Partnership. The partnership agreement provides that the General Partner has complete and exclusive control over the management of the Partnership. The limited partners are not liable for any debts, liabilities, losses, contracts, or other obligations of the Partnership. They are only liable to make capital contributions in the amounts and on the dates as specified in the Partnership agreement. The Medical Center and certain of its affiliates are responsible for all such obligations and losses. The Partnership term is through December 31, 2058, unless terminated earlier. Based on the nature of Lutheran HealthCare's control and economic interest in the Partnership, the Partnership has been included in Lutheran HealthCare's combined financial statements.

The General Partner may not sell, exchange, lease (outside of the normal course of business to qualified tenants), or otherwise dispose of the property without the consent of the limited partners. The General Partner also may not use Partnership assets, property, or improvements to secure the debt of any partners, their affiliates, or any third party. The Partnership is also required to maintain a minimum Debt Service Coverage ratio. For the years ended December 31, 2011 and 2010, the Partnership was in compliance with the requirement.

Capital Contributions — The General Partner is required to make capital contributions of \$1,000,000. The Limited Partner has agreed to make a capital contributions totaling \$22,442,000, subject to possible adjustments based on the amount of low-income housing tax credits ultimately allocated to the Partnership, in addition to other potential occurrences. Payments are due upon reaching certain milestones during the life of the project. During the years ended December 31, 2011 and 2010, Limited Partner capital contributions received totaled \$0 and \$19,202,707, respectively. Cumulative capital contributions at December 31, 2011 and 2010 totaled \$22,658,000. Such contributions are subject to recapture if the organization does not comply with the regulatory agreement or certain tax requirements for a period of twenty years. Management intends to comply with all requirements necessary to sustain the tax credits and believes that the likelihood of this not happening is remote.

The capital contributions are being accounted for as prepaid rent and are being deferred and will be recognized as revenue on a straight-line basis over a period of twenty years, commencing with completion of the project in 2010. During 2011, approximately \$1,131,000 was recognized as revenue. At December 31, 2011 and 2010, approximately \$20,359,000 and \$21,500,000 of deferred revenue is reported in other long-term liabilities in the accompanying combined balance sheets.

Sale of Beneficial Rights to the Property — Pursuant to the restructuring, Shore Hill sold the beneficial rights to its property to the Partnership. Because the Partnership is included in the combined financial statements, the gain on the sale has been eliminated in preparing the combined financial statements, and the property is stated at its historical cost basis. Shore Hill retained legal title to the property and a right of first refusal to repurchase the beneficial rights in certain circumstances, subject to the existing debt on the Property, at a price expected to equal to one dollar, plus applicable taxes.

Development Fee Agreement — In connection with the restructuring, the Medical Center entered into a Development Fee Agreement with the Partnership. The Partnership agreed to pay the Medical Center a Development Fee in the amount of \$6,488,000, subject to tax related adjustments. Of this amount, \$850,000 was received by the Medical Center and recognized as revenue in 2008 in the Medical Center's financial statements. During 2009, the amount of the development fee was finalized and the project was placed in service. Accordingly, the balance of \$5,638,000 was recognized as revenue by the Medical Center in 2009. At December 31, 2011 and 2010, \$5,798,000 and \$4,020,000, respectively, has been paid and \$691,000 and \$2,468,000, respectively, remains payable. Future payments will be made from operating cash flows, as provided by the Partnership Agreement. All of the development fee revenue has been eliminated in the combined financial statements.

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LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION — BALANCE SHEETS

AS OF DECEMBER 31, 2011

(In thousands)

	Lutheran Medical and Lutheran Family Health Centers	HealthPlus	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Balances
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 15,045	\$104,431	\$ 3,705	\$ 3,051	\$ 786	\$4,828	\$ -	\$131,846
Investments	35,741	65,127						100,868
Assets limited as to use			249	1,293				1,542
Patient accounts receivable — net	65,053		8,350		1,315	1,884	(6,348)	70,254
Premiums receivable		30,446						30,446
Other receivables	11,983	5,931		104	3	359		18,380
Due from third-party payors	14,772		911		184			15,867
Due from related entities	7,639	249	172	4	359	219	(8,642)	
Other current assets	<u>30,596</u>	<u>3,901</u>	<u>262</u>	<u>260</u>	<u>640</u>	<u>136</u>		<u>35,795</u>
Total current assets	180,829	210,085	13,649	4,712	3,287	7,426	(14,990)	404,998
ASSETS LIMITED AS TO USE — Less current portion	13,988	45,375	8,462	2,535				70,360
DUE FROM RELATED ENTITIES		43					(43)	
PROPERTY AND EQUIPMENT — Net	113,081	5,885	14,729	53,936	380	1,317	(6,164)	183,164
OTHER ASSETS	<u>71,766</u>		<u>55</u>	<u>1,563</u>				<u>73,384</u>
TOTAL	<u>\$379,664</u>	<u>\$261,388</u>	<u>\$36,895</u>	<u>\$62,746</u>	<u>\$3,667</u>	<u>\$8,743</u>	<u>\$(21,197)</u>	<u>\$731,906</u>

(Continued)

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION — BALANCE SHEETS

AS OF DECEMBER 31, 2011

(In thousands)

	Lutheran Medical and Lutheran Family Health Centers	HealthPlus	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Balances
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable and accrued expenses	\$ 37,045	\$ 21,773	\$ 2,044	\$ 458	\$ 812	\$ 134	\$ -	\$ 62,266
Accrued salaries and related liabilities	21,424	4,846	1,818	101	1,189	297		29,675
Accrued medical costs		111,936					(6,348)	105,588
Current portion of long-term debt	22,920		399	225				23,544
Current portion of professional liabilities	2,600							2,600
Due to related entities	1,099	1,424	3,561	764	322	1,472	(8,642)	
Other current liabilities		236	357	2,966		363		3,922
Current portion of due to third-party payors	961	2,579	639					4,179
Total current liabilities	86,049	142,794	8,818	4,514	2,323	2,266	(14,990)	231,774
DUE TO THIRD-PARTY PAYORS	29,367							29,367
DUE TO RELATED ENTITIES	43						(43)	
PROFESSIONAL LIABILITIES — Less current portion	79,555							79,555
LONG-TERM DEBT — Less current portion	67,766		24,137	39,524				131,427
ACCRUED PENSION LIABILITY	83,338							83,338
OTHER LONG-TERM LIABILITIES	1,111			20,555				21,666
Total liabilities	347,229	142,794	32,955	64,593	2,323	2,266	(15,033)	577,127
NET ASSETS								
Unrestricted	28,746	118,594	3,716	(1,847)	1,344	6,477	(6,164)	150,866
Temporarily restricted	3,381		38					3,419
Permanently restricted	308		186					494
Total net assets	32,435	118,594	3,940	(1,847)	1,344	6,477	(6,164)	154,779
TOTAL	\$379,664	\$261,388	\$36,895	\$62,746	\$3,667	\$8,743	\$ (21,197)	\$731,906

(Concluded)

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting

LUTHERAN HEALTHCARE

LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION — BALANCE SHEETS

AS OF DECEMBER 31, 2011

(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 12.751	\$ 2.294	\$ -	\$ 15.045
Investments	35.741			35.741
Assets limited as to use				
Patient accounts receivable — net	53.654	11.399		65.053
Other receivables	7.611	4.372		11.983
Due from third-party payors	14.772			14.772
Due from related entity	6.993	3.241	(2.595)	7.639
Other current assets	<u>30.524</u>	<u>140</u>	<u>(68)</u>	<u>30.596</u>
Total current assets	162.046	21.446	(2.663)	180.829
DUE FROM THIRD-PARTY PAYORS — Less current portion				
ASSETS LIMITED AS TO USE — Less current portion	13.988	731	(731)	13.988
DUE FROM RELATED ENTITY				
PROPERTY AND EQUIPMENT — Net	112.930	15.778	(15.627)	113.081
OTHER ASSETS	<u>83.249</u>	<u>253</u>	<u>(11.736)</u>	<u>71.766</u>
TOTAL	<u>\$372.213</u>	<u>\$38.208</u>	<u>\$(30.757)</u>	<u>\$379.664</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 37.045	\$ 3.593	\$ (3.593)	\$ 37.045
Accrued salaries and related liabilities	17.011	5.313	(900)	21.424
Current portion of long-term debt	22.920	10	(10)	22.920
Current portion of professional liabilities	2.600			2.600
Due to related entity	3.690	4	(2.595)	1.099
Current portion of due to third-party payors	<u>961</u>	<u>828</u>	<u>(828)</u>	<u>961</u>
Total current liabilities	84.227	9.748	(7.926)	86.049
DUE TO THIRD-PARTY PAYORS — Less current portion	29.367	19.783	(19.783)	29.367
DUE TO RELATED ENTITY — Less current portion	43			43
PROFESSIONAL LIABILITIES — Less current portion	79.555			79.555
LONG-TERM DEBT — Less current portion	67.766	14	(14)	67.766
ACCRUED PENSION LIABILITY	83.338			83.338
OTHER LONG-TERM LIABILITIES	<u>3.277</u>	<u>868</u>	<u>(3.034)</u>	<u>1.111</u>
Total liabilities	<u>347.573</u>	<u>30.413</u>	<u>(30.757)</u>	<u>347.229</u>
NET ASSETS				
Unrestricted	21.681	7.065		28.746
Temporarily restricted	2.651	730		3.381
Permanently restricted	<u>308</u>			<u>308</u>
Total net assets	<u>24.640</u>	<u>7.795</u>		<u>32.435</u>
TOTAL	<u>\$372.213</u>	<u>\$38.208</u>	<u>\$(30.757)</u>	<u>\$379.664</u>

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION — BALANCE SHEETS AS OF DECEMBER 31, 2010 (In thousands)

	Lutheran Medical and Lutheran Family Health Centers	HealthPlus	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Balances
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 17.282	\$ 55.490	\$ 2.664	\$ 3.584	\$ 689	\$ 4.752	\$ -	\$ 84.461
Investments	42.059	62.387						104.446
Assets limited as to use	543		267	1.431				2.241
Patient accounts receivable — net	58.614		9.644		1.108	2.050	(6.434)	64.982
Premiums receivable		30.975						30.975
Other receivables	10.613	14.412		202	8	237		25.472
Due from third-party payors	18.701		1.011		105			19.817
Due from related entities	8.808	238	125	2	207	76	(9.456)	-
Other current assets	11.881	4.218	379	288	475	115		17.356
Total current assets	168.501	167.720	14,090	5.507	2.592	7.230	(15.890)	349.750
ASSETS LIMITED AS TO USE — Less current portion	13.034	43.969	8.528	2.260				67.791
DUE FROM RELATED ENTITIES		292					(292)	-
PROPERTY AND EQUIPMENT — Net	106.191	6.461	15.714	56.199	154	1.336	(6.326)	179.729
OTHER ASSETS	51.659		57	1.633				53.349
TOTAL	<u>\$339.385</u>	<u>\$218.442</u>	<u>\$38.389</u>	<u>\$65.599</u>	<u>\$2.746</u>	<u>\$8.566</u>	<u>\$(22.508)</u>	<u>\$650.619</u>

(Continued)

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION — BALANCE SHEETS

AS OF DECEMBER 31, 2010

(In thousands)

	Lutheran Medical and Lutheran Family Health Centers	HealthPlus	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Balances
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable and accrued expenses	\$ 35.090	\$ 15.902	\$ 2.276	\$ 606	\$ 1.257	\$ 135	\$ -	\$ 55.266
Accrued salaries and related liabilities	19.185	4.555	1.424	84	772	270		26.290
Accrued medical costs		90.058					(6.434)	83.624
Current portion of long-term debt	8.356		373	214				8.943
Current portion of professional liabilities	2.600							2.600
Due to related entities	352	1.538	3.084	2.502	592	1.388	(9.456)	-
Other current liabilities		198	397	880		186		1.661
Current portion of due to third-party payors	<u>3.659</u>	<u>2.016</u>	<u>1.150</u>					<u>6.825</u>
Total current liabilities	69.242	114.267	8.704	4.286	2.621	1.979	(15.890)	185.209
DUE TO THIRD-PARTY PAYORS	30.225							30.225
DUE TO RELATED ENTITIES	292						(292)	-
PROFESSIONAL LIABILITIES — Less current portion	58.762							58.762
LONG-TERM DEBT — Less current portion	63.778		24.536	39.749				128.063
ACCRUED PENSION LIABILITY	46.693							46.693
OTHER LONG-TERM LIABILITIES	<u>1.099</u>			<u>21.685</u>				<u>22.784</u>
Total liabilities	<u>270.091</u>	<u>114.267</u>	<u>33.240</u>	<u>65.720</u>	<u>2.621</u>	<u>1.979</u>	<u>(16.182)</u>	<u>471.736</u>
NET ASSETS								
Unrestricted	65.858	104.175	4.910	(121)	125	6.587	(6.326)	175.208
Temporarily restricted	3.128		41					3.169
Permanently restricted	<u>308</u>		<u>198</u>					<u>506</u>
Total net assets	<u>69.294</u>	<u>104.175</u>	<u>5.149</u>	<u>(121)</u>	<u>125</u>	<u>6.587</u>	<u>(6.326)</u>	<u>178.883</u>
TOTAL	<u>\$339.385</u>	<u>\$218.442</u>	<u>\$38.389</u>	<u>\$65.599</u>	<u>\$2.746</u>	<u>\$8.566</u>	<u>\$(22.508)</u>	<u>\$650.619</u>

(Concluded)

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting

LUTHERAN HEALTHCARE LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION — BALANCE SHEETS

AS OF DECEMBER 31, 2010

(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 15.636	\$ 1.646	\$ -	\$ 17.282
Investments	42.059			42.059
Assets limited as to use	543	543	(543)	543
Patient accounts receivable — net	47.113	11.501		58.614
Other receivables	4.371	6.242		10.613
Due from third-party payors	18.701	62	(62)	18.701
Due from related entity	11.473	4.199	(6.864)	8.808
Other current assets	11.881	136	(136)	11.881
Total current assets	151.777	24.329	(7.605)	168.501
DUE FROM THIRD-PARTY PAYORS — Less current portion				-
ASSETS LIMITED AS TO USE — Less current portion	13.034	780	(780)	13.034
DUE FROM RELATED ENTITY		10.843	(10.843)	-
PROPERTY AND EQUIPMENT — Net	105.893	16.474	(16.176)	106.191
OTHER ASSETS	67.293	210	(15.844)	51.659
TOTAL	<u>\$337.997</u>	<u>\$52.636</u>	<u>\$(51.248)</u>	<u>\$339.385</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 35.090	\$ 4.211	\$ (4.211)	\$ 35.090
Accrued salaries and related liabilities	15.243	4.620	(678)	19.185
Current portion of long-term debt	8.356			8.356
Current portion of professional liabilities	2.600			2.600
Due to related entity	4.011	3.205	(6.864)	352
Current portion of due to third-party payors	3.659	3.659	(3.659)	3.659
Total current liabilities	68.959	15.695	(15.412)	69.242
DUE TO THIRD-PARTY PAYORS — Less current portion	30.225	21.861	(21.861)	30.225
DUE TO RELATED ENTITY — Less current portion	11.135		(10.843)	292
PROFESSIONAL LIABILITIES — Less current portion	58.762			58.762
LONG-TERM DEBT — Less current portion	63.778			63.778
ACCRUED PENSION LIABILITY	46.693			46.693
OTHER LONG-TERM LIABILITIES	3.419	812	(3.132)	1.099
Total liabilities	282.971	38.368	(51.248)	270.091
NET ASSETS				
Unrestricted	52.369	13.489		65.858
Temporarily restricted	2.349	779		3.128
Permanently restricted	308			308
Total net assets	55.026	14.268	-	69.294
TOTAL	<u>\$337.997</u>	<u>\$52.636</u>	<u>\$(51.248)</u>	<u>\$339.385</u>

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION — STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011 (In thousands)

	Lutheran Medical and Lutheran Family Health Centers	HealthPlus	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Totals
REVENUE								
Net patient service revenue	\$469,764	\$ -	\$34,323	\$ -	\$23,380	\$ 6,827	\$(56,371)	\$ 477,923
Premium revenue	8,425	1,039,496					(7,904)	1,040,017
Grant income	47,485							47,485
Investment income	1,107	2,668	27	21	3	5		3,831
Net assets released from restrictions	1,679		3					1,682
Other revenue	11,515	(41)	283	9,204	69	3,319	(4,143)	20,206
Total revenue	539,975	1,042,123	34,636	9,225	23,452	10,151	(68,418)	1,591,144
EXPENSES								
Salaries and wages	248,104	56,411	15,877	1,027	20,124	6,926	(304)	348,165
Employee benefits	79,583	15,970	5,568	414	2,388	982	(33)	104,872
Supplies and expenses	171,693	76,554	10,525	6,460	7,962	2,249	(15,204)	260,239
Medical costs		876,819					(52,857)	823,962
Depreciation and amortization	14,454	2,265	1,379	2,380	37	18	(162)	20,371
Interest	3,505		1,650	667			(20)	5,802
Provision for bad debts	19,007		831	3		86		19,927
Total expenses	536,346	1,028,019	35,830	10,951	30,511	10,261	(68,580)	1,583,338
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	3,629	14,104	(1,194)	(1,726)	(7,059)	(110)	162	7,806
OTHER CHANGES IN UNRESTRICTED NET ASSETS								
Defined benefit plan adjustments	(40,937)							(40,937)
Changes in unrealized gains and losses on investments	(470)	315						(155)
Contributions	1,205							1,205
Transfers (to) from related entities	(8,278)				8,278			
Net assets released from restrictions for capital acquisitions	7,739							7,739
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (37,112)</u>	<u>\$ 14,419</u>	<u>\$ (1,194)</u>	<u>\$ (1,726)</u>	<u>\$ 1,219</u>	<u>\$ (110)</u>	<u>\$ 162</u>	<u>\$ (24,342)</u>

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting

LUTHERAN HEALTHCARE
LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION — STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
REVENUES				
Net patient service revenue	\$363.756	\$106.884	\$ (876)	\$469.764
Premium revenue		8.425		8.425
Grant income	981	46.504		47.485
Investment income	1.102	5		1.107
Net assets released from restrictions	1.491	188		1.679
Other revenue	<u>21.429</u>	<u>2.626</u>	<u>(12.540)</u>	<u>11.515</u>
Total revenues	<u>388.759</u>	<u>164.632</u>	<u>(13.416)</u>	<u>539.975</u>
EXPENSES				
Salaries and wages	173.752	74.352		248.104
Employee benefits	58.399	21.184		79.583
Supplies and expenses	127.832	57.277	(13.416)	171.693
Depreciation and amortization	12.063	2.391		14.454
Interest	3.505			3.505
Provision for bad debts	<u>11.379</u>	<u>7.628</u>	<u> </u>	<u>19.007</u>
Total expenses	<u>386.930</u>	<u>162.832</u>	<u>(13.416)</u>	<u>536.346</u>
EXCESS OF REVENUE OVER EXPENSES	<u>1.829</u>	<u>1.800</u>	<u>-</u>	<u>3.629</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS				
Defined benefit plan adjustments	(40.937)			(40.937)
Changes in unrealized gains and losses on investments	(470)			(470)
Contributions	47	1,158		1,205
Transfers to related entities	1,137	(9,415)		(8,278)
Net assets released from restrictions for capital acquisitions	<u>7.706</u>	<u>33</u>	<u> </u>	<u>7.739</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>\$ (30.688)</u>	<u>\$ (6.424)</u>	<u>\$ -</u>	<u>\$ (37.112)</u>

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION — STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010 (In thousands)

	Lutheran Medical and Lutheran Family Health Centers	HealthPlus	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Totals
REVENUE								
Net patient service revenue	\$462,465	\$ -	\$34,017	\$ -	\$21,316	\$ 6,805	\$(55,912)	\$ 468,691
Premium revenue	7,558	871,572					(7,211)	871,919
Grant income	40,640							40,640
Investment income	822	2,841	28	45	2	4		3,742
Net assets released from restrictions	2,327		4					2,331
Other revenue	10,965	17	381	9,083	112	3,574	(6,516)	17,616
Total revenue	524,777	874,430	34,430	9,128	21,430	10,383	(69,639)	1,404,939
EXPENSES								
Salaries and wages	236,651	52,293	15,630	997	18,834	7,432	(431)	331,406
Employee benefits	73,438	15,266	5,391	469	2,475	1,056	(41)	98,054
Supplies and expenses	167,533	75,685	10,108	3,892	8,465	1,713	(17,045)	250,351
Medical costs		735,795					(52,091)	683,704
Depreciation and amortization	12,625	2,373	1,486	2,378	30	33	(162)	18,763
Interest	3,221		1,674	977			(31)	5,841
Provision for bad debts	26,271		607			83		26,961
Total expenses	519,739	881,412	34,896	8,713	29,804	10,317	(69,801)	1,415,080
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	5,038	(6,982)	(466)	415	(8,374)	66	162	(10,141)
OTHER CHANGES IN UNRESTRICTED NET ASSETS								
Defined benefit plan adjustments	(4,279)							(4,279)
Changes in unrealized gains and losses on investments	747	2,056						2,803
Contributions	147							147
Transfers (to) from related entities	(1,953)			(7,000)	8,953			-
Net assets released from restrictions for capital acquisitions	11,266							11,266
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 10,966	\$ (4,926)	\$ (466)	\$(6,585)	\$ 579	\$ 66	\$ 162	\$ (204)

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting

LUTHERAN HEALTHCARE
LUTHERAN MEDICAL CENTER AND LUTHERAN FAMILY HEALTH CENTERS

SUPPLEMENTAL COMBINING INFORMATION — STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010
(In thousands)

	Lutheran Medical Center	Lutheran Family Health Center	Eliminations	Lutheran Medical and Lutheran Family Health Centers
REVENUES				
Net patient service revenue	\$367,456	\$ 95,885	\$ (876)	\$462,465
Premium revenue		7,558		7,558
Grant income		40,640		40,640
Investment income	815	7		822
Net assets released from restrictions	2,215	112		2,327
Other revenue	<u>20,882</u>	<u>2,617</u>	<u>(12,534)</u>	<u>10,965</u>
Total revenues	<u>391,368</u>	<u>146,819</u>	<u>(13,410)</u>	<u>524,777</u>
EXPENSES				
Salaries and wages	170,155	66,496		236,651
Employee benefits	54,824	18,614		73,438
Supplies and expenses	127,271	53,672	(13,410)	167,533
Depreciation and amortization	10,448	2,177		12,625
Interest	3,221			3,221
Provision for bad debts	<u>20,782</u>	<u>5,489</u>		<u>26,271</u>
Total expenses	<u>386,701</u>	<u>146,448</u>	<u>(13,410)</u>	<u>519,739</u>
EXCESS OF REVENUE OVER EXPENSES	<u>4,667</u>	<u>371</u>	<u>-</u>	<u>5,038</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS				
Defined benefit plan adjustments	(4,279)			(4,279)
Changes in unrealized gains and losses on investments	747			747
Contributions		147		147
Transfers to related entities	(969)	(984)		(1,953)
Net assets released from restrictions for capital acquisitions	<u>6,351</u>	<u>4,915</u>		<u>11,266</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>\$ 6,517</u>	<u>\$ 4,449</u>	<u>\$ -</u>	<u>\$ 10,966</u>

LUTHERAN HEALTHCARE

SUPPLEMENTAL COMBINING INFORMATION — CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011 (In thousands)

	Lutheran Medical and Lutheran Family Health Centers	HealthPlus	Augustana	Senior Housing Projects	Professional Corporations	Other Entities	Elimination Entries	Combined Totals
UNRESTRICTED NET ASSETS								
NET ASSETS — Beginning of year	\$ 65,858	\$104,175	\$4,910	\$ (121)	\$ 125	\$6,587	\$ (6,326)	\$175,208
Excess (deficiency) of revenues over expenses	3,629	14,104	(1,194)	(1,726)	(7,059)	(110)	162	7,806
Changes in unrealized gains and losses on investments	(470)	315						(155)
Contributions	1,205							1,205
Net assets released for capital acquisitions	7,739							7,739
Defined benefit plan adjustments	(40,937)							(40,937)
Transfers to related entities	(8,278)				8,278			
Change in net assets	(37,112)	14,419	(1,194)	(1,726)	1,219	(110)	162	(24,342)
NET ASSETS — End of year	\$ 28,746	\$118,594	\$3,716	\$ (1,847)	\$ 1,344	\$6,477	\$ (6,164)	\$150,866
TEMPORARILY RESTRICTED NET ASSETS								
NET ASSETS — Beginning of year	\$ 3,128	\$	\$ 41	\$	\$	\$	\$	\$ 3,169
Contributions	9,671							9,671
Net assets released for operating expenses	(1,679)		(3)					(1,682)
Net assets released for capital acquisitions	(7,739)							(7,739)
Change in net assets	253		(3)					250
NET ASSETS — End of year	\$ 3,381	\$	\$ 38	\$	\$	\$	\$	\$ 3,419
PERMANENTLY RESTRICTED NET ASSETS								
NET ASSETS — Beginning and end of year	\$ 308	\$	\$ 198	\$	\$	\$	\$	\$ 506
Gain on beneficial interest in perpetual trust			(12)					(12)
NET ASSETS — End of year	\$ 308	\$	\$ 186	\$	\$	\$	\$	\$ 494

The Medical Center discloses its interests in its controlled affiliates using the cost method of accounting

Additional Data

Software ID:
Software Version:
EIN: 11-1839567
Name: LUTHERAN MEDICAL CENTER

Form 990, Special Condition Description:

Special Condition Description

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services
(Code) (Expenses \$ 177,349,020 including grants of \$) (Revenue \$ 271,679,966) A FULL DESCRIPTION OF THE NUMEROUS AND VARIED OTHER HEALTHCARE SERVICES PROVIDED BY LUTHERAN MEDICAL CENTER ARE CONTAINED IN THE ORGANIZATION'S 2011 ANNUAL REPORT, WHICH IS PUBLISHED ON THE HOSPITAL'S WEBPAGE AT WWW.LUTHERANMEDILCALCENTER.COM/DATA/DOCUMENTS/LHCANNUALREPORT2011.PDF

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
WENDY Z GOLDSTEIN PRESIDENT & CEO	35 00	X		X				1,057,744	0	299,822
LYNDA ANDERSON TRUSTEE	1 00	X						0	0	0
MARIA CARLSON TRUSTEE	1 00	X						0	0	0
DALE C CHRISTENSEN JR ESQ TRUSTEE	1 00	X						0	0	0
FRANK COMERFORD TRUSTEE	1 00	X						0	0	0
MARTHA BAKOS DIETZ TRUSTEE	1 00	X						0	0	0
LAWRENCE DIGIOVANNA TRUSTEE	1 00	X						0	0	0
THOMAS J EDWARDS TRUSTEE	1 00	X						0	0	0
GENEVIEVE GO MD TRUSTEE	1 00	X						0	0	0
EMMA GRAEBER-PORTER TRUSTEE	1 00	X						0	0	0
BRENDA GRANDELL TRUSTEE	1 00	X						0	0	0
MIRIAM KATOWITZ TRUSTEE	1 00	X						0	0	0
JOSEPH LODATO TRUSTEE	1 00	X						0	0	0
GERARLD LUTERMAN TRUSTEE	1 00	X						0	0	0
DARIN MCATEE ESQ TRUSTEE	1 00	X						0	0	0
RICHARD J NOVAK TRUSTEE	1 00	X						0	0	0
JOHN NUZUM TRUSTEE	1 00	X						0	0	0
RANDOLPH PEERS TRUSTEE	1 00	X						0	0	0
GEORGE RENERT TRUSTEE	1 00	X						0	0	0
GABRIEL RINCON DDS TRUSTEE	1 00	X						0	0	0
BISHOP ROBERT RIMBO TRUSTEE	1 00	X						0	0	0
VINCENT ROHAN TRUSTEE	1 00	X						0	0	0
REV DAVID ROMMEREIM TRUSTEE	1 00	X						0	0	0
CAROL KNUTH SAKOIAN TRUSTEE	1 00	X						0	0	0
DANNY TSOI TRUSTEE	1 00	X						0	0	0

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
REV JEANNE WARFIELD TRUSTEE	1 00	X						0	0	0
MARTHA WOLFGANG TRUSTEE	1 00	X						0	0	0
REV SAMUEL FOOK WONG TRUSTEE	1 00	X						0	0	0
KATHRYN S WYLDE TRUSTEE	1 00	X						0	0	0
BARBARA ARKY EVP/GENERAL COUNSEL	35 00			X				400,005	0	42,995
RICHARD LANGFELDER CHIEF FINANCIAL OFFICER	35 00			X				550,603	0	41,450
CLAUDIA CAINE CHIEF OPERATING OFFICER	35 00			X				673,651	0	34,755
BETH RAUCHER MD CHIEF MEDICAL OFFICER & SVP	35 00			X				419,622	0	46,878
STEVE ART SVP/CHIEF INFORMATION OFFICER	35 00				X			257,536	0	27,236
MYLES DAVIS SVP CORPORATE	35 00				X			272,083	0	22,197
GEORGE MARTIN MD CHAIR INTERNAL MEDICINE	35 00				X			649,842	0	29,722
MICHAEL PARKS SVP FINANCE	35 00				X			293,523	0	35,295
ROSANNE RASO SVP NURSING	35 00				X			300,495	0	37,013
FRANK SCHEETS SVP HUMAN RESOURCES	35 00				X			357,574	0	39,773
KAREN LENNON SVP EXTERNAL AFFAIRS	35 00				X			259,402	0	32,943
CANDACE FINKELSTEIN SVP/CORP COMPLIANCE & OP PLAN	35 00					X		364,558	0	35,980
AUDREY SAITTA MD CHAIR RADIATION ONCOLOGY	40 00					X		523,084	0	36,820
IFFATH HOSKINS MD CHAIR OBS	40 00					X		568,616	0	18,303
WILLIAM M WIRCHANSKY MD ATTENDING NEUROSURGERY	40 00					X		324,461	0	16,402
CLAUDIA LYON MD CHAIR FAMILY MEDICINE	40 00					X		335,197	0	32,263