

2014

## Annual Report 2014: Combined Financial Statements

Lehigh Valley Health Network

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# COMBINED FINANCIAL STATEMENTS

*Lehigh Valley Health Network and Component Entities*

# COMBINED STATEMENTS OF FINANCIAL POSITION

(In Thousands) For the periods ended June 30, 2014 and 2013

| Assets   | 2014               | 2013               |
|--|--------------------|--------------------|
| <b>CURRENT ASSETS</b>  |                    |                    |
| Cash and cash equivalents  | \$44,061           | \$25,989           |
| Patient accounts receivable, net   | 240,766            | 223,856            |
| Prepays, inventories and other accounts receivable   | 77,205             | 51,521             |
| Assets limited under bond-debt service fund  | 15,329             | 15,186             |
| Assets limited under primary professional liability arrangements   | 5,252              | 5,392              |
| <b>TOTAL CURRENT ASSETS</b>  | <b>382,613</b>     | <b>321,944</b>     |
| <b>NONCURRENT ASSETS</b>   |                    |                    |
| Assets limited by Board of Trustees for capital improvements   | 882,792            | 804,304            |
| Assets limited by Board of Trustees for retained excess liability arrangements                           | 18,488             | 16,745             |
| Assets limited under primary professional liability arrangements   | 53,317             | 45,675             |
| Assets limited by management   | 31,599             | 29,475             |
| Assets limited under bond indenture, bond construction, debt service and debt service reserve agreements | 8,452              | 5,274              |
| Assets restricted by donors or grantors  | 180,549            | 151,123            |
| Assets limited to fund deferred compensation and other liabilities                                       | 60,010             | 49,147             |
| Property and equipment, net  | 831,704            | 638,460            |
| Partnership investments  | 9,331              | 9,481              |
| Goodwill and other noncurrent assets   | 67,442             | 38,919             |
| <b>TOTAL OTHER ASSETS</b>  | <b>2,143,684</b>   | <b>1,788,603</b>   |
| <b>Total Assets</b>  | <b>2,526,297</b>   | <b>2,110,547</b>   |
| <b>Liabilities and Net Assets</b>  |                    |                    |
| <b>CURRENT LIABILITIES</b>   |                    |                    |
| Accounts payable   | 71,756             | 59,714             |
| Accrual for estimated third-party payer settlements  | 11,849             | 2,419              |
| Accrued compensation   | 70,532             | 49,444             |
| Other accrued expenses   | 40,238             | 32,054             |
| Pension  | 4,963              | 4,054              |
| Professional liability   | 5,752              | 5,892              |
| Current portion of long-term debt  | 14,966             | 12,303             |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>220,056</b>     | <b>165,880</b>     |
| <b>NONCURRENT LIABILITIES</b>  |                    |                    |
| Long-term debt, net of current portion   | 691,392            | 569,369            |
| Deferred compensation and other liabilities funded with matching assets                                  | 60,010             | 49,147             |
| Pension  | 175,137            | 176,836            |
| Professional liability   | 60,108             | 55,273             |
| Other liabilities  | 28,964             | 28,249             |
| <b>TOTAL NONCURRENT LIABILITIES</b>  | <b>1,015,611</b>   | <b>878,874</b>     |
| <b>Total Liabilities</b>   | <b>1,235,667</b>   | <b>1,044,754</b>   |
| <b>NET ASSETS</b>  |                    |                    |
| LVHN and component entities  | 1,084,665          | 895,304            |
| Noncontrolling interests in subsidiaries   | 25,416             | 19,366             |
| <b>TOTAL UNRESTRICTED NET ASSETS</b>   | <b>1,110,081</b>   | <b>914,670</b>     |
| Temporarily restricted   | 129,056            | 103,382            |
| Permanently restricted   | 51,493             | 47,741             |
| <b>TOTAL RESTRICTED NET ASSETS</b>   | <b>180,549</b>     | <b>151,123</b>     |
| <b>Total Net Assets</b>  | <b>1,290,630</b>   | <b>1,065,793</b>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b>\$2,526,297</b> | <b>\$2,110,547</b> |

# COMBINED STATEMENTS OF OPERATIONS

(In Thousands) For the periods ended June 30, 2014 and 2013

## PATIENT SERVICES AND SUPPORTING OPERATIONS

|  |                  |                  |
|--|------------------|------------------|
| Net patient service revenue                      | \$1,644,360      | \$1,520,026      |
| Other supporting operations revenue              | 44,415           | 36,988           |
| Net assets released from restrictions-operations | 5,426            | 4,858            |
| <b>TOTAL REVENUE</b>                             | <b>1,694,201</b> | <b>1,561,872</b> |

## EXPENSES

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| Wages                         | 803,143          | 741,399          |
| Benefits                      | 148,147          | 146,794          |
| Supplies                      | 293,511          | 272,036          |
| Purchased services            | 164,195          | 155,487          |
| Other                         | 122,655          | 105,879          |
| Depreciation and amortization | 95,398           | 84,574           |
| Interest expense              | 25,241           | 22,719           |
| <b>TOTAL EXPENSES</b>         | <b>1,652,290</b> | <b>1,528,888</b> |

|                         |               |               |
|-------------------------|---------------|---------------|
| <b>Operating income</b> | <b>41,911</b> | <b>32,984</b> |
|-------------------------|---------------|---------------|

## OTHER REVENUE AND EXPENSES

|  |         |         |
|--|---------|---------|
| Realized investment earnings, gains (losses) | 62,238  | 36,282  |
| Provision for income taxes                   | (2,076) | (2,935) |
| Other nonoperating gains (losses)            | (6,527) | (6,427) |

|  |               |               |
|--|---------------|---------------|
| <b>Other revenue and expenses, net</b> | <b>53,635</b> | <b>26,920</b> |
|--|---------------|---------------|

## REVENUES AND GAINS IN EXCESS OF EXPENSES AND LOSSES ATTRIBUTED TO LVHN AND COMPONENT ENTITIES

**\$95,546      \$59,904**

Combined Statements of Financial Position includes Lehigh Valley Hospital–Hazleton as of Jan. 1, 2014.

Combined Statements of Operations includes Lehigh Valley Hospital–Hazleton for six months ended June 30, 2014.

## UNDERSTANDING THIS REPORT

The Combined Statements of Financial Position report our assets, liabilities and net assets. The Combined Statements of Operations report our revenues and expenses. The amount of revenues minus the amount of expenses creates our operating income.