

ANNUAL REPORT  
**2018**

# COMBINED FINANCIAL STATEMENTS

Lehigh Valley Health Network and Subsidiaries

# COMBINED STATEMENTS OF FINANCIAL POSITION

(In Thousands) For the periods ended June 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$109,202	\$90,394
Patient accounts receivable, net	321,558	291,048
Other accounts receivable	21,783	17,925
Other current assets	<u>105,918</u>	<u>99,400</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>558,461</u></b>	<b><u>498,767</u></b>
<b>Noncurrent Assets</b>		
Assets whose use is limited or restricted	1,434,929	1,414,261
Property and equipment, net	1,307,850	1,308,160
Partnership investments	7,009	7,073
Goodwill and intangible assets, net	104,320	104,732
Other noncurrent assets	<u>10,000</u>	<u>8,860</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b><u>2,864,108</u></b>	<b><u>2,843,086</u></b>
<b>Total Assets</b>	<b><u>3,422,569</u></b>	<b><u>3,341,853</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Pension	15,456	14,011
Current portion of long-term debt	21,534	20,124
Capital lease and financing obligations	2,880	3,560
Other current liabilities	<u>289,629</u>	<u>287,202</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>329,499</u></b>	<b><u>324,897</u></b>
<b>Noncurrent liabilities</b>		
Long-term debt, net of current portion	832,091	835,932
Capital lease and financing obligations	131,834	134,634
Deferred compensation and other liabilities	114,421	98,093
Pension	115,990	236,137
Professional liability	93,742	82,486
Derivative instruments	9,414	14,686
Other liabilities	<u>14,352</u>	<u>13,866</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>1,311,844</u></b>	<b><u>1,415,834</u></b>
<b>Total Liabilities</b>	<b><u>1,641,343</u></b>	<b><u>1,740,731</u></b>
<b>NET ASSETS</b>		
LVHN and subsidiaries	1,526,895	1,352,100
Noncontrolling interests in subsidiaries	<u>37,401</u>	<u>34,935</u>
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b><u>1,564,296</u></b>	<b><u>1,387,035</u></b>
Temporarily restricted	148,101	145,279
Permanently restricted	<u>68,829</u>	<u>68,808</u>
<b>Total Net Assets</b>	<b><u>1,781,226</u></b>	<b><u>1,601,122</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$3,422,569</u></b>	<b><u>\$3,341,853</u></b>

# COMBINED STATEMENTS OF OPERATIONS

(In Thousands) For the periods ended June 30, 2018 and 2017

## PATIENT SERVICES AND SUPPORTING OPERATIONS

### Revenues

Net patient service revenue (net of contractual allowances and discounts)	\$2,785,928	\$2,462,750
Provision for bad debts	(110,260)	(90,935)
Net patient service revenue (net of bad debts)	2,675,668	2,371,815
Other supporting operations revenue	50,037	52,485
Net assets released from restrictions used for operations	14,141	8,552
<b>TOTAL REVENUES</b>	<b>2,739,846</b>	<b>2,432,852</b>

### Expenses

Salaries and wages	1,293,527	1,146,009
Benefits	220,063	206,283
Supplies	513,126	452,969
Purchased services	288,847	229,445
Other	179,872	175,772
Depreciation and amortization	155,564	137,689
Interest expense	39,337	33,698
<b>TOTAL EXPENSES BEFORE INTEGRATION AND OTHER NON-RECURRING COSTS</b>	<b>2,690,336</b>	<b>2,381,865</b>
Operating income before integration and other non-recurring costs	49,510	50,987
Integration and other non-recurring costs	14,367	3,145

### Operating income

**35,143**      **47,842**

## OTHER NONOPERATING GAINS AND LOSSES

Realized and unrealized investment earnings, net	46,590	35,871
Change in net unrealized gains on swaps	5,272	6,990
Other nonoperating gains (losses)	21,786	(9,545)
Loss on refinancing of debt	0	(21,364)
Contributions received in acquisitions	0	172,519
Other nonoperating gains and losses, net	73,648	184,471

### Revenues and gains in excess of expenses and losses before income tax

**108,791**      **232,313**

Provision for income taxes	(2,116)	(2,253)
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### Revenues and gains in excess of expenses and losses before noncontrolling interests

**106,675**      **230,060**

Noncontrolling interests	(16,726)	(16,149)
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### Revenues and gains in excess of expenses and losses attributed to LVHN and subsidiaries

**\$89,949**      **\$213,911**

Combined Statements of Financial Position includes Lehigh Valley Hospital–Schuylkill as of Sept. 16, 2016, and Lehigh Valley Hospital–Pocono as of Jan. 1, 2017.

Combined Statements of Operations includes Lehigh Valley Hospital–Schuylkill for nine-and-a-half months ended June 30, 2017, and Lehigh Valley Hospital–Pocono for six months ended June 30, 2017.

## 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.