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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

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

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Lehigh Valley Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 2100 Mack Blvd

Room/suite

City or town, state or province, country, and ZIP or foreign postal code
Allentown, PA 181035622

D Employer identification number
23-1689692

E Telephone number
(484) 884-0130

G Gross receipts $ 1,911,690,247

F Name and address of principal officer
Brian A Nester
2100 Mack Blvd
Allentown, PA 181035622

H(a) Is this a group return for subordinates? ☐ Yes ☑ No

H(b) Are all subordinates 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 lvhn org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1971

M State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Our mission is to heal, comfort and care for the people of our community by providing advanced and compassionate health care of superior quality and value, supported by education and research

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	7,758
6	Total number of volunteers (estimate if necessary)	**6**	858
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	8,205,777
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	1,209,609

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	17,075,773	14,960,967
	9 Program service revenue (Part VIII, line 2g)	1,101,151,765	1,123,685,447
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	18,745,220	30,160,392
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	25,491,334	41,157,377
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,162,464,092	1,209,964,183
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	548,933	365,117
	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)	435,434,644	440,195,138
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	133,491
	b Total fundraising expenses (Part IX, column (D), line 25) ▶2,018,553		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	684,253,344	719,621,661
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,120,236,921	1,160,315,407
	19 Revenue less expenses Subtract line 18 from line 12	42,227,171	49,648,776

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	1,506,776,822	1,639,527,510
	21 Total liabilities (Part X, line 26)	736,975,144	798,405,747
	22 Net assets or fund balances Subtract line 21 from line 20	769,801,678	841,121,763

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 — 2015-05-13 Date

Edward F O'Dea Sr VP Finance and CFO — Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no	

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Our mission is to heal, comfort and care for the people of our community by providing advanced and compassionate health care of superior quality and value, supported by education and research

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 1,124,363,512 including grants of $ 365,117) (Revenue $ 1,177,978,296)

LVH offers a continuum of programs in health care promotion, prevention, diagnosis, treatment and rehabilitation to the community Extensive outpatient and educational services are provided at locations throughout the region and are a part of a healthcare network established by LVH to meet the medical, surgical and educational needs of the residents of the Lehigh Valley and beyond LVH serves as a referral center for approximately two million residents of surrounding counties in eastern Pennsylvania, with a special focus in the following key areas Cancer Services-The Cancer Center offers a range of cancer services in three convenient, patient-focused locations, John and Dorothy Morgan Cancer Center at the Cedar Crest campus, the Cancer Center in Bethlehem at the Muhlenberg campus, and Infusion services at the Health Center in Bangor The Cancer program was selected member of the prestigious National Community Cancer Centers Program (NCCCP) administered by the National Cancer Institute (NCI) This program ended September 2014 Cancer care programs include prevention, detection, diagnosis, genetics, patient navigation, nutritional services, Social and Psychological support, rehabilitation, clinical trials, Multidisciplinary and coordinated care, and all forms of therapy The Cancer Center is a partner with H Lee Moffitt Cancer Center of Tampa, Florida and the Wistar Scientific and Biology Institute of Philadelphia, PA, both of which are NCI designated cancer centers Cancer Center facilities include physicians' offices, Breast Health Services, multidisciplinary clinics, conference rooms, private education and counseling areas, multi-purpose treatment area for infusions, procedure room and radiation oncology facilities including Linear accelerators (6), CT Simulators (2), Stereotactic Body Radiotherapy, Brachytherapy - high and low dose rate, Gamma Knife Radiosurgery, 3-D treatment planning, Intensity Modulated Radiation Therapy, Image Guided Radiation Therapy The faculty of the Cancer Center is composed of physicians who are cancer care specialists and board-certified in all fields of cancer therapy and evaluation In addition, LVH participates in the 1-800-4-CANCER telephone line, the Pennsylvania Department of Health's toll-free cancer information and resource phone number Specially trained nurses from LVH provide callers with information about institutions, agencies, services and programs in the caller's communities that meet their cancer-related needs In calendar year 2013, the Cancer Center saw over 3,132 new cancer patients Inpatient oncology admissions were 3,529 in the fiscal year ended June 30, 2014 and outpatient volumes were 3,718 unique patients for radiation procedures, and 39,703 infusion visits Cardiovascular Services-LVH is one of the largest and most comprehensive cardiovascular programs in the Commonwealth of Pennsylvania LVH performed 893 open-heart surgeries and 7,010 cardiac catheterization and electrophysiology procedures during the fiscal year ended June 30, 2014 It consistently ranks in the top 10% in the nation for heart attack survival In addition to operating one of the most experienced cardiac programs in the country, LVH's program was cited as one of the Top 50 Hospitals for Cardiology and Heart Surgery by US News and World Report in their Best Hospitals national rankings for 2014 LVH's Heart and Vascular Center provides disease prevention, advanced acute care and rehabilitation services, including but not limited to Medical Cardiology, Interventional Cardiology, Electrophysiology, Open Heart Surgery, Vascular Surgery, Cardiac Rehabilitation, Advanced Heart Failure, Valvular Heart Disease, Cardiovascular Prevention, Woman's Cardiology, Heart Disease and Pregnancy, Regional MI Alert, Mechanical Heart Assist Devices, Therapeutic Hypothermia, Sports Cardiology, Hypertrophic Cardiomyopathy, Arrhythmia Care, Advanced electrophysiology Neurosciences Services-LVH Neuroscience services provided treatment, for stroke, brain tumors, seizures, aneurysms, spine problems, trauma, and other neurological disorders, to 7,605 patients during the fiscal year ended June 30, 2014 in the following areas Neurosurgery, Pain Management, Neurology, Neuropsychology, Neuro-Imaging, Neuro-Oncology, Neuro-Interventional Radiology, Neurodiagnostic Services LVH provides stroke services through its Regional Comprehensive Stroke Program which began operations in July, 2002 Since that time, the Stroke Center has treated more than 15,000 patients from northeastern Pennsylvania and western New Jersey In addition, LVH was the first primary stroke center in the Lehigh Valley certified by the Joint Commission and was the first stroke program to be certified as a Comprehensive Stroke Center in Pennsylvania Orthopedic Services-The Division of Orthopedic Surgery treats musculoskeletal disorders of the upper and lower extremities as well as the spine Subspecialists with fellowship credentials provide the following services Joint replacement, spinal disorders, sports medicine, hand and wrist surgery, foot and ankle surgery, orthopedic trauma and pediatric orthopedics In the fiscal year ended June 30, 2014, there were 7,930 total orthopedic procedures performed at LVHN of which 3,986 were inpatient and 3,944 were outpatient In 2014, LVHN opened its new Tilghman campus which is dedicated to orthopedic musculoskeletal surgery From 2012-2014, the LVH Orthopedic program has recognized by US News and World Report for being a top 50 orthopedic program in the country The LVH Orthopedic program is also recognized by the Blue Cross and Blue Shield Association as a Blue Distinction+ center, which recognizes LVH for delivering expert and efficient Hip, Knee, and Spine care Perioperative Services-Perioperative Services at LVHN consists of the surgical and endoscopic staff and facilities where over 42,000 procedures are performed annually Surgical procedures are performed in 48 operating rooms throughout LVHN, including the Cedar Crest Site, the 17th & Chew Site, LVH-Muhlenberg, Fairgrounds Surgical Center, and the LVHN-Tilghman campus Patient care in the operating room is supported by anesthesia services, surgical prep and staging, post anesthesia recovery, and sterile processing departments, among others LVHN performs endoscopic procedures at three locations - the Cedar Crest Site, LVH-Muhlenberg and Fairgrounds Surgical Center The operating room technologies and facilities include a hybrid operating room, a trauma code red operating room, three da Vinci surgical robots, laparoscopic integrated operating rooms, and cardiac surgery operating rooms Operating room nursing staff are trained to support multiple surgical disciplines including cardiac surgery, orthopedics, vascular surgery, urology, general surgery, transplant surgery, gynecologic surgery, pediatric surgery, and many others Cutting edge endoscopic technologies include endoscopic ultrasound, endobronchial ultrasound and video capsule endoscopy Behavioral Health Services-LVH operates inpatient behavioral health programs for adolescents and adults The combined programs total 65 beds and serve Lehigh, Northampton, Carbon, Monroe, Schuylkill, and Berks counties Clinical programs include psychiatric, psychological, nursing, dual diagnosis, psychiatric rehabilitation, social work and discharge planning services LVH also provides ambulatory behavioral healthcare, including Psychiatric Evaluation Service program in all three hospital emergency departments, Three Partial Hospital programs for adults and adolescents, Several large outpatient group practices providing multidisciplinary short-term treatment to children, adolescents, adults and older adults, Two outpatient mental health clinics for seriously and persistently mentally ill adults, Two residential treatment sites, supporting and educating adults in independent living skills Both these sites and the clinics are funded in part, under a contract with Lehigh County Department of Human Services through funds provided by County of Lehigh and the Pennsylvania Department of Public Welfare, Psychiatric Home Care services, BH Integration in medical/programs and practices on medical/surgical inpatient units and ambulatory, primary care and specialty practices Consultation /Liaison Psychiatry, Education and Research and service offerings to schools, nursing homes and other community agencies round out LVH's contribution to the health and well-being of the region

4b (Code) (Expenses $ including grants of $) (Revenue $)

Trauma and Burn Services-In 1981, LVH became the first hospital in Pennsylvania to be designated as a Level I Trauma Center and is currently the second largest trauma program in Pennsylvania, admitting 3,837 patients in the fiscal year ended June 30, 2014 This program provides comprehensive trauma care and serves as a major regional resource covering a ten county area and a patient base of more than two million LVH is also one of four Level I trauma programs in the state with additional qualifications in pediatric trauma The Lehigh Valley Hospital Trauma Program provides a continuum of care for the trauma patient with one of eight trauma surgeons in-house 24 hours a day covering a 14 bed Trauma/Neuro Intensive Care unit as well as a 28 bed Transitional Trauma unit A trauma rehabilitation team completes this continuum of trauma care LVH also provides a Regional Burn Center operating 18 beds serving northeastern Pennsylvania, western New Jersey and parts of New York The Regional Burn Center is the largest burn program in Pennsylvania, admitting 804 patients in fiscal year 2014 and has received certification from the American Burn Association and the American College of Surgeons to provide comprehensive inpatient and outpatient care for both adult and pediatric patients Since 2008, the Regional Burn Center has implemented a TeleBurn service, which provides rapid access to our comprehensive burn care to more than 70 hospitals in Pennsylvania and New Jersey In addition, LVH coordinates pre-hospital emergency medical services and provides a 24 hour-a-day air ambulance service operating four helicopters covering eastern Pennsylvania and western New Jersey Lehigh Valley Hospital MedEvac performs over 1,100 flights annually, including both on-scene and inter-facility patient transports Women's Services-LVH offers programs and services designed to provide complete care for women in the Lehigh Valley Deliveries at LVH totaled 4,246 during the fiscal year ending June 30, 2014 LVH maintains a special focus on prenatal care as a component of its comprehensive obstetric and gynecology services The department of Obstetrics and Gynecology at LVH provides a variety of services to the women in the Greater Lehigh Valley and surrounding communities within Northeastern Pennsylvania The Obstetrical portion of the department provides a vast array of services for both routine and high risk,complex obstetrical patients Obstetrics-Physicians and Certified midwives provide general obstetrical care within LVH Midwives offer their patients a family centered approach to low risk prenatal and general delivery care They are independent allied health professionals who enjoy staff privileges and work under a collaborative agreement with designated physicians General Obstetricians provide care to low to medium risk pregnancies and handle most deliveries at LVH Maternal Fetal Medicine-These physicians have specialized training and are available to provide complex, high risk prenatal care which includes genetic counseling, amniocentesis, chorionic villus sampling and ultrasound MFM providers are seeing outpatients in a state of the art ambulatory setting which opened August 2013 They also reside on the Labor and Delivery and Perinatal Units to provide direct patient care, supervision and assist to ensure patients receive quality care in the inpatient setting Gynecology-LVH maintains a special focus on procedural and technological gynecological interventions (Gyn minimally invasive surgery), laparoscopic surgery, preoperative consultation and evaluation of pre-invasive and invasive gynecologic malignancies (cancer care), pelvic floor disorders (Urogynecology), chronic pelvic pain and reproductive endocrinology & infertility Lehigh Valley Health Network's (LVHN) hospitals received designation as a Center of Excellence in Minimally Invasive Gynecology (COEMIG) AAGL, the world's largest gynecologic surgery organization, awarded this certification in August 2013 Cardiology-LVH offers a Women's Heart and Vascular Program led by three female cardiologists with expertise in treating women with heart disease Women's Health Services offers preventative care programs in a variety of lecture based series covering issues addressing young, middle and older females related to wellness and prevention These include diverse support groups,community health fairs related to women,bilingual prenatal education, childbirth and parenting classes, CPR, safe sleep, lactation consultation and postpartum depression/support "Our First" program is designed to address the needs of first time parents in addition to the Healthy Beginnings Plus programs for the underserved, uninsured and under insured patients of the community Ambulatory Services-LVH's Ambulatory Services Division includes Health Centers, Rehabilitation Services, Wound Care, Hyberbaric Oxygen, Health Spectrum Pharmacies, Imaging, Sleep Disorder Centers, Endocrine Testing, Lab, Fitness and Sports Performance programs LVHN continues to expand its portfolio of "Health Centers" and as of June 2014, there are ten situated throughout the Lehigh Valley comprising approximately 190,000 square feet The ten health centers are in the following towns, Bethlehem Township, Bath, Trexlertown, Emmaus, Quakertown, Moselem Springs, Kutztown, Hamburg, Macungie and the newest one in Bangor which opened February 2014 The core services in most of the health centers are primary care and rehabilitation services and/or lab services Many of them also provide specialty care and imaging services Children's Hospital at Lehigh Valley Hospital, introduced in May 2012, offers the most wide-ranging, specialized health care services of any facility in the region It has the region's only Children's ER, Pediatric Intensive Care Unit and is the only institutional member of the Children's Hospital Association, the organization that recognizes children's hospitals in the United States and internationally LVHN completed a "children's care checklist" made by the late Forrest Moyer, MD, the Lehigh Valley's father of pediatrics LVHN accomplished the last two goals on the list for the community by opening the Children's Emergency Room in 2011 and establishing a pediatric residency program in 2012 The Children's Hospital leadership recently completed a strategic planning process and developed a plan to communicate and operationalize the mission, vision and strategic goals for 2014-2016 LVHN provides specialized pediatric trauma and burn care and expert inpatient care in the pediatric and neonatal intensive care units and on the pediatric floor LVHN's board-certified physicians provide children's care in greater than 25 specialties including cancer, pulmonology, neurology, endocrinology, infectious disease, cardiology, adolescent medicine, urology and gastroenterology In addition to over 150 General Pediatricians and Pediatric Sub-specialists, there are Pediatric Radiology and Pediatric Anesthesia providers on staff Inpatient pediatric services include 107 licensed beds for general pediatrics, pediatric intensive care, neonatal intensive care and adolescent psychiatry Children can receive care as an outpatient at the Pediatric Sub-specialty offices and the Children's ER at the Cedar Crest Site and the Children's Clinic at the 17th & Chew Site Pediatric Sleep Center locations are at the 17th & Chew and Bethlehem Township Sites Imaging Services-The Radiology Department provides a variety of diagnostic and therapeutic procedures for patients of all ages, 24 hours per day, seven days per week Radiology Services include the provision of emergent, acute, preventive, consultative, diagnostic and therapeutic imaging to patients in the emergency, surgical, inpatient and outpatient settings of LVHN The department performs an average of 1,100 procedures per day Outpatients account for 59% of these examinations, while inpatients account for the remaining 41% Services are provided at multiple sites At the Cedar Crest Site, the following services are offered Vascular Lab, Ultrasound, Computerized Tomography, Nuclear Medicine, Diagnostic Imaging, Non-Invasive Vascular Testing, Interventional Angiography, and Image Management Services Magnetic Resonance Imaging (MRI), DEXA, and PET-CT services are provided through an affiliated partner At the 17th & Chew Site the following services are offered Diagnostic Imaging, Computerized Tomography, Ultrasound, Vascular Lab, and Image Management Services At LVH-Muhlenberg, the following services are offered Vascular Lab, MRI, Ultrasound, Computerized Tomography, Nuclear Medicine, Diagnostic Imaging, Interventional Angiography, and Image Management Services At the LVHN health center locations, the department offers Diagnostic Imaging services at Trexlertown, the LVH-Muhlenberg Bath Community Center, Health Center at Moselem Springs, Upper Bucks Health & Diagnostic Center

4c (Code) (Expenses $ including grants of $) (Revenue $)

Pharmacy Services-Health Spectrum Pharmacy Services offers a range of pharmacy services in three convenient, patient focused locations one at the Cedar Crest Site, one at the 17th & Chew Site and one at LVH-Muhlenberg A fourth pharmacy located near the Cedar Crest Site provides home infusion services to residents of surrounding counties in eastern Pennsylvania Pharmacy services include prescriptions, compounding, specialty medications, over-the-counter, herbal/alternative medications, personal care products, first aid, wound care, ostomy, knee braces, orthotics, vascular garments, post-mastectomy, breast prostheses, diabetic supplies, and home infusion The retail pharmacies are accredited by The Board of Certification/Accreditation International and the home infusion pharmacy is accredited by Community Health Accreditation Program The retail pharmacies are equipped with workflow, counting cell, and bar code scanning technology Pills in a Pouch compliance packaging and Convenience Shipping are also offered In fiscal Year 2014, 379,837 prescriptions were filled and 3,599 infusion patients were serviced The Lehigh Valley Health Network inpatient pharmacy services are nationally recognized for efforts in medications safety and advances in technology In 2003, the Institute for Safe Medication Practices recognized LVHN with in annual Cheers Award for safety The department utilizes advances medications safety technologies including CPOE, Bedside Barcoding Medication verification, two medication dispensing robots, automated dispensing cabinets, and smart IV pump technologies The staff has board certified clinical pharmacy specialists in the areas of Oncology, Trauma, Burn, Pediatrics, Cardiology, and General Medicine and uses a unit based model to provide pharmacy services at the point of care The department leaders hold national and regional board level and fellowship positions to provide state of the art leadership in pharmacy practice Community Practices-The LVHN Community Practices provide quality, compassionate care for all members of the community, with the majority of patients either qualifying for Medicaid or having no insurance Patients have access to primary care doctors and a full range of specialists, as well as access to bilingual and bicultural caregivers The Community Practices see over 140,000 patient visits each year, with the majority of the population served being of Latino descent The following services are offered at the 17th & Chew Site AIDS Activity Office Serving patients infected or affected by HIV Center for Healthy Aging Specialized geriatric care as a consultative service and skilled nursing facility primary care provider Center for Women's Medicine Comprehensive health care for women in addition to an OB/GYN Residency Teaching program Centro de Salud Bi-lingual/bi-cultural Internal Medicine care for Latino families Children's Clinic Care for infants through young adults in addition to a Pediatric Residency Teaching Program Dental Clinic Dental care and education for children and adults in addition to a Dental Residency Teaching Program Hepatitis Care Center Specialty practice focused on viral hepatitis Family Health Center Primary medical care for every family member in addition to a Family Medicine Residency Teaching Program Lehigh Valley Physicians Practice Internal Medicine primary/subspecialty and General Surgical/subspecialty care for adults in addition to both an Internal Medicine Residency Teaching Program as well as Surgical Residency Teaching Program Mark J Young Community Health and Wellness Center Teaching patients self-management for chronic diseases such as Diabetes, Asthma, and Obesity Street Medicine Care of the homeless in their environment and linkage to PCP care following hospitalization Community Care Teams-Lehigh Valley Health Network (LVHN) created Community Care Teams (CCT) in 2012 to improve the health of at-risk, vulnerable populations in primary care practices (PCP) by providing comprehensive services, removing barriers to care and closing "gaps" in care Better individual health outcomes, and reducing unneeded emergency department use, unscheduled admissions and readmissions are the goals of this program Each CCT includes a registered nurse care manager, social worker, behavioral health specialist and pharmacist with support from an information services expert The teams collaborate with the PCP to identify at-risk patients, who are scheduled to see the CCTs regularly during their practice visits or are contacted by phone Patients aren't charged for CCT services, nor are the practices reimbursed for them The costs for these teams are borne by the health network Currently, six CCTs rotate through primary care practices in five counties served by the network, many of them NCQA-recognized patient-centered medical homes Collaboration among clinicians fosters smooth transitions, effective communication and improved outcomes CCTs provided services to 3,400 patients in 17 practices in FY'14 Plans are to increase to 22 the number of practices served in 2015 Estimated Value of Free Care, Community Service,Charitable Contributions, and Professional and Community Education-Medicare Shortfall $126,772,336, Medical Assistance Shortfall 47,869,159, Uncompensated Charity Care 20,910,000, Bad Debt 21,392,066, Clinics Subsidy 15,379,069, TRICARE (CHAMPUS) Shortfall 431,715, Blue Cross Special Care & CHIP Shortfall 146,385, Real Estate Taxes Paid on Owned and Leased Property 2,247,447, Salisbury Township School District Agreement (includes 50% add-on value for voluntary agreements) 186,278, Stipend to Salisbury Township 63,500, Lindberg Park Perimeter Trail Construction Support 35,000, Financial Support to City of Allentown 45,000, Free Pap Tests, Mammograms & Ultrasounds-City of Allentown 145,704, Laboratory Tests & Consultative Services-City of Allentown 21,979, Physical Examinations - Firefighters & HazMat Personnel 82,378, Contribution to Western Salisbury Volunteer Fire Company 20,000, School Health 210,781, Value of Volunteer Assistance 1,606,399, Transitional Living Centers 302,355, The Office of Health Systems Research and Innovation 1,196,133, AIDS Activities Office in-kind, LVHN Fitness 78,492, Lehigh Valley Hospital Cancer Center (includes Patient Support & Education, Community Education & Screening Programs) 1,007,047, George E Moerkirk Emergency Medicine Institute 409,041, Pastoral Care 730,871, Press, Ganey Patient Survey 191,908, Foreign Language & Sign Language Interpreting Service 968,497, Community Health Education Programs 453,677, Patient Education Publications 502,938, Materials to Promote Health-Related Activities 181,159, Physician Referral & Health Information Line 615,925, Community Outreach in-kind, Voluntarism in-kind, Contributions 200,385, Free Oral Trauma Surgery Care 418,873, Ambulance Transport Costs 202,033, Transportation For Discharged Patients 42,411, Pharmaceuticals For Discharged Patients 244,616, Pharmacy Financial Coordinator 48,750, Infection Control Community Service (Includes free flu vaccine) 351,144, LVHN Couriers Free Transportation Services 114,000, Children's Care Alliance Support 27,204, Dental Screenings & Free Procedures in-kind, Division of Education - Office of Student Affairs in-kind, Helwig Diabetes Center Education & Outreach Programs in-kind, Library Services to the Community in-kind, Stroke Center Community Education Programs in-kind, Sleep Disorders Center Community Education in-kind, Patient Care Services - Community Service (includes classes, support groups, and Professional Excellence Council activities) in-kind, Trauma Division - Injury Prevention Programs in-kind, Tobacco Treatment Program in-kind Subtotal $245,852,655 Medical Education $9,475,458 Patient Education 302,995 Nursing Education 5,842,820 Research Activities net of Grant Funding 3,535,235 Subtotal $19,156,508 Total $265,009,163

(Code) (Expenses $ including grants of $) (Revenue $)

Magnet Status for Nursing ExcellenceIn August 2002, the American Nurses Credentialing Center (ANCC) granted Magnet designation to LVH and LVH-Muhlenberg, the first full-service hospitals in Pennsylvania to receive the recognition Developed by the ANCC in 1994, the Magnet designation is the American Nurses Association's highest honor for excellence in nursing and recognizes both hospitals as national leaders in nursing education, research, patient satisfaction, quality care, job retention and the central role of nursing in the organization Magnet designation is for a period of four years, at which time an organization must reapply The reapplication process is intense, necessitating that hospitals demonstrate increasingly higher standards than previous applications In 2006 and 2011, LVHN hospitals were redesignated as Magnet hospitals, continuing to demonstrate the required evidence of a practice environment in which professional nurses and interdisciplinary colleagues deliver the highest standards of quality care Evidence associated with designation for a fourth time is due April 1, 2015 In October, 2013, Lehigh Valley Health Network was honored with the prestigious Magnet Prize for innovations in telehealth The Magnet Prize recognizes innovative nursing programs and practices in ANCC Magnet-designated organizations The $25,000 purse is used to continue, advance, or disseminate the winning innovation

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ 1,124,363,512

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	**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? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**	Yes	
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **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 or note to any line in this Part V . . . . . ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	658		
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	7,758		
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		Yes	
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" to line 3b, 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, securities account, or other financial 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 as charitable contributions? . . .	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.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

Check if Schedule O contains a response or note to any line 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**	16		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**			No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**			No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ PA

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☑ Own website ☑ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶ The Organization 2100 Mack Blvd
Allentown, PA 181035622 (484) 884-0130

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

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

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

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(1) Richard Fleming Honorary Trustee	1 00	X						0	0	0
(2) William F Hecht Trustee	1 00	X						0	0	0
(3) Matthew M McCambridge MD Trustee	1 00	X						0	369,225	21,809
(4) Ronald W Swinfard MD Trustee/CEO	60 00	X		X				1,281,482	0	41,398
(5) Kathryn P Taylor Chair	1 00	X		X				0	0	0
(6) Martin K Till Vice-Chair	1 00	X		X				0	0	0
(7) Susan C Yee Trustee	1 00	X						0	0	0
(8) Robert J Motley MD Trustee	1 00 60 00	X						0	252,900	42,110
(9) Gregory Brusko DO Trustee	1 00 60 00	X						0	441,719	41,398
(10) Alison Byerly PhD Trustee	1 00	X						0	0	0
(11) Robert M Dickler Trustee	1 00	X						0	0	0
(12) Robert J Dillman PhD Trustee	1 00	X						0	0	0
(13) Steven R Follett Trustee	1 00	X						0	0	0
(14) William H Lehr Secretary	1 00	X		X				0	0	0
(15) William Mason Trustee	1 00	X						0	0	0
(16) Jarret R Patton MD Trustee	1 00 60 00	X						0	287,320	42,308
(17) Anthony P Veglia MD Trustee	1 00	X						0	0	0

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** *(continued)*

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(18) Thomas V Whalen Chief Medical Officer	60 00			X				715,432	0	21,695
(19) Edward F O'Dea Sr Vice-President Finance - CFO	60 00			X				534,968	0	41,398
(20) James A Rotherham VP Payer Contracting & Revenue Mgmt	60 00			X				222,576	0	44,100
(21) Terry Capuano Chief Operating Officer	60 00					X		647,448	0	35,516
(22) Harry Lukens Sr Vice-President & CIO	60 00					X		365,773	0	35,516
(23) Anne Panik Chief Nursing Officer	60 00					X		309,444	0	35,516
(24) Brian Nester DO Chief Strategy Officer	60 00					X		793,420	0	32,677
(25) Charles Lewis Sr Vice-President-Development	60 00						X	318,727	0	38,056
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								5,189,270	1,351,164	473,497

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 254

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**	Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such person*	**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
Crothall Healthcare 13028 Collection Center Drive Chicago IL 60693	Housekeeping Services	11,984,565
Sodexho Inc & Affiliates PO Box 360170 Pittsburgh PA 152516170	Dietary Services	10,252,905
GE Healthcare IITS 15724 Collection Center Drive Chicago IL 60693	Computer System Maintenance	8,198,028
Harmelin Media 525 Righters Ferry Rd Bala Cynwyd PA 19004	Advertising Services	3,610,644
VSAS Orthopaedics 1250 S Cedar Crest Blvd Ste 110 Allentown PA 18103	Physician Services	2,542,362
2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 104		

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations . . .	1d				
	e	Government grants (contributions)	1e	3,894,129			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	11,066,838			
	g	Noncash contributions included in lines 1a-1f $		159,968			
	h	**Total.** Add lines 1a-1f . . . . . ▶		14,960,967			
Program Service Revenue			Business Code				
	2a	Inpatient Revenue	624100	607,411,461	607,411,461		
	b	Outpatient Revenue	624100	515,228,216	507,496,991	7,731,225	
	c	Physician Fee Revenue	624100	1,045,770	1,045,770		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		1,123,685,447			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		7,060,679			7,060,679
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real	(ii) Personal			
	6a	Gross rents	8,429,444				
	b	Less rental expenses	7,165,027				
	c	Rental income or (loss)	1,264,417				
	d	Net rental income or (loss) . . . . . ▶			1,264,417		1,264,417
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	717,147,522				
	b	Less cost or other basis and sales expenses	694,047,809				
	c	Gain or (loss)	23,099,713				
	d	Net gain or (loss) . . . . . ▶			23,099,713	23,099,713	
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a		1,007,275			
	b	Less direct expenses . . . b		513,228			
	c	Net income or (loss) from fundraising events . . ▶			494,047		494,047
	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	Research & Misc Income	900099	32,852,075	32,749,622	102,453	
	b	Health Network Labs	621500	6,450,328	6,078,229	372,099	
	c	Lehigh Valley PHO	900003	96,510	96,510		
	d	All other revenue					
	e	**Total.** Add lines 11a–11d . . . . . ▶		39,398,913			
	12	**Total revenue.** See Instructions . . . . . ▶		1,209,964,183	1,177,978,296	8,205,777	8,819,143

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns All other organizations must complete column (A)

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

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				
2 Grants and other assistance to individuals in the United States See Part IV, line 22	365,117	365,117		
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	5,871,933	5,871,933		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	330,756,559	312,077,544	17,386,887	1,292,128
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	25,257,861	23,979,088	1,190,756	88,017
9 Other employee benefits	51,325,808	49,312,671	1,882,253	130,884
10 Payroll taxes	26,982,977	25,500,533	1,379,721	102,723
11 Fees for services (non-employees)				
a Management				
b Legal	2,333,309	5,971	2,327,338	
c Accounting	385,963	12,900	373,063	
d Lobbying				
e Professional fundraising services See Part IV, line 17	133,491			133,491
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	107,756,623	101,994,297	5,741,062	21,264
12 Advertising and promotion	6,132,163	5,187,340	944,823	
13 Office expenses	2,309,090	2,196,600	105,525	6,965
14 Information technology	14,990,763	14,821,049	169,714	
15 Royalties . .				
16 Occupancy	32,291,613	31,811,126	428,104	52,383
17 Travel	1,567,801	1,477,487	80,563	9,751
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	1,973,453	1,844,566	102,232	26,655
20 Interest	18,596,351	18,596,351		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	68,799,376	68,689,245	109,223	908
23 Insurance	8,310,311	8,310,311		
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a Medical Supplies	214,225,440	214,224,601	839	
b Purchased Services	158,068,441	156,781,761	1,203,611	83,069
c Bad Debt Expense	42,969,269	42,969,269		
d Other Supplies	5,670,127	5,669,323	12,117	-11,313
e All other expenses	33,241,568	32,664,428	495,512	81,628
25 **Total functional expenses.** Add lines 1 through 24e	1,160,315,407	1,124,363,512	33,933,343	2,018,553
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		9,668	1	9,905
	2	Savings and temporary cash investments		2,151,942	2	781,495
	3	Pledges and grants receivable, net		12,164,377	3	16,052,585
	4	Accounts receivable, net		225,285,945	4	227,838,924
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		1,063,279	7	29,178
	8	Inventories for sale or use		14,248,874	8	17,027,248
	9	Prepaid expenses and deferred charges		18,645,128	9	23,722,509
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 1,275,731,833			
	b	Less accumulated depreciation	10b 680,187,425	459,730,668	10c	595,544,408
	11	Investments—publicly traded securities		659,179,774	11	600,879,409
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		109,247,495	13	129,734,159
	14	Intangible assets		709,100	14	22,611,218
	15	Other assets See Part IV, line 11		4,340,572	15	5,296,472
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		1,506,776,822	16	1,639,527,510
Liabilities	17	Accounts payable and accrued expenses		89,553,948	17	100,792,989
	18	Grants payable			18	
	19	Deferred revenue		4,937,072	19	8,057,104
	20	Tax-exempt bond liabilities		397,064,649	20	386,650,466
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	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		245,419,475	25	302,905,188
	26	**Total liabilities.** Add lines 17 through 25		736,975,144	26	798,405,747
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		620,819,947	27	663,856,235
	28	Temporarily restricted net assets		101,798,547	28	127,000,916
	29	Permanently restricted net assets		47,183,184	29	50,264,612
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ 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		769,801,678	33	841,121,763
	34	Total liabilities and net assets/fund balances		1,506,776,822	34	1,639,527,510

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	1,209,964,183
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,160,315,407
3	Revenue less expenses Subtract line 2 from line 1	3	49,648,776
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	769,801,678
5	Net unrealized gains (losses) on investments	5	19,775,213
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	1,896,096
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	841,121,763

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ 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?	2a		No
	If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	If 'Yes,' check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
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?	3a	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	3b	Yes	

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

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

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

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

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

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

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

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	**11g(i)**	
(ii) A family member of a person described in (i) above?	**11g(ii)**	
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**	

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** . . . . . ▶☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2012 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2013.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2012.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2013.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2013** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2012** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2013.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2012.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

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

Facts And Circumstances Test		
Return Reference	Explanation	

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

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2013

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

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

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

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

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

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

Name of the organization	Employer identification number
Lehigh Valley Hospital	23-1689692

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ 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		
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-		

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

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? ☐ Yes ☐ 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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable 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)).

	For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?	Yes		0
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		115,192
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		18,506
j	Total Add lines 1c through 1i			133,698
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

Provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information

Return Reference	Explanation
Part II-B, Line 1	Item 1i represents indirect lobbying expense incurred by state contract lobbyist

Part IV Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ 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 education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a Total number of conservation easements	2a	
b Total acreage restricted by conservation easements	2b	
c Number of conservation easements on a certified historic structure included in (a)	2c	
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d	

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

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

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

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

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

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

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

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

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

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

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

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

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

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

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

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

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

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

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

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

		Amount
c	Beginning balance	1c
d	Additions during the year	1d
e	Distributions during the year	1e
f	Ending balance	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 XIII Check here if the explanation has been provided in Part XIII . . . . . ☐

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

		(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	120,067,970	110,386,214	105,775,895	89,400,969	78,716,975
b	Contributions	2,458,029	1,322,044	4,304,716	1,438,232	3,372,844
c	Net investment earnings, gains, and losses	18,987,135	11,499,784	2,562,031	16,891,409	9,223,571
d	Grants or scholarships	381,163	619,560	363,340	246,433	285,893
e	Other expenditures for facilities and programs	2,544,925	2,520,512	1,892,924	1,708,282	1,625,502
f	Administrative expenses					
g	End of year balance	138,587,046	120,067,970	110,386,378	105,775,895	89,401,995

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

- a Board designated or quasi-endowment ▶ 0 %
- b Permanent endowment ▶ 31 000 %
- c Temporarily restricted endowment ▶ 69 000 %

The percentages in lines 2a, 2b, and 2c should equal 100%

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		5,181,338		5,181,338
b Buildings		760,542,973	389,245,261	371,297,712
c Leasehold improvements		47,558,686	12,599,881	34,958,805
d Equipment		313,518,801	197,994,539	115,524,262
e Other		148,930,035	80,347,744	68,582,291
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				595,544,408

Part VII **Investments—Other Securities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII **Investments—Program Related.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Investment-Lehigh Valley Physician Hospital Org - 45 9%	8,544,208	C
(2) Investment-Health Network Laboratories-81 68%	101,259,234	C
(3) Quakertown Health Venture - 50%	2,648,079	C
(4) Investment - Fairgrounds Medical Center	606,674	C
(5) Investment - GV - LVHS	543,342	C
(6) Investment - Lehigh Valley Imaging	16,132,622	C
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶	129,734,159	

Part IX **Other Assets.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X **Other Liabilities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
Cost Settlement Reserves with Third Parties	-7,127,812
Deferred Compensation Plan	5,008,863
Pension Liability	153,335,217
Workers Compensation	823,635
Professional Insurance Liability Reserves	29,323,804
Asset Retirement Obligation	3,963,731
Unrealized Loss on Interest Rate Swap	12,163,781
Other	877,210
Capital Leases	104,536,759
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	302,905,188

2. Liability for uncertain tax positions In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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

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 XIII)	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 XIII)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	

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

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 XIII)	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 XIII)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	

Part XIII Supplemental Information

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

Return Reference	Explanation
Part V, Line 4	The endowment funds are used for continuing education, scholarships, research, clinical equipment, and nursing awards
Part X, Line 2	In 2008, the Organization adopted Financial Accounting Standards Board (FASB) Interpretation No 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48") FIN 48 has become part of ASC 740 FIN 48/ASC 740 establishes that the financial statement effects of a tax position taken or expected to be taken are to be recognized in the financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon IRS examination FIN 48 became effective for fiscal year 2008 for the Organization The Organization has analyzed tax positions taken on federal income tax returns for all open tax years for the taxable entities and has determined that as of June 30, 2014, there are no uncertain tax positions taken or expected to be taken that would require recognition in the financial statements The Organization has analyzed specific criteria regarding the exempt 501(c) 3 status for the tax exempt entities and has determined that as of June 30, 2014 the Organization is compliant with the qualifications for exemption from Federal income tax

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

Additional Data

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

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

1 (a) Description of Liability	(b) Book Value
Cost Settlement Reserves with Third Parties	-7,127,812
Deferred Compensation Plan	5,008,863
Pension Liability	153,335,217
Workers Compensation	823,635
Professional Insurance Liability Reserves	29,323,804
Asset Retirement Obligation	3,963,731
Unrealized Loss on Interest Rate Swap	12,163,781
Other	877,210
Capital Leases	104,536,759

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SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

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

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

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

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

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

	(i) Name and address of individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions? Yes	**(iii)** No	**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
1	Harris Connect 1511 Route 22 - Suite C-25 Brewster, NY 10509	Phone/Mail Solicitation		No	171,021	133,491	37,530
2							
3							
4							
5							
6							
7							
8							
9							
10							
Total					171,021	133,491	37,530

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

PA, NJ, NY, MD, FL

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

		(a) Event #1 Nite Lites (event type)	(b) Event #2 (event type)	(c) Other events (total number)	(d) Total events (add col (a) through col (c))
Revenue	1 Gross receipts	1,007,275			1,007,275
	2 Less Contributions				
	3 Gross income (line 1 minus line 2)	1,007,275			1,007,275
Direct Expenses	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs	134,411			134,411
	7 Food and beverages	175,743			175,743
	8 Entertainment	87,693			87,693
	9 Other direct expenses	115,381			115,381
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				(513,228)
	11 Net income summary Subtract line 10 from line 3, column (d) ▶				494,047

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				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary Subtract line 7 from line 1, 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 Enter the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ .....

Address ▶ .....

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

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

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

Name ▶ .....

Address ▶ .....

16 Gaming manager information

Name ▶ .....

Gaming manager compensation ▶ $ .....

Description of services provided ▶ .....

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

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

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

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

Return Reference	Explanation

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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.
▶ Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
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 eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	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 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			20,910,000		20,910,000	1 870 %
b Medicaid (from Worksheet 3, column a)			132,886,645	85,017,486	47,869,159	4 280 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			153,796,645	85,017,486	68,779,159	6 150 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			7,144,634		7,144,634	0 640 %
f Health professions education (from Worksheet 5)			15,923,911	6,448,453	9,475,458	0 850 %
g Subsidized health services (from Worksheet 6)			19,158,912	2,611,966	16,546,946	1 480 %
h Research (from Worksheet 7)			5,617,333	2,082,098	3,535,235	0 320 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			200,385		200,385	0 020 %
j **Total.** Other Benefits			48,045,175	11,142,517	36,902,658	3 310 %
k **Total.** Add lines 7d and 7j			201,841,820	96,160,003	105,681,817	9 460 %

Part II **Community Building Activities** Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy			210,781		210,781	0 020 %
8 Workforce development						
9 Other						
10 **Total**			210,781		210,781	0 020 %

Part III **Bad 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?	1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	21,392,066	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	14,511,492	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	225,586,246
6	Enter Medicare allowable costs of care relating to payments on line 5	6	240,126,930
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-14,540,684
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
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	9b	Yes	

Part IV **Management Companies and Joint Ventures** (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1	1 LVHN Reciprocal Risk Retention Group	Malpractice Insurance	16 670 %	0 %	0 %
2	2 Health Network Laboratories LLC	Laboratory Services	85 000 %	0 %	0 %
3	3 Health Network Laboratories LP	Laboratory Services	81 670 %	0 %	0 %
4	4 Lehigh Valley Physician Hospital Organization Inc	Health Care Services	45 000 %	0 %	0 %
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year? 1

	Name, address, primary website address, and state license number	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Lehigh Valley Hospital

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
3	In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**	Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website (list url) www.lvhn.org			
b	☐ Other website (list url)			
c	☑ Available upon request from the hospital facility			
d	☑ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☐ Insurance status			
e ☑ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☑ Other similar actions (describe in Section C)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

Part V Facility Information *(continued)*

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)

- **a** ☐ Notified individuals of the financial assistance policy on admission
- **b** ☐ Notified individuals of the financial assistance policy prior to discharge
- **c** ☐ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- **d** ☐ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☑ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
21 During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

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

Form and Line Reference	Explanation
See Additional Data Table	

Part V Facility Information *(continued)*

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

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

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

Part VI Supplemental Information

Provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Form and Line Reference	Explanation
Part I, Line 6a	The Community Benefit Report is issued by Lehigh Valley Health Network - EIN 22-2458317, the parent company of Lehigh Valley Hospital

Form and Line Reference	Explanation
Part I, Line 7	The costing methodology is cost to charge ratio for programs with gross charges and direct costs for programs without gross charges

Form and Line Reference	Explanation
Part I, Line 7g	CLINICS SUBSIDY-The clinics subsidy of $15,379,069 is the difference between clinic payments and clinic costs The clinics subsidy includes the operations of the Medical and Surgical Clinics, Children's Clinic, the Dental Clinic, the Center for Women's Medicine, the Family Health Center, Geriatrics, Maternal Fetal Medicine, and the Mental Health Clinic The clinics subsidy is not included in the Medical Assistance Shortfall or Uncompensated Charity Care value reported above TRANSITIONAL LIVING CENTERS-Lehigh Valley Health Network administers two Residential Aftercare Programs as a contracted provider for the Lehigh County Department of Human Services These programs include theTransitional Living Center-Full Care and the Transitional Living Center-Moderate Care Although the programs receive revenue from clients and reimbursements from Lehigh County, these funds do not fully reimburse program operating expenditures In FY'14, program operating expenditures exceeded program revenues and reimbursements by $302,355 The Transitional Living Centers serve residents of Lehigh County age 18 and over who have been treated for mental illness and would benefit from a structured residential program The Full Care site is supervised 24 hours per day and teaches the activities of daily living as designated by the Pa Department of Welfare to those residents who demonstrate the need for ongoing intensified supervision due to their mental illness The Moderate Care site is supervised 10 hours per day and is designed to teach activities of daily living to those individuals who demonstrate the need for community reentry support in a less-intensified structure AIDS ACTIVITIES OFFICE-Established in 1989, Lehigh Valley Hospital's AIDS Activities Office (AAO) provides clinical and social services to adults infected and affected by HIV/AIDS and HCV (hepatitis C) In FY14 AIDSActivities Office's active patients received one or more of the following services HIV testing and counseling (A free service open to the public as a state-designated Department of Health lab site) Prevention counseling through evidence based CDC approved programs This counseling targets education to those with high risk behaviors Initial and ongoing medical care (including laboratory evaluation, coordination and referral to diagnostic and specialty service, and pharmaceutical treatment regimens) provided by physicians who specialize in HIV care Coordination and monitoring of clinical therapies, and education provided by registered nurses Nutritional assessments and interventions performed by a registered dietician Adherence counseling performed by RN staff members Case management to insure coverage of basic and social service needs, including housing, employment, outpatient substance abuse treatment, mental health counseling, etc , and providing linkages to care and coordination of specialty treatments This service expanded once again this past year due to increased patient need Mental Health counseling by 2 behavioral health specialists This year the AAO was also fortunate to add a part time psychiatric CRNP to assist with patient mental health needs Hepatitis C treatment provided by a physician board-certified in internal medicine and specializing in HCV care Hepatitis C education by nurses specially educated in the disease as well as prevention and adherence counseling Support groups for HIV patients Mental health counseling by a licensed clinical social worker specializing in people living with HIV and HCV The AAO Food Bank, supported by private donations Funded originally by the Dorothy Rider Pool Health Care Trust and Lehigh Valley Hospital (LVH), the AIDS Activities Office is currently primarily supported by Early Intervention Funding (Title III) from the Ryan White Care Act (Human Resources and Services Administration) and AIDSNET (Ryan White Title II funding), 340B program savings and the PA Department of Health In FY 2014, due to the addition of the 340B savings program the AAO was able to offset all expense utilizingthese savings FREE ORAL TRAUMA SURGERY CARE-In FY'14, Lehigh Valley Hospital paid $418,873 to private oral surgery practices to provide oral trauma surgery care to hospital patients AMBULANCE TRANSPORT COSTS-Lehigh Valley Hospital incurred total ambulance costs of $202,033 to transport patients to other non-LVHN facilities PHARMACEUTICALS FOR DISCHARGED PATIENTS-Pharmaceuticals appropriate to the course of treatment are often provided at no charge to indigent patients upon discharge The cost of these medications in FY'14 was $244,616

Form and Line Reference	Explanation
Part I, Ln 7 Col(f)	The costing methodology for bad debt expense is the Medicare cost to charge ratio The ratio of uninsured charges written off as charity was applied to total charges written off as bad debt to estimate the portion of bad debt that is attributed to patients under the hospital charity policy

Form and Line Reference	Explanation
Part II, Community Building Activities	School HealthLehigh Valley Hospital's outpatient pediatric department provides free on-site clinical services and health exams for Central Elementary School's student population The net cost of direct services provided at the school in FY'14 was $210,781

Form and Line Reference	Explanation
Part III, Line 4	BAD DEBTS-In instances where the Organization believes a patient has the ability to pay for services and, after appropriate collection effort, payment is not made, the amount of services not paid is written-off, at amount generally billed or at the coinsurance or deductible amount, as bad debts Amounts recorded as bad debts expense do not include charity The amount of bad debts expense for the years ended June 30, 2014 and 2013, at charges, was $42,969,000 and $71,894,000 respectively, and is reported as Bad Debt expense on the Combined Statements of Operations

Form and Line Reference	Explanation
Part III, Line 8	The source of the Medicare allowable costs relating to revenue received from Medicare is the FY '14 Medicare Cost Report The entire shortfall on Line 7 should be treated as a community benefit The revenue and expenses are both determined using Medicare principles The hospital is providing the community a benefit in excess of Medicare payments

Form and Line Reference	Explanation
Part III, Line 9b	Financial Counseling staff will determine whether patients meet eligibility criteria for financial assistance Accounts that do not meet the eligiblilty requirements will be referred to an external receivables follow up agency, and if not paid referred to a collection agency and subsequently transferred to bad debt status if the accounts remain unpaid

Form and Line Reference	Explanation
Part VI, Line 2	The Health Care Council of the Lehigh Valley (HCCLV) used quantitative and qualitative methods to identify both the major causes of death and illness, and the barriers to improving the health and well-being of community residents The HCCLV's approach has incorporated best practice standards recommended by the American Public Health Association and the Association for Community Health Improvement These procedures included using multiple data sources and input from stakeholders including community organizations and community members Quantitative data were collected from The Centers for Disease Control, US Census Bureau, Dartmouth Atlas of Healthcare, Pennsylvania Department of Health's Vital Statistics and County Profiles, University of Wisconsin's County Health Rankings, National Cancer Institute State Cancer Profiles, Institute for People, community opinion surveys, and a Lehigh Valley disability survey Qualitative data were collected using community focus groups and social reconnaissance, a process that intensely examined community dynamics with regards to health

Form and Line Reference	Explanation
Part VI, Line 3	Consistent with the mission and values of Lehigh Valley Health Network, it is the policy to provide medical care to all individuals without regard to their ability to pay for services The Financial Assistance Policy applies to uninsured and under-insured individuals who participate in the process to evaluate their ability to pay for LVHN services Patients are identified by LVHN registration, Benefits and Verification, Customer Service, and Financial Counselors as being in financial need The Financial Counselors help patients complete the application for Financial Assistance LVHN follows the Federal Poverty Guidelines to evaluate eligibility Patients whose family income falls bellow 200% of the Federal Poverty guideline will have their entire balance forgiven for their qualifying services at a participating LVHN provider Patients with a family income below 400% of the Federal Poverty guidelines will have a portion of their balance forgiven for qualifying services at a participating LVHN provider Patients are evaluated for no cost or reduced premium insurance plans The LVHN Financial Counselors will offer information to patients who are interested in seeing if they qualify for these programs offered by commercial insurance companies Patients often express financial concern or need by contacting the LVHN Customer Service departments The Customer Service representatives explain the programs available, Financial Assistance and support in applying for Medical Assistance or insurance through the Federal Health Insurance Exchange Patients will be referred to the Financial Counselors who work with patients to apply for Pennsylvania Medical Assistance The Financial Counselors are located onsite The Financial Counselors visit patients in their inpatient rooms, in the Cancer Center, and in the Emergency Department In addition, LVHN advertises Financial Assistance in the local newspaper, on our public website and on the statements sent to our patients

Form and Line Reference	Explanation
Part VI, Line 4	Lehigh Valley Hospital, Inc (LVH) is a Pennsylvania not-for-profit membership corporation exempt from federal income taxes as a corporation described in Section 501(c)(3) of the Internal Revenue Code The primary service area of LVH consists of Lehigh, Northampton and Carbon counties Based on information available from the U S Census Bureau for the 2000 decennial census and the 2010 decennial census, the population of the primary service area was approximately 637,958 people in 2000 and was estimated to be 712,481 in 2010 According to the American Community Survey (U S Census) the estimated population for the three county area in 2013 was 715,581 During fiscal year 2014, 75% of the discharges from LVH were residents of the primary service area The secondary service area consists of Berks, Luzerne, Monroe, and Schuylkill counties as well as northern portions of Bucks and Montgomery counties The 2010 population of the secondary service area was approximately 1,526,418 During fiscal year 2014, 21% of the discharges from LVH were residents of the secondary service area Based on U S Census Bureau data, the current population of the combined primary and secondary LVH service areas is projected, to increase approximately 5 3% (CAGR* - 0 86%) by the year 2017, based on the extrapolation of the population CAGR* from Census year 2000 - 2010 During fiscal year 2014, 4% of the discharges from LVH were residents outside the primary and secondary service areas

Form and Line Reference	Explanation
Part VI, Line 5	Lehigh Valley Hospital qualifies as an Institution of Purely Public Charity in Pennsylvania This regulation is referred to as Act 55 To be considered a purely public charity, nonprofits must (1) advance a charitable purpose, (2) donate or render gratuitously a substantial portion of its services, (3) benefit a substantial and indefinite class of persons who are legitimate subjects of charity, (4) relieve the government of some burden, and (5) operate entirely free from private profit motive LVH is required to reapply for this charitable status every five years and currently qualifies through October 31, 2015

Additional Data

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

990 Schedule H, Supplemental Information

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

Form and Line Reference	Explanation
Lehigh Valley Hospital	
Lehigh Valley Hospital	Part V, Section B, Line 4 The Health Care Council of the Lehigh Valley includes representation from Lehigh Valley Health Network, Good Shepherd Rehabilitation Network, Sacred Heart HealthCare System, Saint Luke's University Hospital and Health Network, KidsPeace Psychiatric Hospital, and The Dorothy Rider Pool Health Care Trust
Lehigh Valley Hospital	Part V, Section B, Line 5d The Community Health Needs Assessment was mailed to key community leaders and was provided press coverage in the community newapaper and local television station
Lehigh Valley Hospital	Part V, Section B, Line 7 The CHNA conducted in tax year 2012 was approved by the LVHN Board of Trustees in August 2013 During the nine months until June 30, 2014 all of the needs were addressed and separated into four major priority areas 1 Improve access to quality health care, 2 Enhance the collection and dissemination of health information, 3 Address social determinants of health and health disparities, and 4 Promote Healthy Lifestyles and Behaviors While not all of these priorities were specifically addressed during the first fiscal year after the CHNA was conducted many have been implemented and are continuing to be addressed Following are some of the initiatives from the CHNA, implemented during fiscal year ended June 30, 2014 Priority 1 - Improve access to quality health care Expand access to the following services Patient-centered medical homes - LVHN's PCMH initiative has expanded to include additional practices,increased number of CCT's, and a focused effort on practice renovation Relationship with Valley Youth House School-based health centers Telehealth services Health centers in the community LVHN health centers have expanded to 12, including several with express care services Expand efforts to remove barriers to accessing care, including Assistance with Medicaid applications LVHN offers services to patients that assist them with Medicaid applications Use of interpreter services Community Exchange expanded support for interpreter services, enrolling 69 in the education program, and providing services for 457 patients Counteract low health literacy with easy-to-follow instructions on how to better access care Use of EMMI throughout the Network Improve access to mental health services Review successful national and state mental health improvement models, with a focus on depression, addiction screenings and recovery from addiction, and prevention of mental health disorders Evaluation team completed comprehensive review of the literature by June 2014 Improve access to oral care Have oral care available through school-based services (such as dental sealants), dental vans, and the dental clinic at the 17th street campus Miles for Smiles dental van and Community Health's Dental Sealant program Support and assist the newly formed federally qualified health center of the Neighborhood Health Centers of the Lehigh Valley (NHCLV) as they develop and expand oral health services Business plan developed for NHCLV Priority 2 - Enhance the collection and dissemination of health informationCollection of health data needed for improved population health Create and implement a data-sharing agreement document for HCCLV organizations Use "hotspotting" techniques to identify clusters of disease/illness concentration and super-utilizers of health care services Used this technique to examine teen births, and in the asthma patient profile Continue to use community-based participatory research techniques to collect important qualitative data regarding health Using CBPR to collect and analyze health data - childhood obesity Ensure data analyses are available to clinical departments and community members Presented several reports/analyses at the Maternal Child Workgroup and Health Care Council Improve the quality and appropriateness of health information for community members with a focus on those most vulnerable to low health literacy Continue to develop adaptations in clinical settings (easy to read written information, "teachback" training for clinicians) Increase the number of trained community health workers with an active presence in the community benefits service area Developed a proposal to expand CHW's as a collaborative with AmeriHealth Mercy Continue community health education programs/publications that address health disease, cancer, stroke, lung disease, injury-violence, and diabetes Expand the use of CBPR as a technique to disseminate important data regarding health Using CBPR as part of the childhood obesity initiative Priority 3 - Address social determinants of health and health disparities Actively participate in neighborhood/community groups negatively impacted by health disparities Allentown Promise Neighborhood Assisted in the design of a survey tool which was administered house to house in the neighborhood Provided training for the community liaisons and ambassadors for the neighborhood Findings presented at the State of APN address in January Also presented the findings to the Major Develop effective community engagement models that help to identify factors that contribute to poor health and approaches that may effectively address disparities Developing a community resource database Use community health workers, nurse family partnerships and other community outreach professionals in neighborhoods negatively impacted by health disparities CHW's conducting home visits for children with asthma Provide health-related classes, workshops, and trainings identified by community members to improve the overall health of the neighborhood/community Community Exchange members providing ongoing Wellness classes such as yoga, nutrition, and massage therapy Conduct neighborhood level health assessments in areas negatively impacted by health disparities The APN survey was developed and conducted Incorporate concepts like Healthy Homes and home visitation programs to address health disparities such as pediatric asthma and early childhood development Asthma home visitation underway Continue to develop and expand stakeholder partnerships (school districts, county government, local business and funders) Developed stakeholder partnership with Saint Luke's and other community agencies around young pregnant women and children Priority 4 - Promote Healthy Lifestyles and BehaviorsSupport local public health department efforts Community-based education activities that reach residents in a more accessible manner with less transportation and financial barriers Coordinate and expand pre-natal, healthy baby, and maternal child services for parents and children who live in our most vulnerable communities Working on these strategies with the Maternal-Child Workgroup Integrate healthy lifestyle efforts into clinical setting Link community health workers and other community-based health professionals with primary care practices serving vulnerable populations CHW's deployed in the Pediatric Clinic We are also providing asthma education in the elementary schools in the ASD Develop support teams (e g , community care teams) to provide important links and resources for patients Community Care Teams expanded for primary care practices Offer dietary and nutritional consultations and support for patients with weight issues that impact health Offered through our Weight Management Center Offer cessation support for patients trying to quit using tobacco products Tobacco cessation services available through the NetworkSupport time-banking strategies that facilitate residents having support systems and friendships Community Exchange Timebanking has been providing a host of activities that can benefit its members as well as the community that are designed to foster cohesiveness and social support networks both on an individual and organizational level
Lehigh Valley Hospital	Part V, Section B, Line 16e Collection activities are limited to hospital sending four statements requesting payment The statements include information about the hospital's Financial Assistance Policy, soliciting the patients participation in the Financial Assistance Program

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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**

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

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

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

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

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) Nursing Scholarships	83	364,517	0	Book	
(2) Jirolano Tuition Aide Scholarship	1	600	0	Book	

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

Return Reference	Explanation
Part I, Line 2	Scholarships were awarded to senior nursing students in a Bachelor of Science nursing program, and to 2nd year nursing students in an Associate Degree nursing program We also offered scholarships to current employees who possess a Registered Nurse license who are continuing their education toward either a Bachelor's Degree or Master's Degree in Nursing Criteria for scholarships to students in a Graduate Nurse program are a completed application, 2 letters of recommendation from clinical instructors, an official copy of their current transcript, demonstrating an overall GPA of 3 0 or higher, a one page essay describing why they feel they deserve the scholarship and a completed assessment survey If above information is considered favorable, two interviews are scheduled with selection committee members If considered favorable after all interviews have been conducted, a scholarship award is offered If candidate accepts and signs a contract, their commitment back to the hospital is 2080 hours of employment as a Registered Nurse, after successful completion of an internship/orientation If candidate does not fulfill their commitment, the scholarship dollars are pro-rated and repayment amount is due back For current RN employees, an application is completed along with a letter of recommendation from direct supervisor, a copy of their most recent performance evaluation, demonstrating a performance evaluation score of 3 0 or higher for BSN, 3 2 or higher for MSN If RN is currently in a program, an unofficial copy of their current transcript would also be required Employee must be currently enrolled in a nursing program prior to applying for the scholarship If employee accepts and signs a contract, their commitment back to the hospital is 4160 hours of employment, post-graduation There were a total of 83 scholarships awarded, renewal and new in FY'14 The total funds used for scholarships were $364 516 69

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☑ Compensation committee	☑ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		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?	**5a**		No
b	Any related organization?	**5b**		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?	**6a**		No
b	Any related organization?	**6b**		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	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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

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

(A) Name and Title	**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II
Also complete this part for any additional information

Return Reference	Explanation
Part I, Line 4b	Ronald W Swinfard, MD 286,338 Terry Capuano 111,295 Harry Lukens 20,871 Charles Lewis 63,965 Anne Panik 18,092 Brian Nester, DO 140,859 Robert J Motley, MD 13,629 James A Rotherham 11,248 Thomas V Whalen 119,184 Edward F O'Dea 89,512

Additional Data

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Matthew M McCambridge MD Trustee	(I)	0	0	0	0	0	0	0
	(II)	308,253	65,007	-4,035	0	21,809	391,034	0
Ronald W Swinfard MD Trustee/CEO	(I)	992,285	0	289,197	0	41,398	1,322,880	0
	(II)	0	0	0	0	0	0	0
Robert J Motley MD Trustee	(I)	0	0	0	0	0	0	0
	(II)	237,980	4,000	10,920	0	42,110	295,010	0
Gregory Brusko DO Trustee	(I)	0	0	0	0	0	0	0
	(II)	409,250	8,000	24,469	0	41,398	483,117	0
Jarret R Patton MD Trustee	(I)	0	0	0	0	0	0	0
	(II)	224,883	52,627	9,810	0	42,308	329,628	0
Thomas V Whalen Chief Medical Officer	(I)	587,854	0	127,578	0	21,695	737,127	0
	(II)	0	0	0	0	0	0	0
Edward F O'Dea Sr Vice-President Finance - CFO	(I)	449,836	0	85,132	0	41,398	576,366	0
	(II)	0	0	0	0	0	0	0
James A Rotherham VP Payer Contracting & Revenue Mgmt	(I)	224,969	0	-2,393	11,248	32,852	266,676	0
	(II)	0	0	0	0	0	0	0
Terry Capuano Chief Operating Officer	(I)	527,457	0	119,991	0	35,516	682,964	0
	(II)	0	0	0	0	0	0	0
Harry Lukens Sr Vice-President & CIO	(I)	340,401	0	25,372	0	35,516	401,289	0
	(II)	0	0	0	0	0	0	0
Anne Panik Chief Nursing Officer	(I)	290,285	0	19,159	0	35,516	344,960	0
	(II)	0	0	0	0	0	0	0
Brian Nester DO Chief Strategy Officer	(I)	655,250	0	138,170	0	32,677	826,097	0
	(II)	0	0	0	0	0	0	0
Charles Lewis Sr Vice-President-Development	(I)	252,718	0	66,009	0	38,056	356,783	0
	(II)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Bond Issues

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

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired		4,528,000	13,498,980	4,690,000
2	Amount of bonds legally defeased				
3	Total proceeds of issue	82,955,467	53,885,593	115,096,730	18,665,000
4	Gross proceeds in reserve funds	5,000,000			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows			114,976,520	18,330,782
7	Issuance costs from proceeds	908,575	704,637	120,480	334,218
8	Credit enhancement from proceeds	2,341,645	1,323,209		
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	71,505,488	51,857,747		
11	Other spent proceeds	3,199,759			
12	Other unspent proceeds				
13	Year of substantial completion	2007	2010	2011	2012

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X	X		X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X	X	
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		X
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X		X		X		X

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		X
b	Exception to rebate?	X		X		X		X	
c	No rebate due?		X		X		X		X
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X		X	X		X	
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X	X		X	
b	Name of provider					Merrill Lynch & Goldman Sachs			
c	Term of hedge					20 000000000000		10 400000000000	
d	Was the hedge superintegrated?						X		X
e	Was the hedge terminated?						X		X

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?	X			X		X		X
b	Name of provider	MBIA							
c	Term of GIC	3 300000000000							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
7	Has the organization established written procedures to monitor the requirements of section 148?		X		X		X		X

Part V Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?								

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

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Schedule K (Form 990)

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Bond Issues

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

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	2,740,000	45,000		
2	Amount of bonds legally defeased				
3	Total proceeds of issue	59,745,000	79,857,489		
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows	59,745,000	16,088,745		
7	Issuance costs from proceeds		963,792		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds		62,800,000		
11	Other spent proceeds		5,222		
12	Other unspent proceeds				
13	Year of substantial completion	2012	2012		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X					
15	Were the bonds issued as part of an advance refunding issue?		X	X					
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X		X				

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X				
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X				
b	Exception to rebate?	X		X					
c	No rebate due?		X		X				
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X			X				
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X				
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X				
7	Has the organization established written procedures to monitor the requirements of section 148?		X		X				

Part V Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?								

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

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

1 (a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected? Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $ 0

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $ 0

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
Total		▶ $										

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Kathryn P Taylor-Trustee	Board Member of Capital Blue Cross - Trustee of LVHN/LVH/LVHM	154,801,431	Capital BlueCross is a third party insurer doing business with LVHN		No
(2) Susan C Yee-Trustee	Partner in 94 Brodhead Associates - Trustee of LVHN/LVH/LVHM/LVHH/HWC	120,572	94 Brodhead Associates leases office space to LVPG at fair market value		No
(3) John D Stanley - Trustee	Senior Vice-President of Air Products and Chemicals, Inc - Trustee of LVHN	276,378	See Part V - Air Products and Chemicals, Inc provides products and services to LVHN entities		No

Part V Supplemental Information

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

Return Reference	Explanation

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SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.
▶Information about Schedule M (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art	X	3	3,678	fair market value
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications	X		6,016	fair market value
5 Clothing and household goods	X		59,851	fair market value
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests	X	1	106,727	Independent Valuation
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory	X	34	1,630	fair market value
20 Drugs and medical supplies	X	2	950	fair market value
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ (Software Prog)	X	1	16,144	fair market value
26 Other ▶ (Gift Cards)	X	16	10,056	Cost
27 Other ▶ (Diamond Neckl)	X	1	10,000	fair market value
28 Other ▶ (Picnic Table)	X	1	811	Cost
Other ▶ (Dozen Roses)	X	1	65	Cost

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

		Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		No
b If "Yes," describe the arrangement in Part II			
31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31	Yes	
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	32a		No
b If "Yes," describe in Part II			
33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II			

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

Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

Return Reference	Explanation
Form 990, Part VI, Section B, line 12c	Pursuant to the LVHN policy titled "Avoidance of Conflict of Interest/Commitment", the VP of Internal Audit and Compliance Services (Chief Compliance Officer or CCO) issues reminders to Board Members and members of the Senior Management Council to submit updated conflict of interest questionnaires, and (2) notifies members of the Senior Management Council (SMC) to identify and request completed conflict of interest questionnaires from individuals who report to them or have responsibilities that affect their operations and who have potential conflicts of interest and to provide her with the identity of those individuals Compliance Services tracks completion of the updated questionnaires and sends reminders to those who have not yet submitted them, as the deadline for completion approaches The CCO follows up with trustees and members of the SMC who have not submitted a completed questionnaire by the deadline in an effort to ensure that questionnaires are on file for all to whom the policy applies All physicians on LVHN's medical staff are also required to complete a conflict of interest questionnaire annually Medical Staff Services monitors this process to ensure that all physicians comply Potential conflicts are managed by the LVHN Conflict of Interest Committee and by the Board of Trustees, if necessary, depending on whose interest (s) pose the conflict and the nature of the conflict

Return Reference	Explanation	
	Form 990, Part VI, Section B, line 15	The Executive Compensation Committee ("Committee") of the Board of Trustees of Lehigh Valley Health Network ("LVHN") is authorized to perform its functions for and on behalf of LVHN The purpose of the Committee is to discharge the obligations of the Board of Trustees relating to the oversight and approval of Senior Management Council compensation and their ongoing professional development in accordance with applicable rules and regulations Committee Organization 1 The Committee shall be composed of at least four (4) members of the Board of Trustees, one of whom shall serve as Chair of the Committee The Committee shall be composed entirely of Trustees who are entirely disinterested members of the Board The Trustees will have no material relationship to LVHN and/or its Senior Management Council members that may limit their disinterestedness in this role, including that the Trustees (i) must not have any personal interest in the compensation arrangement, (ii) must not be related to or under the control of the person whose compensation is being evaluated, and (iii) must have no material business relationship with LVHN If a proposed member of the Committee has identified a potential conflict of interest, the issue shall be reviewed by the disinterested members of the Audit and Compliance Committee which shall report its findings to the Chair of the Executive Compensation Committee Based on that review, the Chair and the Committee, absent the member with a potential conflict, will make the final determination as to the disinterestedness of the Trustee and the appropriateness of service From time to time, there may be specific situations which pose a potential conflict of interest In such instances, the Committee will make the appropriate determination The Committee may also establish such other procedures as it may deem appropriate with respect to the disinterested status of its members, subject to Board approval 2 The members and the Chair of the Committee shall be appointed each year by the Board of Trustees in accordance with its policies, and shall serve at the pleasure of the Board of Trustees for such term or terms as the Board of Trustees may determine The Committee shall conduct its activities in conformity with the requirements of the LVHN By-Laws and the requirements of the Internal Revenue Code of 1986, and Regulations promulgated thereunder, together with any further obligations or requirements as directed by the Board 3 Each Committee Member shall have the following qualifications Ability to critically review performance and market practice data and apply relevant information fairly, while properly balancing the competing needs of LVHN's stakeholders Ability to consider the objectives of linking compensation to performance and retaining high-performing personnel, all in the best interests of LVHN and in accordance with its charitable mission An understanding of the market place regarding the attraction and retention of Senior Management Council employees and other key personnel Functions, Duties and Authorities The Committee on an annual basis shall Assess the performance of the President/Chief Executive Officer, determine the President/Chief Executive Officer's compensation, discuss the appraisal with the President/Chief Executive Officer and report its determination generally to the full Board Review the performance of all other members of the Senior Management Council and approve their compensation considering the recommendations of the President/Chief Executive Officer, and report its determinations generally to the full Board Review the performance of disqualified persons and other individuals in key leadership positions as determined by the Committee Review the succession plan and professional and career development of senior management in the organization Review the compensation plan for selected physicians, including LVPG Assure that any applicable Senior Management Committee Member's compensation arrangement (new hire, transfer, promotion or demotion) is reviewed and approved in advance by the Committee in accordance with all applicable rules and regulations, including Section 4958 of the Internal Revenue Code or its successor In particular, the Committee intends that its determinations qualify for the "Rebuttable Presumption of Reasonableness" and thus it will ensure that A compensation arrangement is approved in advance only by Committee members who do not have a conflict of interest with respect to the arrangement, It relies upon appropriate, independent comparability data prior to making its determination, and The basis for the determination is adequately documented concurrent with the Committee's approval Adequate documentation requires (i) the terms of compensation, (ii) date of approval, (iii) members present, (iv) the source of comparability information and the data, (v) rationale for compensation levels that fall at the upper end of the comparability da

Return Reference	Explanation	
	Form 990, Part VI, Section B, line 15	ta, and (vi) any actions taken with respect to conflicts of interest of any member of the Committee The documentation must be prepared by the later of the next meeting of the Committee or 60 days after final action and approved within a reasonable time thereafter The Committee, with respect to the administration of the Retirement, Severance and Health & Welfare Plans shall Appoint the Plan Administrator Delegate the day-to-day functions of plan administration to the Plan Administrator Specifically these delegated duties shall include convene a pension administration committee compliance with ERISA and IRS documentation and reporting requirements oversight and management of the benefit claims appeal process preparation and distribution of disclosures to Plan participants provide an annual report which include plan administration activities of the retirement, severance and health and welfare plans Make recommendations to the LVHN Board regarding Retirement Plan design Specific responsibilities shall include reviewing and making recommendations on the benefit structure, the Plan Document or Trust Agreement, review and recommend additions or deletions of organizational divisions covered by the Plan The Committee shall also Consider and make recommendations to the Board regarding the compensation philosophy for the Senior Management Council Annually evaluate the performance and function of the Committee, including a review of its compliance with this Charter Direct the establishment of a process that ensures compensation information is fully and fairly disclosed on the Form 990 Discharge such additional duties and responsibilities as the Board of Trustees may from time to time assign to it

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

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

Return Reference	Explanation
Form 990, Part XI, line 9	Unfunded Pension Liability -14,415,590 Transfer to Affiliates -11,972,112 Temporarily & Permanently Restricted Cash 28,283,798

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

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

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

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Lehigh Valley Hospital

Employer identification number
23-1689692

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

(a) Name, address, and EIN (if applicable) 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 entity? Yes	(g) 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) Disproprtionate 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	
(1) LVHN Reciprocal Risk Retention Group 151 Meeting Street Ste 301 Charleston, SC 29401 20-0037118	Insurance	PA	Lehigh Valley Health Network	Related		3,037,204		No			No	
(2) Health Network Laboratories LLC 2024 Lehigh Street Allentown, PA 18103 23-2932802	Laboratory Services	PA	Lehigh Valley Hospital	Related		828,750		No			No	
(3) Health Network Laboratories LP 2024 Lehigh Street Allentown, PA 18103 23-2948774	Laboratory Services	PA	Lehigh Valley Hospital	Related	6,542,267	126,880,087		No			No	
(4) Lehigh Magnetic Imaging Center 1230 S Cedar Crest Blvd Allentown, PA 18103 23-2429077	Imaging Center	PA	N/A									
(5) Lehigh Valley Imaging LLC 1200 S Cedar Crest Blvd Allentown, PA 18103 46-4551937	Imaging Center	PA	N/A									
(6) Hazleton Surgery Center LLC 17480 Dallas Parkway - Suite 210 Dallas, TX 75287 20-1232531	Surgical Services	TX	N/A									

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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) Lehigh Valley Health Services Inc 2100 Mack Blvd Allentown, PA 181035622 23-2263665	Health Care Related Services	PA	Lehigh Valley Health Network	C					No
(2) Lehigh Valley Anesthesia Services PC 2100 Mack Blvd Allentown, PA 181035622 23-3096124	Anesthesia Services	PA	Lehigh Valley Health Network	C					No
(3) Westgate Professional Center Inc 2100 Mack Blvd Allentown, PA 181035622 23-1657333	Real Estate Rentals	PA	Lehigh Valley Hospital - Muhlenberg	C					No
(4) Lehigh Valley Physician Hospital Organization Inc 2100 Mack Blvd Allentown, PA 181035622 23-2750430	Health Care Related Services	PA	Lehigh Valley Hospital	C					No
(5) Hazleton Saint Joseph Medical Office Building Inc 700 E Broad St Hazleton, PA 18201 23-2500981	Medical Office Rental	PA	Northeastern Pennsylvania Health Corporation	C					No

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d	Yes	
e Loans or loan guarantees by related organization(s)	1e	Yes	
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h	Yes	
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	Yes	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		No

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

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

Part VI **Unrelated Organizations Taxable as a Partnership** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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		Yes	No	

Part VII Supplemental Information

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

Return Reference	Explanation

Additional Data

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

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 section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) Lehigh Valley Health Network 1200 S Cedar Crest Blvd Allentown, PA 18103 22-2458317	Parent Company	PA	501(c)(3)	Line 11c, III-FI	N/A		No
(1) Lehigh Valley Hospital - Muhlenberg 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2367707	Health Care Organization	PA	501(c)(3)	Line 3	Lehigh Valley Health Network		No
(2) Lehigh Valley Physician Group 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2700908	Physician Practice Organization	PA	501(c)(3)	Line 9	Lehigh Valley Health Network		No
(3) Muhlenberg Realty Corporation 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2245513	Real Estate Rentals	PA	501(c)(3)	Line 11c, III-FI	Lehigh Valley Health Network		No
(4) Lehigh Valley Health Network Realty Holding Co 1200 S Cedar Crest Blvd Allentown, PA 18103 23-2586770	Real Estate Holding Co	PA	501(c)(2)		Lehigh Valley Health Network		No
(5) Northeastern Pennsylvania Health Corporation 700 E Broad St Hazleton, PA 18201 23-2421970	Health Care Organization	PA	501(c)(3)	Line 3	Lehigh Valley Health Network		No
(6) Hazleton Health & Wellness Center 700 E Broad St Hazleton, PA 18201 23-2580968	Staffing Services	PA	501(c)(3)	Line 11a, I	Northeastern Pennsylvania Health Corporation		No
(7) Hazleton Professional Services 700 E Broad St Hazleton, PA 18201 20-5880364	Physician Services	PA	501(c)(3)	Line 3	Lehigh Valley Physician Group		No
(8) Hazleton Surgical Alliance 700 E Broad St Hazleton, PA 18201 20-2038456	Surgical Services	PA	501(c)(3)	Line 3	Northeastern Pennsylvania Health Corporation		No

LEHIGH VALLEY HEALTH NETWORK
AND COMPONENT ENTITIES

Consolidated Financial Statements
As of and for the Years ended June 30, 2014 and 2013
with Independent Auditors' Report

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

Board of Trustees
Lehigh Valley Health Network

We have audited the accompanying consolidated financial statements of Lehigh Valley Health Network and Component Entities, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Opinion

In our opinion, the 2014 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lehigh Valley Health Network and Component Entities as of June 30, 2014, and the results of their operations and their cash flows for the year then ended in accordance with U S generally accepted accounting principles

Other Matter

The accompanying consolidated financial statements of Lehigh Valley Health Network and Component Entities as of June 30, 2013 and for the year then ended were audited by other auditors whose report thereon dated September 4, 2013, expressed an unmodified opinion on those consolidated financial statements

KPMG LLP

Philadelphia, Pennsylvania
September 22, 2014

Lehigh Valley Health Network and Component Entities
Consolidated Statements of Financial Position
June 30, 2014 and 2013
(In Thousands)

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$44,061	$25,989
Patient accounts receivable, net	240,766	223,856
Other accounts receivable	30,947	17,777
Inventories	24,911	18,696
Prepaids	21,347	15,048
Assets limited under bond debt service fund - current portion	15,329	15,186
Assets limited under primary professional liability arrangements - current portion	5,252	5,392
Total current assets	382,613	321,944
Noncurrent assets:		
Assets whose use is limited or restricted		
Assets limited by board of trustees for capital improvements	882,792	804,304
Assets limited by board of trustees for retained excess professional 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 - held by trustee	8,452	5,274
Assets restricted by donors and 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
Total noncurrent assets	2,143,684	1,788,603
Total assets	$2,526,297	$2,110,547
Liabilities and net assets		
Current liabilities:		
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	14,614	12,303
Current portion of capital lease obligations	352	0
Total current liabilities	220,056	165,880
Noncurrent liabilities:		
Long-term debt, net of current portion	586,740	534,552
Long-term portion of capital lease obligations	104,652	34,817
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
Total noncurrent liabilities	1,015,611	878,874
Total liabilities	1,235,667	1,044,754
Net assets:		
Unrestricted		
Lehigh Valley Health Network and Component Entities	1,084,665	895,304
Noncontrolling interests in subsidiaries	25,416	19,366
Total unrestricted net assets	1,110,081	914,670
Temporarily restricted	129,056	103,382
Permanently restricted	51,493	47,741
Total net assets	1,290,630	1,065,793
Total liabilities and net assets	$2,526,297	$2,110,547

See accompanying notes to consolidated financial statements

Lehigh Valley Health Network and Component Entities
Consolidated Statements of Operations
Years Ended June 30, 2014 and 2013
(In Thousands)

	2014	2013
Patient services and supporting operations		
Revenues		
Net patient service revenue (net of contractual allowances & discounts)	$1,728,865	$1,637,519
Provision for bad debts	(84,505)	(117,493)
Net patient service revenue (net of bad debts)	1,644,360	1,520,026
Other supporting operations revenue	44,415	36,988
Net assets released from restrictions used for operations	5,426	4,858
Total revenues	1,694,201	1,561,872
Expenses		
Salaries and 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
Total expenses	1,652,290	1,528,888
Operating income	41,911	32,984
Other nonoperating gains and losses		
Realized and unrealized investment earnings	61,247	27,823
Change in net unrealized gains on swaps	991	8,459
Loss on refinancing of debt	0	(4,537)
Contribution received in acquisition of GHHA	72,415	0
Other nonoperating gains and losses, net	134,653	31,745
Revenues and gains in excess of expenses and losses before income taxes	176,564	64,729
Provision for income taxes	(2,076)	(2,935)
Revenues and gains in excess of expenses and losses	174,488	61,794
Noncontrolling interests	(6,527)	(1,890)
Revenues and gains in excess of expenses and losses attributed to Lehigh Valley Health Network and Component Entities	167,961	59,904
Net assets released from restrictions - capital acquisitions	1,472	1,846
Contribution of long lived assets	118	491
Adjustment to funded status of pension plan	(17,853)	69,310
Change in noncontrolling interests	6,050	302
Change in net unrealized (losses) gains on swaps	(30)	290
Change in net unrealized gains on investments	37,693	25,519
Increase in unrestricted net assets	$195,411	$157,662

See accompanying notes to consolidated financial statements

Lehigh Valley Health Network and Component Entities
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2014 and 2013
(In Thousands)

	2014	2013
Unrestricted net assets		
Revenues and gains in excess of expenses and losses attributed to Lehigh Valley Health Network and Component Entities	$167,961	$59,904
Net assets released from restrictions - capital acquisitions	1,472	1,846
Contribution of long lived assets	118	491
Adjustment to funded status of pension plans	(17,853)	69,310
Change in noncontrolling interests	6,050	302
Change in net unrealized (losses) gains on swaps	(30)	290
Change in net unrealized gains on investments	37,693	25,519
Increase in unrestricted net assets	195,411	157,662
Temporarily restricted net assets		
Contributions	9,660	2,969
Contribution of GHHA restricted net assets	840	0
Reclassification (to) from permanently restricted net assets	(717)	231
Increase in assets temporarily held in trust	0	1
Realized and unrealized investment gains, net	22,907	14,124
Net assets released from restrictions	(7,016)	(7,195)
Increase in temporarily restricted net assets	25,674	10,130
Permanently restricted net assets		
Contributions	2,435	1,252
Reclassification from (to) temporarily restricted & unrestricted net assets	717	(236)
Increase in beneficial interest in perpetual trusts	600	284
Increase in permanently restricted net assets	3,752	1,300
Increase in net assets	224,837	169,092
Net assets, beginning of year	1,065,793	896,701
Net assets, end of period	$1,290,630	$1,065,793

See accompanying notes to consolidated financial statements

Lehigh Valley Health Network and Component Entities
Combined Statements of Cash Flows
Years Ended June 30, 2014 and 2013
(In Thousands)

	2014	2013
Cash flows from operating activities:		
Increase in net assets	$224,837	$169,092
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	95,398	84,574
Loss on refinancing of debt	0	4,537
Net realized and unrealized (gains) on unrestricted investments	(83,349)	(37,626)
Restricted contributions received for capital and endowments and related investment (gains)	(28,181)	(11,586)
Adjustment to funded status of pension plans	17,853	(69,310)
Non-cash interest expense	176	212
Change in net unrealized (gains) on swaps	(961)	(8,749)
Provision for bad debts	84,505	117,493
Adjustment to noncontrolling interests due to a change in control of equity investee	(631)	(80)
Changes in assets and liabilities		
(Increase) in patient accounts receivable, net	(90,231)	(132,347)
(Increase) in prepaids, inventories and other current assets	(21,960)	(2,354)
(Increase) in other noncurrent assets	(20,878)	(4,562)
Decrease (increase) in interest earned but not received on assets whose use is limited or restricted	782	(41)
Increase (decrease) accounts payable	9,157	(1,750)
Increase (decrease) in other accrued expenses	4,104	(2,508)
Increase (decrease) in accrual for estimated third party payer settlements	271	(1,056)
Increase (decrease) in accrued compensation	12,795	(3,838)
(Decrease) in pension liability	(33,551)	(20,803)
Increase in professional liability	3,260	2,198
Acquisition of GHHA	(73,255)	0
Increase in deferred compensation and other liabilities funded with matching assets, and other liabilities	4,797	3,983
Net cash provided by operating activities	104,938	85,479
Cash flows from investing activities:		
Purchases of property and equipment	(172,281)	(100,272)
Contribution of GHHA cash	4,040	0
Purchases of investments	(1,794,225)	(1,040,778)
Proceeds from sales of investments	1,848,712	990,578
Net cash (used in) investing activities	(113,754)	(150,472)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	38,000	166,085
Payment of financing costs	0	(2,066)
Repayment of debt	(14,253)	(101,177)
Payments made on capital leases	(55)	0
Proceeds from contruction fund	989	0
Proceeds from restricted contributions for capital and endowments	2,208	2,078
Net cash provided by financing activities	26,889	64,920
Net increase (decrease) in cash and cash equivalents	18,073	(73)
Cash and cash equivalents, beginning of year	25,989	26,062
Cash and cash equivalents, end of year	$44,062	$25,989
Supplemental cash flow information:		
Cash paid for interest	$24,070	$19,957
Cash paid for income taxes	$2,045	$2,208
Non-cash capital lease additions	$69,733	$0
Non-cash increase in capital lease obligation	$176	$212
Amounts accrued for purchase of property and equipment in excess of amounts paid	$9,147	$9,762

See accompanying notes to consolidated financial statements

LEHIGH VALLEY HEALTH NETWORK AND COMPONENT ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (AMOUNTS IN THOUSANDS OF DOLLARS)

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lehigh Valley Health Network ("LVHN") is a not-for-profit 501(c)(3) corporation that controls related organizations in a health care delivery network providing a wide array of health care services and products to the Lehigh Valley, Hazleton and surrounding communities in Pennsylvania. The consolidated financial statements of Lehigh Valley Health Network and Component Entities (the "Organization") at June 30, 2014 include the accounts of the following entities:

Entity Name	Income Tax Status
Lehigh Valley Health Network ("LVHN")	Exempt-501(c)3
Lehigh Valley Hospital ("LVH")	Exempt-501(c)3
Lehigh Valley Hospital - Muhlenberg ("LVHM")	Exempt-501(c)3
Lehigh Valley Hospital - Hazleton ("LVHH")	Exempt-501(c)3
Lehigh Valley Physician Group ("LVPG")	Exempt-501(c)3
Muhlenberg Realty Corporation ("MRC")	Exempt-501(c)3
Hazleton Health & Wellness Center ("HHWC")	Exempt-501(c)3
Hazleton Professional Services ("d/b/a Alliance Medical Group")	Exempt-501(c)3
Hazleton Surgical Alliance ("HSA")	Exempt-501(c)3
Health Network Laboratories, LP ("HNL") - 97% owned by LVHN	Non-exempt
Health Network Laboratories, LLC	Non-exempt
Lehigh Valley Health Services, Inc ("LVHS")	Non-exempt
Populytics, Inc	Non-exempt
Spectrum Health Ventures, Inc	Non-exempt
Hazleton Saint Joseph Medical Office Building, Inc	Non-exempt
LVHN Reciprocal Risk Retention Group ("RRG")	Non-exempt
Lehigh Valley Health Network Realty Holding Company, Inc ("LVHNRHC")	Exempt-501(c)2
Westgate Professional Center, Inc ("Westgate")	Non-exempt
Lehigh Valley Anesthesia Services, PC ("LVAS")	Non-exempt
Lehigh Valley Physician Hospital Organization ("LVPHO") - 50% owned by LVHN	Non-exempt
Lehigh Valley Imaging, LLC ("LVI") - 72% owned by LVH	Non-exempt
Lehigh Magnetic Imaging Center ("LMIC") - 77% owned by LVHN	Non-exempt
Hazleton Surgery Center, LLC ("HSC") - 66% owned by HSA	Non-exempt

All significant intercompany balances and transactions have been eliminated.

Acquisition/Merger

On April 16, 2013, Lehigh Valley Health Network (LVHN) executed an affiliation agreement with the Greater Hazleton Health Alliance (GHHA) providing for an affiliation between LVHN and Hazleton General Hospital (HGH), and Alliance Medical Group (AMG). The governing documents of GHHA were amended such that effective January 1, 2014, the closing date of the affiliation, GHHA merged into LVHN and LVHN became the sole member of Hazleton General Hospital and component entities. GHHA consisted primarily of HGH, a 150-bed inpatient acute care and rehab hospital also providing emergency care with outpatient services including surgery, diagnostic testing, and therapy provided at the Hazleton Health & Wellness Center, and AMG, a multi-specialty physician group. Pursuant to the affiliation agreement, LVHN has agreed to evaluate and invest in the future facility needs of the Hazleton community. The scope of this investment is subject to determination of the LVHN Board of Trustees, following LVHN's capital planning process and taking into consideration the changing healthcare delivery system. Additionally, the HGH name changed to Lehigh Valley Hospital – Hazleton (LVHH). Lehigh Valley Health Network incurred $3,216 ($2,834 in FY14 and $382 in FY13) and Greater Hazleton Health Alliance incurred $434 in costs related to the acquisition. No consideration was paid to GHHA as a result of the affiliation agreement. LVHN applied the business combination accounting guidance in Financial

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition/Merger (continued)
Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2010-07, Not-for-Profit Entities (Topic 958-805) Mergers and Acquisitions, to account for this transaction The guidance primarily characterizes certain business combinations between not-for-profit entities as nonreciprocal transfers of assets resulting in the contribution of the fair value of the acquiree's net assets to the acquirer Accounting Standards Codification (ASC) 958-805 prescribes that the acquirer recognize the excess of fair value at the acquisition date of unrestricted net assets acquired over the fair value of the consideration transferred as a separate credit in its Consolidated Statement of Operations Accordingly, LVHN recognized, as a component of Other nonoperating gains and losses, contribution income related to the unrestricted net assets acquired in the transactions of $72,415 in its Consolidated Statements of Operations for the year ended June 30, 2014 LVHN also recorded an increase in restricted net assets of $840 in its Consolidated Statements of Changes in Net Assets for the year ended June 30, 2014 as a result of the affiliations

The following table summarized the estimated fair values of the assets acquired and liabilities assumed as of the date of the affiliation

	Jan 1, 2014
Assets	
Current assets	$18,974
Property and equipment	46,124
Other long-term assets	80,494
Total assets	$145,592
Liabilities	
Current liabilities	$28,358
Long-term debt	28,765
Other long-term liabilities	15,214
Total liabilities	$72,337
Net assets acquired	
Unrestricted	$72,415
Temporarily restricted	840
Permanently restricted	0
Total net assets	$73,255
Total liabilities and net assets	$145,592

The following tables summarize the activity attributable to LVHH and AMG since the date of affiliation through June 30, 2014, and LVHN's pro forma combined results as though the affiliation date occurred at the beginning of the fiscal year 2014

Since affiliation date	
Operating revenues	$61,289
Operating income	4,114
Changes in net assets	
Unrestricted	$2,924
Temorarily restricted	85
Permanently restricted	657
Total changes in net assets	$3,666

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition/Merger (continued)

	2014 LVHN pro forma combined	2013 LVHN pro forma combined
Beginning of fiscal year 2014		
Operating revenues	$1,752,059	$1,680,346
Net operating income	40,381	42,228
Changes in net assets		
Unrestricted	$207,276	$167,680
Temorarily restricted	25,837	10,246
Permanently restricted	3,729	1,300
Total changes in net assets	$236,842	$179,226

Basis of Accounting
The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Entities*, and other pronouncements applicable to not-for-profit health care organizations The Organization evaluated subsequent events through September 22, 2014, the date the financial statements were issued, and determined there were no subsequent events requiring disclosure

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

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

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid investments purchased with an initial maturity of three months or less, excluding amounts included in assets whose use is limited or restricted At June 30, 2014 and 2013, the Organization had cash balances at financial institutions that exceeded federal depository insurance limits Management believes that credit risk related to these deposits is minimal Cash and cash equivalents are carried at cost, which approximate fair value

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

Goodwill
Goodwill represents the excess of the purchase price over the estimated fair value of the net assets or equity acquired

The Organization evaluates goodwill for impairment annually and whenever events or changes in circumstances indicate that the value of the asset may be impaired Impairment testing consists of performing internal qualitative assessment and considers other publicly available market information If the carrying amount of the goodwill exceeds the estimated fair value, an impairment charge to current operations is recorded to reduce the carrying value to the estimated fair value As of June 30, 2014 and 2013, there was no indication of impairment of goodwill

Goodwill (continued)
Changes in carrying value of goodwill were as follows at June 30

Balance at July 1, 2012	$14,848
Goodwill activity FY 2013	5,005
Balance at June 30, 2013	$19,853
Goodwill additions associated with current year acquisitions	28,434
Balance at June 30, 2014	$48,287

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

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

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

Income Taxes
LVHN, its hospitals, and other subsidiaries are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, except for tax imposed on unrelated business income LVHN and its component entities account for uncertain tax positions in accordance with ASC Topic 740 The Organization's for-profit components recognize deferred tax assets and liabilities for the future tax impact of temporary differences between amounts recorded in the consolidated financial statements and their respective tax bases and the future benefit of utilization net operating loss carryforwards Income taxes of the Organization's tax-exempt and for-profit components are not material to the accompanying financial statements

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

	Lives
Land improvements	2 - 25 years
Buildings and building equipment	5 - 40 years
Fixed and major movable equipment	2 - 20 years

Assets under capital lease are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets Such amortization is included in depreciation and amortization in the Consolidated Statements of Operations Interest costs, net of related interest earnings, incurred on related funds acquired through the issuance of tax-exempt bonds is capitalized during the period of construction of capital assets as a component of the cost of acquiring those assets Capitalized interest for the years ended June 30, 2014 and 2013 was $143 and $0, respectively Leasehold improvements and software licenses are amortized over the shorter of their useful lives or the term of the lease using the straight-line method The cost of assets and the related accumulated depreciation are removed from the records upon retirement or other disposition and any gain or loss is included in the Consolidated Statements of Operations

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Retirement Obligations
The Organization recognizes the fair value of a liability for legal obligations associated with conditional asset retirement obligations ("ARO's") in the period in which the liability is incurred ARO's are accreted to their present value at the end of each reporting period The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over their useful life ARO's are adjusted each year for any liabilities incurred or settled during the period, accretion expense, and any revisions made to the estimated cash flows The Organization has identified ARO's related to the legally required remediation of asbestos existing within the Organization's facilities While all hazardous materials within the Organization's facilities are currently contained and meet existing safety standards, the capitalized asset and liability recorded relate to the eventual remediation and removal that is legally required upon the ultimate repair, renovation, or demolition of facilities containing the hazardous materials ARO liabilities recorded in Other liabilities in the Consolidated Statements of Financial Position at June 30, 2014 and 2013 were $4,759 and $4,867, respectively

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

Deferred Financing Costs
Deferred financing costs, principally legal fees and bond issuance costs, are amortized over the period of financing under the straight-line method which approximates the effective interest rate method Gross deferred financing costs at June 30, 2014 and 2013 were $15,275 and $14,904 respectively Accumulated amortization of deferred financing costs was $4,537 and $3,817 at June 30, 2014 and 2013, respectively

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

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

Estimated third-party payer settlement liabilities recorded at June 30, 2014 and 2013 were $11,849 and $2,419, respectively Estimated third-party payer settlement assets recorded at June 30, 2014 and 2013 were $8,513 and $2,967, respectively, and were recorded in Other accounts receivable on the Consolidated Statements of Financial Position

Noncontrolling Interests in Subsidiaries
The Consolidated Statements of Financial Position include noncontrolling interests that relate to the portion of subsidiaries that are not owned by the Organization Similarly, the Consolidated Statements of Operations include noncontrolling interests that reflect amounts not attributable to the Organization, which are reported as Noncontrolling interests

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

Patient services and supporting operations revenues and expenses are those revenues and expenses directly related to the provision of patient care, community wellness and education Other nonoperating gains and losses includes Realized and unrealized investment earnings, Change in net unrealized gains on swaps, Loss on refinancing of debt, Contribution received in acquisition of GHHA, and Noncontrolling interests

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Performance Indicator

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

Net Patient Service Revenue

The Organization records gross patient service revenue in the period that the services are rendered Net patient service revenue before the provision for bad debts represents gross patient service revenue less provisions for contractual adjustments and uninsured discounts Payments for services rendered to patients covered by Medicare, Medicaid, and other government programs are generally less than billed charges and, therefore, provisions for contractual adjustments are made to reduce gross patient service revenue to the estimated cash receipts based on each program's principles of payment/reimbursement

Estimates of contractual allowances for services rendered to patients covered by commercial insurance, including managed care health plans, are primarily based on the payment terms of contractual arrangements, such as predetermined rates per diagnosis, per diem rates or discounted fee for service rates Revenue related to uninsured patients have uninsured discounts applied, effective July 1, 2013 the uninsured discount is based on the amount generally billed (AGB), as defined in proposed IRS section 501(r)

The Organization records a provision for bad debts related to uninsured accounts net of the AGB discount to record the net self pay accounts receivable at the estimated amounts the Organization expects to collect Coinsurances and deductibles within the third-party payer agreements are the patient's responsibility and the Organization includes these amounts in the self pay accounts receivable and considers these amounts in its determination of the provision for bad debts based on collection experience

Net patient accounts receivable includes provisions for bad debts of $77,716 and $150,905 at June 30, 2014 and 2013, respectively Bad debt reserves are estimated based on the Organization's belief that a patient has the ability to pay for services but payment is not expected to be received

The provision for bad debts is based on management's assessment of historical and expected collections, business economic conditions, trends in health care coverage, and other collection indicators Accounts receivable are written off against the provision for bad debts when management determines that recovery is unlikely and the Organization ceases collection efforts Effective July 1, 2013, the Organization began discounting uninsured accounts using the AGB principle The policy change decreases the expected payment amount from the uninsured and the necessary reserves for bad debt

Patient service revenue, net of contractual allowances, discounts, and provisions for bad debts recognized was as follows at June 30, 2014 and 2013

	2014		2013	
Medicare	$405,295	25%	$372,316	24%
Medicare Managed Care	152,186	9%	138,320	9%
Medicaid	54,408	3%	63,610	4%
Medicaid Managed Care	105,259	6%	76,303	5%
Commercial Insurance	800,330	49%	754,673	50%
Other	107,512	7%	101,102	7%
Uninsured	19,370	1%	13,702	1%
Net patient service revenue (net of bad debts)	$1,644,360	100%	$1,520,026	100%

Net patient service revenue also includes estimates for retroactive adjustments under reimbursement agreements with third-party payers Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered or when known by the Organization and adjusted in future periods as final settlements are determined Laws and regulations governing the Medicare and Medicaid programs is complex and subject to interpretation As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term Changes in prior year estimates increased net patient service revenue by $18,750 and $7,344 in the fiscal years ended June 30, 2014 and 2013, respectively

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Meaningful Use
Under the Health Information Technology for Economic and Clinical Health (HITECH) Act, qualifying acute care hospitals are eligible for incentive payments from both Medicare and Medicaid for achieving prescribed standards for the meaningful use of electronic health records The Organization records amounts earned as Other supporting operations revenue when the Organization has met the compliance requirements as set forth by Medicare and Medicaid The Organization reported as Other supporting operations revenue $10,727 and $4,580 from both Medicare and Medicaid at June 30, 2014 and 2013, respectively

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

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

	2014	2013
Medicare	19%	19%
Medicare Managed Care	7%	6%
Medicaid	9%	10%
Medicaid Managed Care	7%	6%
Commercial Insurance	36%	34%
Other	6%	5%
Self Pay	16%	20%
Total	100%	100%

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

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

The June 30, 2014 and 2013 consolidated financial statements include actuarially determined self-insured medical malpractice expenses of $11,949 and $9,618, respectively, and are reported as Other expense in the Consolidated Statements of Operations Corresponding reserves are reported as current and non-current Professional liability in the Consolidated Statements of Financial Position Commercial excess insurance expense and MCARE assessments totaled $6,179 and $5,243 for the years ended June 30, 2014 and 2013, respectively, and were recorded in Other expense in the Consolidated Statements of Operations

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Whose Use is Limited

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

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

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

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

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

2 ASSETS WHOSE USE IS LIMITED OR RESTRICTED AND PARTNERSHIP INVESTMENTS

Investments carried primarily at fair value and other assets carried at cost at June 30, 2014 and 2013 are summarized as follows

	Short-term investments	U S government agencies and authorities	Corporate bonds	Fixed income mutual funds	Marketable equity securities	Equity mutual funds	Alternative investments (C)	Other investments (A)	Accrued interest	Total
2014										
Assets whose use is limited or restricted										
under bond debt service fund - current portion	$15,329	$0	$0	$0	$0	$0	$0	$0	$0	$15,329
under primary professional liability arrangements - current portion	22	1,118	2,736	0	0	1,359	0	0	17	5,252
by board of trustees for capital improvements	7,335	51,521	125,715	126,597	41,707	359,915	169,075	0	927	882,792
by board of trustees for retained excess professional liability arrangements	285	1,146	2,793	2,068	1,007	7,241	3,927	0	21	18,488
under primary professional liability arrangements	376	9,357	22,889	1,484	709	15,576	2,784	0	142	53,317
by management (B)	22	250	775	6,031	1,239	11,984	2,813	8,477	8	31,599
under bond indenture, bond construction, debt service, and debt service reserve agreements - held by trustee	5,161	3,277	0	0	0	0	0	0	14	8,452
by donors and grantors	239	1,638	3,906	42,377	9,139	83,952	18,411	20,838	49	180,549
to fund deferred compensation and other liabilities	3,916	2,808	6,936	6,861	398	36,562	0	2,487	42	60,010
Partnership investments	0	0	0	0	0	0	0	9,331	0	9,331
Total investments	$32,685	$71,115	$165,750	$185,418	$54,199	$516,589	$197,010	$41,133	$1,220	$1,265,119
2013										
Assets whose use is limited or restricted										
under bond debt service fund - current portion	$15,186	$0	$0	$0	$0	$0	$0	$0	$0	$15,186
under primary professional liability arrangements - current portion	18	1,930	1,871	0	51	1,355	153	0	14	5,392
by board of trustees for capital improvements	1,925	199,515	187,994	13,037	39,459	246,249	114,535	0	1,590	804,304
by board of trustees for retained excess professional liability arrangements	41	4,261	4,029	0	844	5,018	2,518	0	34	16,745
under primary professional liability arrangements	136	15,850	15,337	0	627	11,728	1,878	0	119	45,675
by management (B)	298	2,831	2,829	0	1,147	11,328	2,539	8,477	26	29,475
under bond indenture, bond construction, debt service, and debt service reserve agreements - held by trustee	5,274	0	0	0	0	0	0	0	0	5,274
by donors and grantors	196	17,699	17,682	49	7,994	76,322	16,414	14,612	155	151,123
to fund deferred compensation and other liabilities	3,869	6,073	8,745	0	444	27,290	0	2,662	64	49,147
Partnership investments	0	0	0	0	0	0	0	9,481	0	9,481
Total investments	$26,943	$248,159	$238,487	$13,086	$50,566	$379,290	$138,037	$35,232	$2,002	$1,131,802

(A) Includes $8,174 and $6,939 representing the Organization's interest in certain perpetual trusts stated at net present value at June 30, 2014 and 2013, respectively (see Note 1) Includes $10,094 and $5,176 of pledges receivable at June 30, 2014 and 2013, respectively (see Note 14) Includes other investments, primarily cash surrender value of life insurance of $4,234 and $4,336 at June 30, 2014 and 2013, respectively Includes partnership investments of $9,331 and 9,481 at June 30, 2014 and 2013, respectively Includes an unrestricted gift of land valued at $8,250 at June 30, 2014 and 2013 Includes $1,050 representing LVHS remaining interest in the Elsa K Farr Trust at June 30, 2014 and 2013, respectively

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

(C) Includes $197,010 and $138,037 in alternative investments at June 30, 2014 and 2013, respectively Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market existed, and such differences could be material (see Note 13)

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

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

	2014	2013
Income		
Interest and dividend income	$18,416	$18,372
Net realized gains on investments	45,665	15,474
Net unrealized gains on investments	57,766	33,620
Total	$121,847	$67,466
Reported as follows		
Consolidated Statements of Operations		
Other nonoperating gains and losses - Realized and unrealized investment earnings	$61,247	$27,823
Change in net unrealized gains on investments	37,693	25,519
Consolidated Statements of Changes in Net Assets		
Temporarily restricted net assets - Realized and unrealized investment gains, net	22,907	14,124
Total	$121,847	$67,466

Other Than Temporary Impairment

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

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

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

During years ended June 30, 2014 and 2013, assessments of other than temporary impairment were performed on each security held by the Organization Factors considered in determining whether an other than temporary impairment existed included the financial condition, business prospects and creditworthiness of the issuer, and the length of time and extent to which fair value had been less than cost for equity securities or amortized cost for fixed income securities

The other than temporary impairment losses recorded during the years ended June 30, 2014 and 2013 were $7,574 and $4,388, respectively These losses are reported in Realized and unrealized investment earnings in the Consolidated Statements of Operations

In addition to the above, certain other investments had fair values below cost at June 30, 2014 and 2013 but were determined to not be other than temporarily impaired due to the Organization's ability and intent to hold the securities until recovery of fair value

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

Other Than Temporary Impairment (continued)

The following table presents the unrealized losses and fair value of these investments, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized loss	Fair Value	Unrealized loss	Fair Value	Unrealized loss
2014						
Equity mutual funds	$0	$0	$0	$0	$0	$0
Alternative investments	0	0	0	0	0	0
Total	$0	$0	$0	$0	$0	$0
2013						
Equity mutual funds	$6,982	($54)	$133,499	($1,023)	$140,481	($1,077)
Alternative investments	42,476	(5,832)	0	0	42,476	(5,832)
Total	$49,458	($5,886)	$133,499	($1,023)	$182,957	($6,909)

The unrealized losses on investments in marketable equity securities were caused by a combination of economic, industry, and company factors The Organization's marketable equity securities portfolios are diversified The nature of a diversified portfolio is that at any point in time some holdings are reasonably expected to reflect market losses Since the declines in market value of equity securities are not considered severe in nature on a security by security basis, the financial condition and near term prospects of the issuer are not in question, and the Organization has the ability and intent to hold to recovery, the Organization does not consider those investments to be other than temporarily impaired at June 30, 2014 and 2013

3 LONG-TERM DEBT

Long-term debt consists of the following at June 30	2014	2013
Hospital Revenue Bonds, Series A of 1994 (net of unamortized bond discount of $2 and $3 at June 30, 2014 and 2013, respectively) at a fixed rate of 7 000% due in various amounts through July 1, 2016	$3,973	$5,127
Hospital Revenue Bonds, Series A of 2005 At variable rates of interest (0 104% and 0 134% at June 30, 2014 and 2013, respectively) due in various amounts through July 1, 2025 These bonds are privately held and the interest rate is indexed and resets on a monthly basis See Page 20 "Swap Agreements"	46,900	48,400
Hospital Revenue Bonds, Series B of 2005 At a fixed rate of 5 000% due in various amounts through July 1, 2035	81,000	81,000
Hospital Revenue Bonds, Series A of 2008 (net of unamortized bond premium of $280 and $292 at June 30, 2014 and 2013, respectively) at fixed rates ranging from 4 000% to 5 000% due in various amounts through July 1, 2038	66,411	67,742
Hospital Revenue Bonds, Series B of 2008 At variable rates of interest (0 104% and 0 134% at June 30, 2014 and 2013, respectively) due in various amounts through July 1, 2028 These bonds are privately held and the interest rate is indexed and resets on a monthly basis See Page 21 "Swap Agreements"	84,155	86,235
Hospital Revenue Bonds, Series C of 2008 At variable rates of interest (0 111% and 0 143% at June 30, 2014 and 2013, respectively) due in various amounts through July 1, 2029 These bonds are privately held and reprice daily	57,005	57,915
Hospital Revenue Bonds, Series A of 2011 At variable rates of interest (0 104% and 0 134% at June 30 , 2014 and 2013, respectively) due in various amounts through July 1, 2029 These bonds are privately held and reprice daily	21,500	23,685
Hospital Revenue Bonds, Series A of 2012 At variable rates of interest (0 139% and 0 185% at June 30, 2014 and 2013, respectively) due in various amounts through July 1, 2021 These bonds are privately held and the interest rate is indexed and resets on a monthly basis See Page 21 "Swap Agreements"	13,975	16,885

3 LONG-TERM DEBT (Continued)

	2014	2013
Hospital Revenue Bonds, Series B of 2012 (net of unamortized bond premium of $2,459 and $2,576 at June 30, 2014 and 2013, respectively) at fixed rates ranging from 3.000% to 4.000% due in various amounts through July 1, 2043	154,693	154,856
Revenue Note, Series 2012 At a fixed rate of 3.600% through January 2022 and variable rates of LIBOR plus 225 basis points thereafter	27,415	0
Capital Lease Liability on The Center for Orthopedic Medicine and The LVHN Surgery Center located on Tilghman Street Payable in monthly installments through December 2025 with subsequent renewal and purchase options	20,433	0
Capital Lease Liability on clinical equipment located at Hazleton Payable in monthly installments through March 2016	262	0
Capital Lease Liability on LVHN - One City Center located in downtown Allentown Payable in monthly installments through May 2034 with subsequent renewal options	49,316	0
Capital Lease Liability on parking deck and The Center for Advanced Health Care MOB located on LVH campus at Cedar Crest & I78 Payable in monthly installments through February 2027 with subsequent renewal options	34,993	34,817
Mortgage liability to National Penn Bank for Hazleton Health & Wellness Center located at Hazleton and payable in monthly installments at an interest rate of 3.86%	1,515	0
Mortgage liability to PNC Bank on property located at 794 Roble Road, Allentown PA for future expansion of HNL operations At a fixed rate of 2.82% and payable in annual installments through July 2043	38,000	0
Mortgage liability to Firstrust Bank on property located at 2649 Schoenersville Road, Bethlehem, PA containing a medical office building on the LVHM campus At a fixed rate of 4% with monthly payments of $33 through March 2016	4,812	5,010
Total debt (net of unamortized bond premium and discount of $2,737 and $2,865 at June 30, 2014 and 2013, respectively)	$706,358	$581,672
Less current maturities	(14,966)	(12,303)
Total long-term debt, net of current portion	$691,392	$569,369

Maturities of Long-Term Debt

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

	Long-Term Debt
2015	$14,614
2016	20,477
2017	16,539
2018	17,208
2019	17,823
Thereafter	511,956
Total principal for long-term debt	$598,617

Long-Term Debt – Authority Bond Issues

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

Issuance of Tax-Exempt Bonds – Series B of 2012

In December 2012, the Obligated Group issued $152,280 net of issuance premium of $2,645 in fixed rate Hospital Revenue Bonds, Series B of 2012 to finance a variety of capital investments and refinance $80,641 of fixed rate Hospital Revenue Bonds Proceeds from the issuance included $78,675 to pay for capital projects and related costs, $15,950 to refinance the 2001B bonds, $57,655 to refinance the 2003A bonds, and cost of issuance fees of $1,860 A loss on refinancing of $3,990 was recorded and is reported as Loss on refinancing of debt in Other nonoperating gains and losses in the 2013 Consolidated Statements of Operations

3 LONG-TERM DEBT (Continued)

Capital Leases

In August 2005, LVH entered into a lease arrangement with a third party to finance the construction of a 133,000 square foot medical office building to house The Center for Advanced Health Care and an adjacent 892 space parking deck. The lease has an initial term of 20 years with an optional renewal for 9 years and an additional optional renewal for another 11 years with a bargain purchase price option at the end of the second renewal. Lease payments are approximately $2,369 to $2,580 annually over the next five years and are subject to annual adjustments. Interest expense related to this financing is recorded throughout the life of the financing.

In March 2011, Greater Hazleton Health Alliance (GHHA) entered into a lease arrangement with a third party to lease clinical laboratory equipment. The lease has a term of 5 years with an obligation to purchase all the equipment for one dollar at the end of the term. The governing documents of GHHA were amended effective January 1, 2014, the closing date of the affiliation between LVHN and GHHA, where upon, GHHA merged into LVHN and LVHN became the sole member of Hazleton General Hospital.

In August 2012, the Organization entered into a lease arrangement with a third party to lease 186,000 square feet in a newly constructed office building in downtown Allentown. LVHN-One City Center houses a fitness center along with numerous sports medicine services and administrative office space. The lease has an initial term of 20 years beginning June 2014 with an optional renewal of 9 years and 11 months and an additional optional renewal of 10 years.

In November 2013, the Organization entered into a lease arrangement with a third party to lease 60,000 square feet in a former hospital and adjacent medical building to house The Center for Orthopedic Medicine-Tilghman, The LVHN Surgery Center-Tilghman and ExpressCARE-Tilghman. The lease has an initial term of 12 years beginning December 2013 with a bargain purchase option at the end of the initial term or two optional renewal terms of 5 years each.

Minimum future payments on capital lease payments for the next five fiscal years and thereafter are as follows:

	Principal	Interest	Scheduled Payments
2015	$352	$6,566	$6,918
2016	634	6,581	7,215
2017	611	6,596	7,207
2018	708	6,608	7,316
2019	837	6,615	7,452
Thereafter	61,739	86,809	148,548
Totals for capital leases	$64,881	$119,775	$184,656

Issuance of Mortgage

In December 2013, Health Network Labs issued $38,000 in bank debt for property located at 794 Roble Road payable in annual installments through July 2043.

Swap Agreements

The Organization has hedged its long term exposure to rising interest rates on portions of its variable rate debt through the participation in interest rate swaps. As of June 30, 2014, interest rate swap agreements with external counter parties were in place on the Series A of 2005 Bonds (the "2005 Swap"), the Series B of 2008 Bonds (the "2006 Swaps"), and Series A of 2012 (the "2012 Swap") bonds. These interest rate swaps effectively convert these variable rate bonds to a fixed rate. The Swaps carry a fair value based on long term interest rates and are further described in the table below:

3 LONG-TERM DEBT (Continued)

Swap Agreements (continued)

		Asset Derivatives	
		Fair Value	
Derivatives designated as hedging instruments	Consolidated Statements of Financial Position - location	2014	2013
Interest rate contracts - 2012 Swaps	Goodwill and other noncurrent assets	$90	$120

		Liability Derivatives	
		Fair Value	
Derivatives not designated as hedging instruments	Consolidated Statements of Financial Position - location	2014	2013
Interest rate contracts - 2005 Swap	Other liabilities	$5,984	$6,288
Interest rate contracts - 2006 Swaps	Other liabilities	11,204	11,891
Total derivatives not designated as hedging		$17,188	$18,179
Total derivatives, net		$17,098	$18,059

For the years ended June 30, 2014 and 2013, the 2005 and 2006 Swaps were determined to be ineffective hedges for accounting purposes and as a result did not qualify for hedge accounting treatment. Consequently, changes in the Swaps fair values are reported as a component of Other nonoperating gains and losses. The 2012 Swaps are considered to be effective hedges and qualify for hedge accounting treatment where all changes in the Swaps' fair values are reported as other changes in unrestricted net assets.

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

		Amount of unrealized gains (losses) recognized in	
Derivatives not designated as hedging instruments	Location of losses on ineffective portion	2014	2013
Interest rate contracts - 2005 Swap	Other nonoperating gains and losses - Change in net unrealized gains on swaps	$304	$2,992
Interest rate contracts - 2006 Swaps	Other nonoperating gains and losses - Change in net unrealized gains on swaps	687	5,467
Total derivatives not designated as hedging instruments		$991	$8,459
Derivatives designated as hedging instruments	Location of losses on effective portion		
Interest rate contracts - 2012 Swaps	Change in net unrealized (losses) gains on swaps	($30)	$290
Total derivatives		$961	$8,749

In addition to the above, the 2005, 2006, and 2012 Swaps also impose collateralization requirements on both parties if certain conditions occur. Collateralization for the 2005, 2006, or 2012 Swaps was not required as of June 30, 2014.

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

3 LONG-TERM DEBT (Continued)

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

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

As of June 30, 2014, the 2005 and 2006 Swaps, where Merrill Lynch is the counter party, had negative market values of $5,984 and $5,628 respectively, and the 2006 Swap where Goldman Sachs is the counterparty had a market value of negative $5,576 and the 2012 Swaps where JPMorgan is the counterpart had positive market values of $39 and $51 for the 2012A and 2012B, respectively Accordingly, collateralization for the 2005, 2006, and 2012 Swaps was not required as of June 30, 2014

Lines of Credit
LVHN and LVH have a consolidated line of credit, expiring January 31, 2015, available which provide for borrowings and letters of credit up to an aggregate of $19,000 at June 30, 2014 and 2013 Although no borrowings were outstanding against this line of credit at June 30, 2014, a total of $5,015, in the form of letters of credit were committed as of June 30, 2014 and 2013, and is described further in the table below The remaining amount available under the line of credit at June 30, 2014 and 2013 was $13,985

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

Beneficiary	Purpose	2014	2013
South Carolina Dept Of Insurance	RRG capitalization collateral	$4,980	$4,980
City of Bethlehem, PA	LVHM North Campus expansion collateral	35	35
Total letters of credit commitments outstanding		$5,015	$5,015

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

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

3 LONG-TERM DEBT (Continued)

Restrictive Covenants (continued)

The 2005 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3% However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have at least 30 days to repurchase some or all of the bonds from the bank or remarket the bonds Failure to maintain a Debt Service Coverage Ratio of 1 25, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 0 67 to 1 requires the engagement of a consultant Also, failure to maintain a Debt Service Coverage Ratio of at least 1 75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of $6 1 million

The 2005 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an Indebtedness Ratio not to exceed 0 67 to 1 If any of the preceding covenants are not met, the engagement of a consultant is required Also, failure to maintain a Debt Service Coverage Ratio of at least 1 75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of $8 1 million Upon issuance the 2005 Series B bonds required the establishment of a Debt Service Reserve account in the amount of $5 0 million which remained in place at June 30, 2014 and 2013 If additional funding of the Series B Debt Service Reserve is required as described above, the amount of funding required will be reduced by the current $5 0 million Series 2005 B Debt Service Reserve, resulting in an additional funding requirement of $3 1 million This debt service account is reported under Noncurrent assets as Assets limited under bond indenture, bond construction, debt service, and debt service reserve agreements – held by trustee in the Consolidated Statements of Financial Position

The 2008 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 60 days and (c) maintain an Indebtedness Ratio not to exceed 0 67 to 1 If any of the preceding covenants are not met the engagement of a consultant is required Also, failure to maintain a Debt Service Coverage Ratio of at least 1 75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of $4 7 million

The 2008 Series B bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3% However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have at least 30 days to repurchase some or all of the bonds from the bank or remarket the bonds Failure to maintain a Debt Service Coverage Ratio of 1 25, Days Cash on Hand of at least 65 days or an Indebtedness Ratio of not greater than 0 67 to 1 requires the engagement of a consultant Also, failure to maintain a Debt Service Coverage Ratio of at least 1 75 or maintain Days Cash on Hand of at least 90 days will result in the requirement to immediately fund a Debt Service Reserve account in the amount of $9 6 million

The 2008 Series C bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 70% However, failure to maintain the Debt Service Coverage or Days Cash on Hand covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have to repurchase some or all of the bonds from the bank or remarket the bonds

The 2011 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3% However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have at least 30 days to repurchase some or all of the bonds from the bank or remarket the bonds

3 LONG-TERM DEBT (Continued)

Restrictive Covenants (continued)

The 2012 Series A bonds include requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 70% However, failure to maintain the Debt Service Coverage or Days Cash on Hand covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, the bank has the right to accelerate the bonds, at which time LVHN would have to repurchase some or all of the bonds from the bank or remarket the bonds

The 2012 Series B bonds include requirements to maintain a Debt Service Coverage Ratio of at least 1 25, or if such percentage cannot be achieved in any fiscal year as a result of restrictions imposed under applicable laws and regulations (including cost containment requirements, restrictions on rates or revenues or reimbursement regulations or policies imposed by governmental third-party payers) or as a result of restrictions or policies imposed by private third-party payers affecting any particular Obligated Issuer or Issuers, at least 1 0 If the covenant is not met, the engagement of a consultant is required However, failure to meet the covenant will not be an event of default as long as the Debt Service Coverage Ratio for the Obligated Group is at least 1 0, the Debt Service Coverage Ratio for all Obligated Issuers which were not affected by such laws or regulations, as referred to above, is at least 1 0, a consultant is engaged and a good faith effort is made to implement the recommendations of the consultant

The series 2012 Revenue Note includes requirements to (a) maintain a Debt Service Coverage Ratio of 1 25, (b) maintain Days Cash on Hand of at least 70 days and (c) maintain an Indebtedness Ratio not to exceed 66 2/3% However, failure to maintain any of these covenants will not be a violation if it is remedied by the end of the next fiscal quarter Failure to maintain a Debt Service Coverage Ratio of 1 00, Days Cash on Hand of at least 60 days or an Indebtedness Ratio of not greater than 70% is an event of default and LVHN would have 30 days to cure the default In the event of default, the bank has the right to accelerate the notes

For the years ended June 30, 2014 and 2013, the financial covenants noted above were met and the Obligated Group was not aware of any instances of non-compliance with its other covenants

4 PROPERTY AND EQUIPMENT, NET

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

	2014	2013
Land and land improvements	$76,716	$67,156
Buildings and building equipment	958,486	848,311
Fixed and major movable equipment	497,022	446,473
Assets under capital lease	102,713	32,188
Construction in progress	71,167	46,728
Total original cost	1,706,104	1,440,856
Accumulated depreciation and amortization	(874,400)	(802,396)
Property and equipment, net	$831,704	$638,460

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was $94,166 and $83,362, respectively Depreciation of assets under capital lease included in depreciation and amortization expense was $2,106 and $1,414 at June 30, 2014 and 2013, respectively Accumulated depreciation relating to the assets under capital lease was $11,288 and $9,182 at June 30, 2014 and 2013, respectively, and is included in accumulated depreciation

The Organization under construction projects has commitments of approximately $24,744 as of June 30, 2014

5 FUNCTIONAL EXPENSES

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

	2014	%	2013	%
Health care services	$1,550,778	94%	$1,433,517	94%
General and administrative	103,588	6%	98,306	6%
Total	$1,654,366	100%	$1,531,823	100%

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

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

6 FUNDS HELD BY FIDUCIARY

LVH is the primary beneficiary of the Dorothy Rider Pool Health Care Trust (the "Pool Trust") which was established through the estate of a former director of LVH The fair value of the Pool Trust at June 30, 2014 and 2013 was $85,205 and $79,538, respectively The assets of the Pool Trust are not included in the accompanying consolidated financial statements Under the general provisions of the Trust, distributions from the Pool Trust are to be made to or for the benefit of LVH to supplement, not replace, LVH's ordinary operating expenses, so that LVH can be operated and managed in a manner that will improve its medical standards, knowledge and procedures, and sustain at the highest level of quality the health maintenance and hospital care it provides to members of the community it serves Under certain circumstances, distributions from the Pool Trust may be made to other designated health care related organizations Distributions to LVH from the Pool Trust were $2,930 and $3,518 for the years ended June 30, 2014 and 2013, respectively, and are reported as a component of Other supporting operations revenue

7 CHARITY CARE

As a community organization, all revenues and gains in excess of expenses and losses of the Organization are, or will be, used for the repayment of debt, acquisition of equipment and facilities, and to provide for the present and future health care needs of the patients and communities it serves The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates regardless of their ability to pay Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenues The amount of charity care to patients for the years ended June 30, 2014 and 2013, at cost, was $29,007 and $25,767 respectively Costs of these services were estimated by calculating a ratio of overall cost to gross charges for all patients and then applying this ratio to gross charges for patients receiving charity care

8 BAD DEBTS

In instances where the Organization believes a patient has the ability to pay for services and, after appropriate collection effort, payment is not made, the amount of services not paid is written-off as bad debts Amounts recorded as Provision for bad debts do not include charity care The amount of Provision for bad debts for the years ended June 30, 2014 and 2013, was $84,505 and $117,493, respectively Effective July 1, 2013, the Organization began discounting uninsured accounts using the amount generally billed (AGB) principal The AGB, as defined in proposed IRS section 501(r), is the average payment amount of private insurers and Medicare The policy change decreases net patient revenue before bad debts and provision for bad debts but does not change net patient service revenue (net of bad debts)

9 RETIREMENT PLAN

The Organization provides employees with a variety of retirement plan options through a combination of defined benefit and defined contribution benefit plans based on an employee's hire date Effective January 1, 2014, with the addition of the Lehigh Valley Hospital Hazleton (formerly the Hazleton General Hospital), these plans are reviewed separately below in greater detail

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

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

Information for the noncontributory defined benefit option regarding funded status, net periodic pension cost, benefit obligation, assumptions, etc , as of June 30, 2014 and 2013, is presented below and on the following pages and includes the impact of employee selection of pension benefit options The Plan's assets described below and on the following pages are not included in the consolidated financial statements of the Organization

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

Plan Assets
During fiscal year 2014 the Finance Committee of the Board of Trustees approved new asset allocation targets for the LVHN Plan's assets As of June 30, 2014 the transition of investments to this new asset allocation was still in progress and is expected to be completed early in fiscal year 2015 Asset allocation targets, which are permitted to be +/- 3-5%, approved by the Finance Committee of the Board of Trustees , and the Plan's actual asset allocation, by investment category, at June 30, was

LVHN Plan Assets (excluding LVHH)

	2014		2013	
Investment category	Actual	Target	Actual	Target
Domestic equity	27 7%	25 0%	32 4%	30 0%
International equity - developed markets	21 2%	19 0%	21 2%	20 0%
International equity - emerging markets	6 2%	6 0%	0 0%	0 0%
Private equity	1 8%	0 0%	2 2%	5 0%
Hedge funds	4 5%	7 5%	5 3%	5 0%
Real estate securities	4 3%	0 0%	4 8%	5 0%
Private core real estate	0 0%	7 5%	0 0%	0 0%
Commodities contracts	0 0%	0 0%	5 1%	5 0%
Bank loan funds	4 8%	5 0%	0 0%	0 0%
Fixed income	29 5%	30 0%	29 0%	30 0%
Total	100.0%	100.0%	100.0%	100.0%

Determination of Expected Return on Plan Assets
To develop the expected return on Plan assets assumption reported below, the Organization considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each class The expected return for each asset class was weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 7 0% return on plan assets assumptions for 2014 and 2013

9 RETIREMENT PLAN (Continued)

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

LVHN Plan Assets 2014				
Type of Investment	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$0	$9,540	$0	$9,540
Equity securities				
Domestic equity	211,043	0	0	211,043
International equity - developed markets	161,625	0	0	161,625
International equity - emerging markets	47,205			47,205
Real estate equity	32,473	0	0	32,473
Fixed income				
U S Treasury securities and obligations of U S Government agencies	61,818	13,439	0	75,257
Corporate bonds	0	134,785	0	134,785
Asset-backed securities	0	4,549	0	4,549
Collateralized mortgage obligations	0	1,290	0	1,290
Bank loan funds	0	0	36,685	36,685
Hedge funds (multi-strategy)	0	13,651	20,751	34,402
Private equity	0	0	12,343	12,343
Total assets at fair value	$514,164	$177,254	$69,779	$761,197

LVHN Plan Assets 2013				
Type of Investment	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$0	$8,398	$0	$8,398
Equity securities				
Domestic equity	195,269	0	0	195,269
International equity - developed markets	128,082	0	0	128,082
Real estate equity	28,516	0	0	28,516
Fixed income				
U S Treasury securities and obligations of U S Government agencies	101,921	21,896	0	123,817
Corporate bonds	0	41,196	0	41,196
Asset-backed securities	0	1,596	0	1,596
Collateralized mortgage obligations	0	232	0	232
Hedge funds (multi-strategy)	0	13,140	18,639	31,779
Commodities contracts	0	30,827	0	30,827
Private equity	0	0	13,132	13,132
Total assets at fair value	$453,788	$117,285	$31,771	$602,844

9 RETIREMENT PLAN (Continued)

The Plan's use of Level 3 unobservable inputs, as described in Note 13, as of June 30, 2014 and 2013 accounted for 9 2% and 5 3%, respectively, of the total fair value of investments The following table summarizes changes in Level 3 assets measured at fair value at June 30, 2014 and 2013

2014	Bank loan funds	Private equity	Hedge funds	Total
Balance at July 1, 2013	$0	$13,132	$18,639	$31,771
Realized investment earnings	0	938	0	938
Net appreciation in market value of investments	173	1,246	2,112	3,531
Purchases	36,512	0	0	36,512
Sales	0	(2,973)	0	(2,973)
Balance at June 30, 2014	$36,685	$12,343	$20,751	$69,779

2013	Bank loan funds	Private equity	Hedge funds	Total
Balance at July 1, 2012	$0	$13,602	$21,926	$35,528
Realized investment earnings	0	673	27	700
Net appreciation in market value of investments	0	671	1,886	2,557
Purchases	0	171	16,728	16,899
Sales	0	(1,985)	(21,928)	(23,913)
Balance at June 30, 2013	$0	$13,132	$18,639	$31,771

For the years ended June 30, 2014 and 2013, respectively, there were no transfers between valuation levels

Additional Pension Information

The Organization uses a June 30 measurement date for the Plan The following tables set forth the Plan's funded status at June 30, benefits paid, and employer contributions made during the fiscal years ended June 30, 2014 and 2013 and certain other information and amounts recognized in the consolidated financial statements at June 30

	2014	2013
Change in benefit obligation		
Projected benefit obligation at beginning of year	$779,680	$787,465
Service cost	23,269	26,356
Interest cost	39,447	36,450
Actuarial loss (gain)	93,303	(57,086)
Benefits paid	(15,828)	(13,505)
Projected benefit obligation at end of year	$919,871	$779,680
Change in plan assets		
Fair value of plan assets at beginning of year	$602,844	$519,616
Actual return on plan assets	117,390	39,096
Employer contributions	56,791	57,637
Benefits paid	(15,828)	(13,505)
Fair value of plan assets at end of year	$761,197	$602,844
Funded status at end of year	($158,674)	($176,836)
Amounts recognized in the statements of financial position consists of		
Accrued pension liability - noncurrent portion	(158,674)	(176,836)
Net amount recognized	($158,674)	($176,836)
Amounts recognized in unrestricted net assets but not yet recognized in net periodic benefit cost		
Prior service costs	$0	$5
Net loss	151,107	136,721
Total amount recognized in unrestricted net assets	$151,107	$136,726

9 RETIREMENT PLAN (Continued)

Additional Pension Information (continued)

	2014	2013
Components of net periodic benefit cost (NPBC)		
Service cost	$23,269	$26,356
Interest cost	39,447	36,450
Expected return on plan assets	(43,651)	(37,726)
Amortization of prior service cost	5	9
Recognized actuarial loss	5,178	10,815
Net periodic benefit cost (pension expense)	$24,248	$35,904
Other changes in plan assets and benefit obligation recognized in unrestricted net assets		
Net actuarial loss (gain)	$19,564	($58,456)
Amortization of loss	(5,178)	(10,815)
Amortization of prior service cost	(5)	(9)
Total loss (gain) recognized in unrestricted net assets	$14,381	($69,280)
Balance at beginning of year	($176,836)	($267,849)
Annual pension expense	(24,248)	(35,904)
Adjustments to funded status of pension plan	(14,381)	69,280
Annual contributions	56,791	57,637
Balance at end of year	($158,674)	($176,836)
Accumulated benefit obligation at year end	$844,949	$705,824
Weighted - average assumptions used to determine projected benefit obligation		
Discount rate	4 614%	5 124%
Rate of compensation increase	3 500%	3 500%
Weighted - average assumptions used for NPBC development		
Discount rate	5 124%	4 689%
Expected return on plan assets	7 000%	7 000%
Rate of compensation increase	3 500%	3 500%

The actuarial net loss and prior service cost that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $5,260 and $0, respectively

Estimated Future Benefit Payments

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

Fiscal 2015	$21,756
Fiscal 2016	24,909
Fiscal 2017	28,168
Fiscal 2018	31,996
Fiscal 2019	36,074
Fiscal 2020-2024	245,771
Total	$388,674

Expected contributions for the defined benefit plan are $53,000 for the year ended June 30, 2014

Lehigh Valley Hospital Hazleton Defined Benefit Retirement Plans

The Lehigh Valley Hospital Hazleton (formerly Hazleton General Hospital) sponsors two defined benefit pension plans for its employees, Hazleton-St Joseph Medical Center (HSJMC) and Hazleton General Hospital (HGH) The plans provide benefits based on years of service and final average salary The pension plan of HSJMC was frozen in September 2005 when it ceased providing patient services and terminated all active employees HGH froze its defined benefit pension plan in December 2006

9 RETIREMENT PLAN (Continued)

Lehigh Valley Hospital Hazleton Defined Benefit Retirement Plans (continued)

The following applies to the defined benefit retirement plans

Information for the noncontributory defined benefit plans regarding funded status, net periodic pension cost, benefit obligation, assumptions, etc., as of June 30, 2014, is presented below and on the following pages and includes the impact of employee selection of pension benefit options The Plan's assets described below and on the following pages are not included in the consolidated financial statements of the Organization

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

Plan Assets
Asset allocation targets, which are permitted to be +/- 10%, approved by the Finance Committee of the Board of Trustees, and the Plan's actual asset allocation, by investment category, at June 30 were

LVHH Plan Assets

	2014	
Investment category	Actual	Target
Equity	63 5%	60 0%
Fixed income	36 5%	40 0%
Total	100.0%	100.0%

Determination of Expected Return on Plan Assets
To develop the expected return on Plan assets assumption reported below, the Organization considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each class The expected return for each asset class was weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 7 0% return on plan assets assumptions for 2014 Due to the acquisition of GHHA in the current fiscal year no comparative information is presented at June 30, 2013

The following table presents the categorization of LVHH's Plan assets according to the levels of valuation risk described in Note 13 at June 30

LVHH Plan Assets	2014			
Type of Investment	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$0	$1,584	$0	$1,584
Equity securities				
Equity	25,494	0	0	25,494
Fixed income				
US Treasury securities and obligations of US Government agencies	0	5,964	0	5,964
Corporate bonds	0	7,106	0	7,106
Total assets at fair value	$25,494	$14,654	$0	$40,148

The Plan's did not invest in any Level 3 unobservable securities as of June 30, 2014 and there were no transfers between valuation levels

9 RETIREMENT PLAN (Continued)

Additional Pension Information

The following tables set forth the Plan's funded status at June 30, benefits paid, and employer contributions made for the 6 month period ended June 30, 2014 and certain other information and amounts recognized in the consolidated financial statements at June 30, 2014 Due to the acquisition in the current fiscal year no comparative information is presented at June 30, 2013

	2014
Change in benefit obligation	
Projected benefit obligation at beginning of year	$51,713
Interest cost	1,204
Actuarial loss	4,010
Benefits paid	(996)
Projected benefit obligation at end of year	$55,931
Change in plan assets	
Fair value of plan assets at beginning of year	$38,791
Actual return on plan assets	1,856
Employer contributions	497
Benefits paid	(996)
Fair value of plan assets at end of year	$40,148
Funded status at end of year	($15,783)
Amounts recognized in the statements of financial position consists of	
Accrued pension liability - noncurrent portion	$15,783
Net amount recognized	$15,783
Amounts recognized in unrestricted net assets but not yet recognized in net periodic benefit cost	
Net loss	$13,275
Total amount recognized in unrestricted net assets	$13,275
Components of net periodic benefit cost (NPBC)	
Interest cost	$1,204
Expected return on plan assets	(1,352)
Recognized actuarial loss	104
Net periodic benefit cost (pension expense)	($44)
Other changes in plan assets and benefit obligation recognized in unrestricted net assets	
Net actuarial loss	$3,506
Amortization of loss	(103)
Total loss recognized in unrestricted net assets	$3,403
Reconciliation of accrued pension cost	
Balance at beginning of year	($12,921)
Annual pension expense	44
Adjustments to funded status of pension plan	(3,403)
Annual contributions	497
Balance at end of year	($15,783)
Accumulated benefit obligation at year end	$55,931
Weighted - average assumptions used to determine projected benefit obligation	
Discount rate	4 200%
Rate of compensation increase	0 000%
Weighted - average assumptions used for NPBC development	
Discount rate	4 700%
Expected return on plan assets	7 000%
Rate of compensation increase	0 000%

The actuarial net loss and prior service cost that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $406 and $0, respectively

9 RETIREMENT PLAN (Continued)

Estimated Future Benefit Payments

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

Fiscal 2015	$2,029
Fiscal 2016	2,112
Fiscal 2017	2,207
Fiscal 2018	2,336
Fiscal 2019	2,443
Fiscal 2020-2024	14,024
Total	$25,151

The following applies to the defined contribution and matched savings components of the retirement plan of LVHN including Lehigh Valley Hospital - Hazleton

During the years ended June 30, 2014 and 2013, the Organization made contributions of $14 5 million and $12 2 million, respectively, to the defined contribution component of the Plan and recorded $15 3 million and $13 0 million, respectively, in related pension expense The liability recognized under the Current liabilities Pension in the Consolidated Statements of Financial Position at June 30, 2014 and 2013 for the defined contribution component of the Plan was $4 7 million and $3 9 million, respectively Total expected contributions to the defined contribution component of the Plan in fiscal year 2015 are $16 7 million

During the years ended June 30, 2014 and 2013, the Organization made contributions of $7 3 million and $6 6 million, respectively, to the matched savings benefit component of the Plan and recorded $7 4 million and $6 6 million, respectively, in related pension expense The liability recognized under the Current liabilities Pension in the Consolidated Statements of Financial Position at June 30, 2014 and 2013 for the matched savings benefit component of the Plan was $0 3 million and $0 1 million, respectively Total expected contributions to the matched savings component of the Plan in fiscal year 2015 are $8 0 million

10 COMMITMENTS AND CONTINGENCIES

Operating Leases

Rental expense reported on the Other expense line of the Consolidated Statements of Operations for the years ended June 30, 2014 and 2013 was $26,519 and $25,296, respectively

Minimum future rentals under non-cancelable operating leases with terms in excess of one year as of June 30, 2014 are as follows

Fiscal Year	Real Estate	Vehicles	Equipment	Total
2015	$15,607	$385	$173	$16,165
2016	$15,266	$274	$156	$15,696
2017	$13,285	$149	$137	$13,571
2018	$10,883	$67	$2	$10,952
2019	$8,778	$10	$1	$8,789
Thereafter	$48,294	$0	$0	$48,294

Litigation

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

11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes for the years ended June 30

	2014	2013
Purchase of capital assets	$557	$245
Specific health care services and education	128,499	103,137
Total temporarily restricted net assets	$129,056	$103,382

Permanently restricted net assets, which total $51,493 and $47,741 at June 30, 2014 and 2013, respectively, are required to be held in perpetuity with the expendable income earned thereon to be used to support health care services and education

12 ENDOWMENT FUNDS

Endowment funds are defined as funds established by donors or the Board of Trustees to provide the Organization with either a permanent source of income or a source of income for a specified period of time The Organization's endowment funds consist of 119 and 113 individual donor-restricted funds at June 30, 2014 and 2013, respectively, established for a variety of purposes hereinafter referred to as the "LVHN Endowment Fund" The Organization does not have Board Designated endowment funds or unrestricted endowment funds

Interpretation of Relevant Law

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

The net asset composition of the LVHN Endowment Fund, which the Organization actively managed, at June 30, was as follows

	Temporarily restricted	Permanently restricted	Total
2014			
Donor restricted endowment funds	$96,089	$43,319	$139,408
2013			
Donor restricted endowment funds	$80,032	$40,802	$120,834

12 ENDOWMENT FUNDS (Continued)

Changes in the LVHN Endowment fund net assets at June 30 were as follows

2014	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$80,032	$40,802	$120,834
Investment Return			
Investment income	2,271	0	2,271
Net appreciation (realized and unrealized)	16,770	0	16,770
Total investment return	19,041	0	19,041
Contributions	37	2,435	2,472
Reclassification to permanently restricted from temporarily restricted	0	82	82
Appropriation of endowment assets for expenditures (expense)	(3,021)	0	(3,021)
Endowment net assets, end of year	$96,089	$43,319	$139,408

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

Investment Return Objectives

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

12 ENDOWMENT FUNDS (Continued)

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) During fiscal year 2014 the Finance Committee of the Board of Trustees approved new asset allocation targets for the LVHN Endowment assets As of June 30, 2014 the transition of investments to this new asset allocation was still in progress and is expected to be completed in fiscal year 2015 As a result, certain asset classes were temporarily outside their target range at June 30, 2014 The actual and target investment allocations, by investment category, were as follows for the LVHN Endowment assets as of June 30, 2014

LVHN Endowment assets	Actual %	Target %
Domestic equity	26%	26%
International equity - developed markets	20%	20%
International equity - emerging markets	7%	6%
Real estate securities	5%	0%
Private core real estate	0%	10%
Bank loans	6%	6%
Fixed income	30%	22%
Hedge funds	6%	10%
Total	100%	100%

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

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Level 2 – Valuations based on quoted prices in active markets for *similar* assets or liabilities, quoted in markets that are not active or for which an identical asset or liability was not traded on the financial statement date or where all significant inputs are not observable, directly or indirectly. Level 2 primarily includes investments in U.S. Treasury securities and obligations of U.S. government agencies, together with municipal bonds, corporate debt securities, commercial mortgage and asset-backed securities, certain residential mortgage-backed securities that are generally investment grade, certain equity securities, hedge funds, and commodity contracts. The Organization based the fair value of hedge funds and commodity contracts on the fair value of the underlying reported net asset values of each fund held. The hedge funds, a fund of funds investment, totaling $44,124 and $42,476 at June 30, 2014 and 2013 respectively, has a redemption period of 15 days. Commodity contracts, a fund of commodity contracts, at June 30, 2013, have a redemption period of 5 days.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally organization or individual investment manager generated inputs and are not observable market based inputs. Material assumptions and factors considered in the valuation may include, but are not limited to, operational activity of private equity holdings, reliance on third party estimates, share valuations, and appraisals. Level 3 investments include investments in hedge funds, bank loan funds, and perpetual trusts. The Organization based the fair value of hedge funds, a fund of funds investment of $56,141 and $50,424 at June 30, 2014 and 2013, respectively, and bank loan funds of $96,745 at June 30, 2014, on the fair value of the underlying reported net asset values of each fund held. The hedge fund and bank loan funds require a redemption period of 30-90 days.

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

2014				
Type of Investment	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$14,360	$19,250	$0	$33,610
Equity securities				
Domestic equity	278,828	0	0	278,828
International equity - developed markets	181,178	0	0	181,178
International equity - emerging markets	57,644	0	0	57,644
Real estate equity	53,314	0	0	53,314
Fixed income				
U.S. Treasury securities and obligations of U.S. Government agencies	24,598	40,895	0	65,493
Corporate bonds	185,645	61,526	0	247,171
Asset-backed securities	0	50,198	0	50,198
Collateralized mortgage obligations	0	36,810	0	36,810
Banking and finance	0	22,794	0	22,794
Bank loan funds	0	0	96,745	96,745
Hedge funds (multi-strategy)	0	44,124	56,141	100,265
Perpetual trust	0	0	8,174	8,174
Other	0	4,006	0	4,006
Other assets - swap assets	0	90	0	90
Total assets at fair value	$795,567	$279,693	$161,060	$1,236,320
Liabilities at Fair Value				
Other liabilities - swap liabilities	$0	$17,188	$0	$17,188

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

2014 Type of Investment	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$14,360	$19,250	$0	$33,610
Equity securities				
Domestic equity	278,828	0	0	278,828
International equity - developed markets	181,178	0	0	181,178
International equity - emerging markets	57,644	0	0	57,644
Real estate equity	53,314	0	0	53,314
Fixed income				
U S Treasury securities and obligations of U S Government agencies	24,598	40,895	0	65,493
Corporate bonds	185,645	61,526	0	247,171
Asset-backed securities	0	50,198	0	50,198
Collateralized mortgage obligations	0	36,810	0	36,810
Banking and finance	0	22,794	0	22,794
Bank loan funds	0	0	96,745	96,745
Hedge funds (multi-strategy)	0	44,124	56,141	100,265
Perpetual trust	0	0	8,174	8,174
Other	0	4,006	0	4,006
Other assets - swap assets	0	90	0	90
Total assets at fair value	$795,567	$279,693	$161,060	$1,236,320
Liabilities at Fair Value				
Other liabilities - swap liabilities	$0	$17,188	$0	$17,188

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

The Organization's use of Level 3 unobservable inputs at June 30, 2014 and 2013 accounted for 13 0% and 5 1%, respectively, of the total fair value of investments The following tables summarize changes in Level 3 assets measured at fair value at June 30

2014	Bank loan funds	Hedge funds	Perpetual trusts	Total
Balance at July 1, 2013	$0	$50,424	$6,939	$57,363
Change in net unrealized gains on investments	933	5,717	0	6,650
Increase in beneficial interest in perpetual trusts	0	0	1,235	1,235
Purchases	95,812	0	0	95,812
Balance at June 30, 2014	$96,745	$56,141	$8,174	$161,060

2013	Bank loan funds	Hedge funds	Perpetual trusts	Total
Balance at July 1, 2012	$0	$89,694	$0	$89,694
Realized investment earnings	0	1,569	0	1,569
Change in net unrealized gains (loss) on investments	0	4,603	0	4,603
Transfer from level 2	0	0	6,655	6,655
Increase in beneficial interest in perpetual trusts	0	0	284	284
Purchases	0	44,258	0	44,258
Sales	0	(89,700)	0	(89,700)
Balance at June 30, 2013	$0	$50,424	$6,939	$57,363

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of long-term debt, which was estimated at $609,062 and $529,870 at June 30, 2014 and 2013, respectively, was determined using the Organization's current borrowing rates for similar types of borrowing arrangements The recorded value of long-term debt reported in the consolidated Statements of Financial Position at June 30, 2014 and 2013 was $601,354 and $546,855, respectively The excess of fair value over recorded value for long-term debt at June 30, 2014 indicates market interest rates for debt of similar term and quality were lower than the weighted average interest rates of the Organization's outstanding debt The excess of recorded value over fair value for long-term debt at June 30, 2013 indicates market interest rates for debt of similar term and quality were higher than the weighted average interest rates of the Organization's outstanding debt

14 PLEDGES RECEIVABLE

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

	2014	2013
Pledges receivable within next fiscal year	$3,848	$3,112
Pledges receivable in future periods beyond next fiscal year	6,871	2,538
Total pledges receivable before unamortized discount and allowance for uncollectible pledges	10,719	5,650
Less unamortized discount	(282)	(258)
Less allowance for uncollectible pledges	(343)	(216)
Net pledges receivable	$10,094	$5,176
Amounts due in		
Less than one year	$3,848	$3,112
One to five years	6,198	2,064
More than five years	673	474
Total	$10,719	$5,650

Cash payments received applicable to prior pledges were $3,184 and $2,002 for the years ended June 30, 2014 and 2013, respectively Pledges written off as uncollectible were $5 and $1 for the years ended June 30, 2014 and 2013, respectively The Organization's policy regarding the recording of pledges receivable in the consolidated financial statements requires pledges to be in writing, signed by the donor, and to indicate the specific amount of the pledge and expected timing the pledge payment will be received The Organization does not record pledges based on bequests or life insurance The Organization's historical write off of pledges receivable has been in the 1-5% range The allowance for uncollectible pledges as of June 30, 2014 and 2013 were $343 (4%) and $216 (4%), respectively

15 RECENT ACCOUNTING PRONOUNCEMENTS

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