Adventist HealthCare, Inc. and Controlled Entities

Financial Statements and
Supplementary Information

December 31, 2015 and 2014

BAKER TILLY

Candor. Insight. Results.

Adventist HealthCare, Inc. and Controlled Entities

Table of Contents
December 31, 2015 and 2014

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Independent Auditors' Report

Board of Trustees
Adventist HealthCare, Inc. and Controlled Entities

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Adventist HealthCare, Inc. and controlled entities (collectively, the "Corporation"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adventist HealthCare, Inc. and controlled entities as of December 31, 2015 and 2014, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and combining information presented on pages 43 to 47 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
April 26, 2016

Consolidated Balance Sheets

December 31, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 45,638,591	$ 62,058,533
Short-term investments	138,418,552	133,618,264
Assets whose use is limited	4,031,128	3,020,970
Patient accounts receivable, net of estimated allowance for doubtful collections of $25,654,000 in 2015 and $17,921,000 in 2014	102,100,614	107,266,506
Other receivables, net of estimated allowance for doubtful collections of $2,110,000 in 2015 and $2,249,000 in 2014	16,022,107	12,549,788
Inventories	10,780,540	10,995,868
Prepaid expenses and other current assets	6,358,773	5,577,430
Total current assets	323,350,305	335,087,359
Property and Equipment, Net	414,113,940	402,281,664
Assets Whose Use is Limited		
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks	5,953,215	6,215,093
Professional liability trust fund	10,187,116	12,839,326
Deferred compensation fund	1,473,131	164,057
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisition	3,133,692	2,926,446
Investments and Investments in Unconsolidated Subsidiaries	11,081,925	12,763,053
Land Held for Healthcare Development	91,597,768	91,424,979
Deferred Financing Costs, Net	2,206,562	2,331,699
Intangible Assets, Net	10,200,288	5,181,259
Deposits and Other Noncurrent Assets	8,661,741	8,275,733
Total assets	$ 881,959,683	$ 879,490,668

See notes to consolidated financial statements

	2015	2014
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 85,048,695	$ 72,471,001
Accrued compensation and related items	33,158,923	37,197,704
Interest payable	2,331,260	2,307,800
Due to third party payors	20,160,658	20,586,941
Estimated self-insured professional liability	2,258,544	1,241,937
Current maturities of long-term obligations	31,540,973	27,909,209
Total current liabilities	174,499,053	161,714,592
Construction Payable	50,410	191,718
Long-Term Obligations, Net		
Bonds payable	226,139,965	235,844,029
Notes payable	30,613,911	47,513,025
Capital lease obligations	7,988,423	8,549,107
Derivative Financial Instruments	22,275,775	21,507,539
Other Liabilities	13,243,151	10,505,039
Estimated Self-Insured Professional Liability	10,033,037	10,384,286
Total liabilities	484,843,725	496,209,335
Net Assets		
Unrestricted	389,780,097	376,750,164
Temporarily restricted	6,584,440	6,189,748
Permanently restricted	751,421	341,421
Total net assets	397,115,958	383,281,333
Total liabilities and net assets	$ 881,959,683	$ 879,490,668

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Operations
Years Ended December 31, 2015 and 2014

	2015	2014
Unrestricted Revenues		
Net patient service revenue	$ 739,309,396	$ 710,744,656
Provision for doubtful collections	(33,878,052)	(53,039,754)
Net patient service revenue less provision for doubtful collections	705,431,344	657,704,902
Other revenue	41,124,126	37,603,474
Total unrestricted revenues	746,555,470	695,308,376
Expenses		
Salaries and wages	322,218,485	299,221,113
Employee benefits	64,899,997	57,912,606
Contract labor	36,009,050	29,965,160
Medical supplies	98,754,075	94,139,488
General and administrative	112,099,263	116,564,071
Building and maintenance	42,432,645	36,816,635
Insurance	5,286,230	5,426,155
Interest	9,318,829	9,627,275
Depreciation and amortization	34,867,628	33,269,001
Total expenses	725,886,202	682,941,504
Income from operations	20,669,268	12,366,872
Other Income (Expense)		
Investment income	863,598	2,989,552
Loss on extinguishment of debt	-	(222,350)
Other expense	(406,795)	(459,366)
Total other income	456,803	2,307,836
Revenues in excess of expenses from continuing operations	21,126,071	14,674,708
Change in net unrealized gains (losses) on investments other than trading securities	(2,281,694)	1,035,338
Change in net unrealized loss on derivative financial instruments	(1,644,513)	(6,250,362)
Deferred compensation plan liability adjustment	(1,575,015)	-
Net assets released from restriction for purchase of property and equipment	922,266	1,769,609
Other unrestricted net asset activity	(649,457)	462,026
Increase in unrestricted net assets from continuing operations	15,897,658	11,691,319
Loss from discontinued operations	(2,867,725)	(559,987)
Increase in unrestricted net assets	$ 13,029,933	$ 11,131,332

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2015 and 2014

	2015	2014
Unrestricted Net Assets		
Revenues in excess of expenses from continuing operations	$ 21,126,071	$ 14,674,708
Change in net unrealized gains (losses) on investments other than trading securities	(2,281,694)	1,035,338
Change in net unrealized loss on derivative financial instruments	(1,644,513)	(6,250,362)
Deferred compensation plan liability adjustment	(1,575,015)	-
Net assets released from restriction for purchase of property and equipment	922,266	1,769,609
Other unrestricted net asset activity	(649,457)	462,026
Increase in unrestricted net assets from continuing operations	15,897,658	11,691,319
Loss from discontinued operations	(2,867,725)	(559,987)
Increase in unrestricted net assets	13,029,933	11,131,332
Temporarily Restricted Net Assets		
Restricted gifts and donations	4,380,775	5,113,109
Net assets released from restriction for purchase of property and equipment	(922,266)	(1,769,609)
Net assets released from restriction used for operations	(2,749,219)	(3,693,269)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	(194,353)	(145,231)
Change in discount of pledges receivable and provision for doubtful pledges	(121,993)	15,802
Donor restricted investment income	1,748	6,065
Increase (decrease) in temporarily restricted net assets	394,692	(473,133)
Permanently Restricted Net Assets		
Contributions	410,000	-
Increase in net assets	13,834,625	10,658,199
Net Assets, Beginning	383,281,333	372,623,134
Net Assets, Ending	$ 397,115,958	$ 383,281,333

See notes to consolidated financial statements

Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Increase in net assets	$ 13,834,625	$ 10,658,199
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for doubtful collections	37,500,712	54,542,419
Depreciation and amortization	39,760,919	38,262,588
Deferred compensation plan liability adjustment	1,575,015	-
Loss on extinguishment of debt	-	222,350
Restricted contributions and grants	(2,695,169)	(1,689,716)
Earnings recognized from unconsolidated subsidiaries and affiliates	(3,272,652)	(3,783,663)
Amortization of physician income guarantees	34,363	11,454
Gain on sale of interest in unconsolidated subsidiary	(1,664,925)	-
Net realized loss on investments	3,876,408	191,350
Change in net unrealized gains and losses on investments other than trading securities	2,281,694	(1,035,338)
Change in net unrealized loss (gain) on derivative financial instruments	1,644,513	6,250,362
Change in value of beneficial interest in trusts and charitable gift annuity	194,353	145,231
Change in discount on pledges receivable and provision for doubtful pledges	121,993	(15,802)
Changes in assets and liabilities:		
Patient accounts receivable, net	(32,334,820)	(34,110,423)
Other receivables, net	(2,672,003)	288,989
Inventories, prepaid expenses and other current assets	(566,015)	1,850,864
Accounts payable and accrued expenses	9,881,623	(14,838,484)
Accrued compensation and related items	(4,038,781)	5,274,807
Interest payable	23,460	85,031
Estimated self-insured professional liability	665,358	2,301,312
Due to third party payors	(426,283)	(1,332,843)
Other noncurrent assets and liabilities	(415,534)	(3,353,189)
Net cash provided by operating activities	63,308,854	59,925,498

Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Investing Activities		
Purchase of property and equipment	$ (40,688,717)	$ (43,512,659)
Payments to physicians under income guarantees	-	(86,423)
Increase in investments and investments in unconsolidated subsidiaries	(9,742,785)	(4,589,159)
Additions to land held for healthcare development	(13,397,853)	(6,619,437)
Proceeds from sale of interest in unconsolidated subsidiary	3,172,286	-
Proceeds from sale of land for healthcare development	13,225,064	-
Distributions from investments in unconsolidated subsidiaries	1,032,016	1,595,629
Purchase of radiology company	(8,000,000)	-
Decrease (increase) in trustee held funds and restricted cash	387,610	(2,382,679)
Net cash used in investing activities	(54,012,379)	(55,594,728)
Cash Flows From Financing Activities		
Payment of financing costs	(140,598)	(505,808)
Proceeds from issuance of bonds	-	25,000,000
Repayments on long-term obligations, net	(28,270,988)	(27,148,247)
Proceeds from restricted contributions and grants	2,695,169	1,689,716
Net cash used in financing activities	(25,716,417)	(964,339)
Net (decrease) increase in cash and cash equivalents	(16,419,942)	3,366,431
Cash and Cash Equivalents, Beginning	62,058,533	58,692,102
Cash and Cash Equivalents, Ending	$ 45,638,591	$ 62,058,533
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 12,062,707	$ 11,887,573
Supplemental Disclosure of Noncash Investing and Financing Activities		
Capital lease obligation incurred for equipment	$ 4,682,336	$ 771,693
Construction payable for property and equipment	$ 50,410	$ 191,718
Long-term debt refinanced	$ -	$ 50,330,000

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Adventist HealthCare, Inc. ("AHC") is a nonstock membership corporation organized to effectuate coordinated administration of hospitals and other health care organizations through the provision of key management and administrative services. The mission of AHC is to demonstrate God's care by improving the health of people and communities through a ministry of physical, mental and spiritual healing. AHC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. AHC is not exempt from income taxes for unrelated business income. AHC's sole corporate member is Mid-Atlantic Adventist HealthCare, Inc. AHC is comprised of several operating divisions and controlled entities, as follows:

Shady Grove Medical Center ("SGMC") is a 290-bed acute care hospital located in Rockville, Maryland.

Washington Adventist Hospital ("WAH") is a 230-bed acute care hospital located in Takoma Park, Maryland.

Hackettstown Community Hospital d.b.a. Hackettstown Regional Medical Center ("HRMC") is a 111-bed not-for-profit acute care hospital organized under the laws of the State of New Jersey. Effective January 28, 2014, the Corporation entered into an affiliation agreement with an unrelated third party for the future sale of HRMC pending state regulatory review. In March 2016, the State of New Jersey gave final approval for the sale. On March 31, 2016, the Corporation sold the operating assets to an unrelated third party, and discontinued the operations of the facility. See Note 3 for further details.

Adventist Behavioral Health & Wellness Services ("BH&WS") is comprised of two separate facilities located in Maryland. BH&WS - Rockville is a 107-bed psychiatric hospital with 82 residential treatment rooms and 32 group home beds for adolescents. BH&WS - Eastern Shore is the region's only acute care and residential mental health resource for children and adolescents, which has 15 acute care psychiatric beds and 59 residential treatment rooms.

Adventist Physical Health & Rehabilitation ("PH&R") operates one inpatient hospital with two sites in Maryland, as well as two outpatient locations. PH&R - Rockville is a 55-bed rehabilitation facility and PH&R - Takoma Park is a 32-bed rehabilitation facility.

The Support Center is comprised of the Corporate Office ("CO"), Adventist Home Assistance ("AHA") and the AHC benefit business unit. The CO provides corporate and centralized shared service functions that benefit the entire AHC system. AHA provides non clinical assistance to homebound patients who cannot perform certain daily activities on their own. AHC benefit business unit administers the self- insurance health benefit program including health insurance, dental and vision coverage for AHC and controlled entities.

The Lourie Center for Infants and Young Children ("Lourie Center") is a not-for-profit organization that specializes in the diagnosis, treatment and prevention of developmental and emotional disorders in children from birth through ten years of age.

Adventist Home Care Services, Inc. ("AHCS") is a nonstock membership corporation organized to provide home health services in Maryland.

The Outpatient Services ("OPS") operating division is comprised of Shady Grove Radiological Consultants, PA ("SGR") and Adventist HealthCare Urgent Care Centers, Inc. ("UCC"). SGR is a medical practice that specializes in radiological imaging services and was acquired by AHC on August 1, 2015 for a purchase price of $8 million. SGR operates six clinical sites and provides inpatient and outpatient imaging services at SGMC and WAH. UCC provides treatment of a variety of non-life threatening illnesses and injuries. UCC's first urgent care center, located in Rockville, Maryland, opened in March 2015.

Clinical Integration Services (“CIS”) is comprised of Adventist Medical Group (“AMG”). AMG is a not-for-profit entity that provides physician professional health services to the communities it serves. AHC has contracted with Medical Faculty Associates, Inc. (“MFA”) to employ the AMG employees, through a wholly owned affiliate of MFA, in exchange for certain economic support to facilitate the growth by MFA of the AMG physician practices. In addition, CIS includes the administration needed to facilitate the coordination of patient care across conditions, providers and settings.

The Other Health Services operating division is comprised of two entities. Lifework Strategies (“LWS”) provides employee assistance and employee wellness programs to client employees. LWS’s mission is to help individuals live healthier, happier and more productive lives. Capital Choice Pathology Lab ("CCPL") provides full pathology production services to client hospitals.

The Foundations operating division is comprised of Washington Adventist Hospital Foundation, Inc., Shady Grove Medical Center Foundation, Inc., Hackettstown Community Hospital Foundation, Inc., and Adventist Behavioral Health & Wellness Services Foundation (collectively the “Foundations”). Each are separate nonstock corporations that operate for the furtherance of each named hospital’s health care objectives primarily through the solicitation of contributions, gifts and bequests. The Foundations also exist to help fund new equipment purchases and capital improvement projects for their respective hospitals.

All of the operating divisions and controlled entities mentioned above are tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Principles of Consolidation

The consolidated financial statements for 2015 and 2014 include the accounts of AHC, the controlling parent, SGMC, WAH, HRMC, BH&WS, PH&R, the Support Center, the Lourie Center, AHCS, OPS, CIS, LWS, CCPL and the Foundations, which include their majority-owned subsidiaries and controlled affiliates (collectively, the “Corporation”). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements of the Corporation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through April 26, 2016, the date the consolidated financial statements were issued.

Use of Estimates

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

Risk Factors

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Corporation, if any, are not presently determinable.

Maryland Health Services Cost Review Commission

Certain hospital charges are subject to review and approval by the Maryland Health Services Cost Review Commission ("HSCRC"). The HSCRC has jurisdiction over hospital reimbursement in Maryland by agreement with the Centers for Medicare and Medicaid Services ("CMS"). This agreement is based on a waiver from the Medicare Prospective Payment System reimbursement principles granted under Section 1814(b) of the Social Security Act. Hospital management has filed the required forms with the Commission and believes the Hospital to be in compliance with Commission requirements.

In January 2014, the Centers for Medicare and Medicaid Services approved a modernized waiver that will be in place as long as Maryland hospitals commit to achieving significant quality improvements, limits on all-payer per capita hospital growth and limits on annual Medicare per capita hospital cost growth to a rate lower than the national annual per capita growth rate.

As a result of the new waiver, the HSCRC introduced new revenue arrangements, including the Global Budget Revenue ("GBR") model. The GBR methodology encourages hospitals to focus on population health strategies by establishing a fixed annual revenue cap for each GBR hospital. The agreement establishes a fixed amount of revenue at the beginning of the rate year. It is evergreen in nature and covers both regulated inpatient and outpatient revenues. Annual Revenue is calculated from a base year and is adjusted annually for inflation, infrastructure requirements, population changes, performance in quality-based programs and changes in levels of uncompensated care. Revenue may also be adjusted annually for market levels and shifts of services from a regulated setting to an unregulated setting (or vice versa).

In April 2014, Adventist Healthcare entered into a Global Budget Revenue Agreement with the HSCRC for SGMC, WAH and Shady Grove Germantown Emergency Center, retroactive to July 1, 2013. This agreement sets a fixed amount of revenue for each entity for the period July 1, 2013 through June 30, 2014 and was subsequently updated on an annual basis every July 1.

The HSCRC has placed into its methodology a rate system which, among other things, causes SGMC and WAH to calculate the amount of revenue lost or gained due to variances from approved rates. Revenue lost due to undercharges in rates is recouped through increases in prospective rates. Similarly, revenue gained due to overcharges in rates is paid back, wholly or in part, through reductions in prospective rates. The Corporation reported net undercharges of $774,097 and undercharges of $2,229,013 as of December 31, 2015 and 2014, respectively. These price variances reflect (1) the variance between actual patient charges and the pro-rata share of the approved rate orders. The net amounts are reported as a component of net patient service revenue and patient accounts receivable in the accompanying consolidated financial statements. Since the HSCRC's rate year extends from July 1 through June 30, these amounts will continue to fluctuate until the end of the rate year as actual patient charges deviate from the total approved Global Budget Revenue Agreement amounts at which time any over/under charges are amortized on the straight-line basis over the following rate year.

Under Maryland law, charges of specialty hospitals such as BH&WS and PH&R are subject to review and approval by the HSCRC. HSCRC regulations also include a provision whereby a hospital may apply for an exemption from the requirements to charge for services in accordance with the HSCRC regulations. Certain conditions regarding the percentage of revenue related to Medicare and Medicaid patients and total revenues must be met to receive the initial exemption and must be met each year thereafter. Reporting requirements as established by the HSCRC continue if an exemption regarding charging for services is received. The Corporation's management believes BH&WS-Eastern Shore and PH&R met the conditions for exemption during 2015 and 2014. BH&WS-Rockville is subject to HSCRC rate setting. Unit rates are set for all payers, however Medicare and Medicaid are not required to reimburse at HSCRC rates. Medicare is reimbursed under the Inpatient Psychiatric Prospective payment system and Medicaid is reimbursed as a percent of charges, per COMAR 10.09.06.09, and is currently set at 94% of charges.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and certificates of deposit purchased with original maturities of less than 90 days, excluding assets whose use is limited.

Patient Accounts Receivable

Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. In evaluating the collectability of patient accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful collections and provision for doubtful collections. For patient accounts receivable associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful collections and provision for doubtful collections, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a provision for doubtful collections in the period of service on the basis of its past experience, which indicates that many patients are unable to pay the portion of their bill for which they are financially responsible. The difference between the billed rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful collections.

The Corporation's allowance for doubtful collections for self-pay patients as a percentage of self-pay accounts receivable was 45% and 42% at December 31, 2015 and 2014, respectively. In addition, the Corporation's self-pay account bad debt writeoffs, net of recoveries, decreased from $48,391,876 in 2014 to $30,099,159 in 2015 which was the result of both decreased services provided to self-pay patients and positive trends experienced in the collection of amounts from self-pay patients in 2015.

Other Receivables

Other receivables represent amounts due to the Corporation for charges other than providing health care services to patients and pledges from donors. These services include, but are not limited to, fees from educational programs, rental of health care facility space, interest earned, and management services provided to unconsolidated subsidiaries. Other receivables are written off when they are determined to be uncollectible based on management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon historical collection experience and other managerial information.

Assets Whose Use Is Limited

Assets whose use is limited includes assets held by bond trustees under trust indentures, assets set aside as required by the Corporation's self-funded professional liability trust, and assets set aside for deferred compensation agreements. Amounts available to meet current liabilities of the Corporation have been reclassified as current assets in the accompanying consolidated balance sheets.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Cash and cash equivalents and certificates of deposit are carried at cost which approximates fair value. Investments in joint ventures are accounted for using the equity or cost method of accounting depending on the Corporation's ownership interest. Investment income or loss (including realized gains and losses on investments, write-downs of the cost basis of investments due to an other-than-temporary decline in fair value, interest, and dividends) is included in the determination of revenues in excess of expenses from continuing operations unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the determination of revenues in excess of expenses from continuing operations unless the investments are trading securities. Donor-restricted investment income is reported as an increase in temporarily restricted net assets. Investments available for current operations have been classified as short-term investments in the accompanying consolidated balance sheets.

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated balance sheets are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Inventories

Inventories of drugs, medical supplies and surgical supplies are valued at the lower of cost or market. Cost is determined primarily by the weighted average cost method.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment losses are recognized in the consolidated statements of operations as a component of revenues in excess of expenses from continuing operations as they are determined. The Corporation reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, the Corporation calculates the estimated future net cash flows to be generated by the asset. If those future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. There were no impairment losses reported in 2015 or 2014.

Intangible Assets

The Corporation's intangible assets primarily include costs in excess of net assets acquired related to certain business acquisitions. The Corporation is amortizing certain intangible assets over a period not to exceed 40 years. Amortization of these intangible assets was $272,726 in 2015 and 2014, respectively. Accumulated amortization of intangible assets was $3,113,024 and $2,840,297 as of December 31, 2015 and 2014, respectively.

On August 1, 2015, AHC acquired certain assets of SGR, a company that operated a number of radiological imaging centers. The acquisition was accounted for at fair market value as of the acquisition date and goodwill was recorded as the difference between the purchase price paid less the fair value of the assets recorded. The amount of goodwill recorded as a result of the acquisition was approximately $5,287,000. The results from operations of the imaging centers are included in the consolidated financial statements commencing with the acquisition date. Goodwill, which is included in intangible assets in the accompanying consolidated balance sheet, is reviewed annually for impairment or more frequently if events or circumstances indicate the carrying amount of the goodwill will not be recoverable.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term obligations have been deferred and are being amortized over the term of the related obligation using the straight-line method. Amortization was $242,541 and $573,894 in 2015 and 2014, respectively. Amortization for HRMC was $23,194 and $37,142 in 2015 and 2014, respectively and is included in loss from discontinued operations in the consolidated statements of operations. Accumulated amortization of deferred financing costs was $4,505,899 and $4,363,485 at December 31, 2015 and 2014, respectively.

Due to Third Party Payors

The Corporation receives advances from third party payors to provide working capital for services rendered to the beneficiaries of such services. These advances are principally determined based on the timing differences between the provision of care and the anticipated payment date of the claim for service in accordance with HSCRC's rate regulations. These advances are subject to periodic adjustment.

For HRMC, the Medicare and Medicaid programs pay for primarily all inpatient and outpatient services at predetermined rates. Regulations require annual retroactive settlements for cost-based reimbursement through cost reports filed by HRMC. These retroactive settlements are estimated and recorded in the consolidated financial statements in the year in which they occur. The estimated settlements recorded at December 31, 2015 and 2014 could differ from actual settlements based on the results of cost report audits.

For certain Corporation subsidiaries, services provided on behalf of Medicaid beneficiaries are ultimately reimbursed at cost. For cost reimbursement programs, statements of reimbursable costs are filed with the program to compute the difference between reimbursable cost and interim payments, in order to determine a final settlement for services rendered to patients covered under the Medicaid program. Reimbursements are affected by limitations relating to charges and the reasonableness of costs (subject to limitations) and are subject to audits by the agencies administering the applicable program.

The Corporation's working capital advances and all expected third party payor settlement activity are classified as current liabilities in the accompanying consolidated balance sheets.

Derivative Financial Instruments

The Corporation has entered into two interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate exposure on certain long-term obligations (Note 11). The interest rate swap agreements are reported at fair value in the accompanying consolidated balance sheets. One of the interest rate swap agreements is designated as a cash flow hedge. The related effective changes in fair value for the cash flow hedge is reported in the accompanying consolidated statements of operations as an unrealized gain or loss on cash flow derivative financial instruments and the ineffective portion of the change in fair value is reported as a component of interest expense. For the interest rate swap not designated as a cash flow hedge, changes in fair value are reported as a component of other non-operating income (expense).

Estimated Self-Insured Professional Liability

The provision for estimated self-insured professional liability includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in the Corporation's consolidated balance sheets at net realizable value.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose, including the purchase of capital renovations and equipment, providing health education to the community, and designation for the furtherance of programs provided by specific operating departments. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Revenues in Excess of Expenses from Continuing Operations

The consolidated statements of operations include the determination of revenues in excess of expenses from continuing operations. Revenues in excess of expenses from continuing operations is the Corporation's performance indicator. Changes in unrestricted net assets which are excluded from the determination of revenues in excess of expenses from continuing operations, consistent with industry practice, include the loss from discontinued operations, unrealized gains and losses on investments other than trading securities, the effective portion of the unrealized (loss) gain on derivative financial instruments, transfers with unconsolidated subsidiaries, contributions of long-lived assets (including contributions which by donor restriction were to be used for the purpose of acquiring such long-lived assets), and other unrestricted net asset activity.

Net Patient Service Revenue

The Corporation reports net patient service revenue at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including an estimate for retroactive adjustments that may occur as a result of future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, review and investigations. Net patient service revenue reported in the accompanying consolidated statements of operations is reduced both by (1) estimated allowances for the excess of charges over anticipated patient or third party payor payments and (2) a provision for doubtful collections. Certain of the health care services provided by the Corporation are reimbursed by third party payors on the basis of the lower of cost or charges, with costs subject to certain imposed limitations.

Patient accounts receivable are reported at net realizable value and include charges for accounts due from Medicare, Medicaid, other commercial and managed care insurers, and self-paying patients (Note 16). Patient accounts receivable also includes management's estimate of the impact of certain undercharges to be recouped or overcharges to be paid back for inpatient and outpatient services in subsequent years rates as discussed earlier. The Corporation also deducts from patient accounts receivable an estimated allowance for doubtful collections related to patients and allowances for the excess of charges over the payments to be received from third party payors.

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. The Corporation recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of these established rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenues on the basis of its standard rates, discounted in accordance with the Corporation's policy. On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable to pay for the services provided. Thus, the Corporation records a significant provision for doubtful collections related to uninsured patients in the period the services are provided. Patient service revenues, net of contractual allowances and discounts (but before the provision for doubtful collections), recognized in 2015 and 2014 from these major payor sources, are as follows:

	Patient Service Revenues (Net of Contractual Allowances and Discounts)				
	Medicare	Medicaid	Other Third Party Payors	Self-Pay and Other	Total
December 31, 2015	$ 257,907,521	$ 80,961,064	$ 437,216,900	$ 51,528,507	$ 827,913,992
December 31, 2014	$ 244,786,365	$ 71,536,438	$ 432,811,713	$ 45,255,118	$ 794,389,634

Patient service revenues (net of contractual allowances and discounts) for HRMC were $88,604,596 in 2015 and $83,644,978 in 2014. These amounts have been classified in loss from discontinued operations in the consolidated statements of operations.

Income Taxes

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2015 or 2014.

The Corporation's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The Corporation's federal Exempt Organization Returns of Income Tax and its Business Income Tax Returns for the years ended prior to December 31, 2012 no longer remain subject to examination by the Internal Revenue Service.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Such patients are identified based on financial information obtained from the patient (or their guarantor) and subsequent analysis which includes the patient's ability to pay for services rendered. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as a component of net patient service revenue or patient accounts receivable.

The Corporation maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The level of charity care provided by the Corporation amounted to approximately $20,515,000 in 2015 and $18,784,000 in 2014.

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the underlying conditions have been substantially met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or 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. Restricted funds to be used for capital acquisitions have been reported as noncurrent assets in the accompanying consolidated balance sheets, while other restricted cash and investments are included with the cash and cash equivalents of unrestricted net assets.

Investment income that is earned on donor restricted net assets and subject to similar restrictions is reported as temporarily restricted net assets. Gifts, grants, and bequests not restricted by donors are reported as other operating income.

Advertising Costs

The Corporation expenses advertising costs as they are incurred.

Reclassifications

Certain amounts relating to 2014 have been reclassified to conform to the 2015 reporting format.

2. Adoption of Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Hospital will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2017. The Corporation has not yet determined the impact of adoption of ASU No. 2014-09 on its consolidated financial statements.

Lease Accounting

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Hospital's leasing activities. The Corporation will be required to retrospectively adopt the guidance in ASU No. 2016-02 for years beginning after December 15, 2018. The Corporation has not yet determined the impact of adoption of ASU No. 2016-02 on its consolidated financial statements.

3. Discontinued Operations

Effective January 28, 2014, the Corporation entered into an affiliation agreement with an unrelated third party for the future sale of HRMC pending state regulatory review. In March 2016, the State of New Jersey gave final approval for the sale. On March 31, 2016, the Corporation sold the operating assets to the unrelated third party, and discontinued the operations of the facility. The Corporation received net proceeds from the sale of approximately $44,500,000. The net carrying value of property and equipment related to HRMC as of December 31, 2015 and 2014 was $38,683,898 and $40,793,525, respectively, and consists of the following:

	2015	2014
Land and improvements	$ 2,457,668	$ 2,318,692
Building and improvements	60,751,271	60,262,202
Office furniture and equipment	58,269,238	57,553,335
Computer software and hardware	6,115,260	5,684,739
Equipment under capital leases	19,332	19,332
Total	127,612,769	125,838,300
Less accumulated depreciation and amortization	(90,838,703)	(86,679,485)
	36,774,066	39,158,815
Construction in progress	1,909,832	1,634,710
	$ 38,683,898	$ 40,793,525

The following amounts related to discontinued operations are included in loss from discontinued operations in the accompanying consolidated statements of operations:

	2015	2014
Total unrestricted revenues	$ 90,608,328	$ 88,812,604
Total expenses	92,885,048	90,387,497
Other non-operating (loss) income	(591,005)	1,014,906
Revenues less than expenses	(2,867,725)	(559,987)

4. Investments

Short-Term Investments

The Corporation's short-term investments at December 31, 2015 and 2014 are comprised of the following:

	2015	2014
Cash and cash equivalents	$ 31,151,134	$ 12,693,052
Marketable certificates of deposit	489,531	489,531
CBAM Resolute Fund Ltd.	96,238	32,512,162
U.S. government securities, mortgage-backed securities	106,681,649	87,923,519
Total	$ 138,418,552	$ 133,618,264

Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2015 and 2014 is set forth in the following tables:

	2015	2014
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks:		
Cash and cash equivalents	$ 1,493,090	$ 1,863,335
U.S. government securities, U.S. treasury notes	6,232,709	6,130,791
Total	7,725,799	7,994,126
Less funds held for current liabilities	1,772,584	1,779,033
Noncurrent portion of assets held under trust indentures and capital lease purchase financing facilities	$ 5,953,215	$ 6,215,093

	2015	2014
Professional liability trust fund:		
Cash and cash equivalents	$ 311,134	$ 824,414
Mutual funds:		
Equity - balanced	9,006,583	9,268,424
Fixed income - multi-sector	3,127,943	3,988,425
Total	12,445,660	14,081,263
Less funds held for current liabilities	2,258,544	1,241,937
Noncurrent portion of professional liability trust fund	$ 10,187,116	$ 12,839,326
Deferred compensation fund:		
Mutual funds,		
Equity - growth	$ 1,473,131	$ 164,057

The indenture requirements of certain tax exempt financings provide for the establishment and maintenance of various accounts with a trustee (Note 10). These arrangements require the trustee to control the payment of interest and the ultimate repayment of respective debt to bondholders. In addition, under the terms of the capital lease purchase financing facilities with two commercial banks, the Corporation is required to maintain funds in escrow accounts for the purpose of funding future purchases of property and equipment.

The composition of trustee held and escrow funds at December 31, 2015 and 2014 is as follows:

	2015	2014
Debt service reserve fund	$ 5,829,278	$ 5,858,205
Principal and interest funds	1,896,521	2,090,230
Lease facility escrow funds	-	45,691
Total	$ 7,725,799	$ 7,994,126

Unrestricted investment income and gains and losses for investments, assets whose use is limited, and cash and cash equivalents are comprised of the following in 2015 and 2014:

	2015	2014
Investment income:		
Interest and dividends, net	$ 3,641,152	$ 3,984,179
Interest on trustee held funds	48,179	62,766
Net realized losses on sale of investments	(2,766,296)	(231,555)
Total	$ 923,035	$ 3,815,390
Other changes in unrestricted net assets:		
Change in net unrealized gains and losses on investments other than trading securities	$ (2,281,694)	$ 1,035,338

Investment income for HRMC was $97,146 and $825,838 in 2015 and 2014, respectively, which is included in loss from discontinued operations in the consolidated statements of operations. Included in these amounts are net realized losses on sale of investments $554,813 and $40,206, interest on trustee held funds of $22,502 and $29,221, and interest and dividends, net of $629,457 and $836,823 in 2015 and 2014, respectively.

5. Fair Value Measurements and Financial Instruments

Fair Value Measurements

The Corporation measures its short-term investments, assets whose use is limited, investments, beneficial interest in trusts, and derivative financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The fair value of the Corporation's financial instruments was measured using the following inputs at December 31:

	2015				
	Carrying Value	**Fair Value**	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Reported at Fair Value					
Assets:					
Cash and cash equivalents	$ 33,030,209	$ 33,030,209	$ 33,030,209	$ -	$ -
Marketable certificates of deposit	916,322	916,322	-	916,322	-
Mutual funds:					
Fixed income - multi-sector	3,127,943	3,127,943	3,127,943	-	-
Equity - growth	1,537,557	1,537,557	1,537,557	-	-
Equity - balanced	9,006,583	9,006,583	9,006,583	-	-
CBAM Resolute Fund Ltd.	96,238	96,238	-	96,238	-
U.S. government securities:					
U.S. treasury notes	6,232,709	6,232,709	-	6,232,709	-
Mortgage backed securities	107,498,698	107,498,698	-	107,498,698	-
Corporate bonds and other debt securities:					
Other	36,756	36,756	-	36,756	-
Beneficial interest in trusts	1,373,458	1,373,458	-	-	1,373,458
	$ 162,856,473	$ 162,856,473	$ 46,702,292	$ 114,780,723	$ 1,373,458
Liabilities:					
Derivative financial instruments	$ 22,275,775	$ 22,275,775	$ -	$ 22,275,775	$ -

	2015				
Disclosed at Fair Value					
Cash and cash equivalents	$ 45,638,591	$ 45,638,591	$ 45,638,591	$ -	$ -
Pledges receivable	3,451,711	3,346,687	-	-	3,346,687
Long-term debt, excluding capital leases (Note 10):					
Fixed rate revenue bonds	94,329,029	102,914,580	-	102,914,580	-
Variable rate revenue bonds	141,140,000	141,140,000	-	141,140,000	-
Note payable	24,346,297	24,346,297	-	-	24,346,297
Secured lines of credit	23,000,000	23,000,000	-	-	23,000,000

	2014				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Reported at Fair Value					
Assets:					
Cash and cash equivalents	$ 15,483,332	$ 15,483,332	$ 15,483,332	$ -	$ -
Marketable certificates of deposit	489,531	489,531	-	489,531	-
Mutual funds:					
Fixed income - multi-sector	3,988,425	3,988,425	3,988,425	-	-
Equity - growth	204,566	204,566	204,566	-	-
Equity - balanced	9,268,424	9,268,424	9,268,424	-	-
CBAM Resolute Fund Ltd.	32,512,162	32,512,162	-	32,512,162	-
U.S. government securities:					
U.S. treasury notes	6,130,791	6,130,791	-	6,130,791	-
Mortgage backed securities	88,688,837	88,688,837	-	88,688,837	-
Corporate bonds and other debt securities:					
Other	71,285	71,285	-	71,285	-
Beneficial interest in trusts	1,567,811	1,567,811	-	-	1,567,811
	$ 158,405,164	$ 158,405,164	$ 28,944,747	$ 127,892,606	$ 1,567,811
Liabilities:					
Derivative financial instruments	$ 21,507,539	$ 21,507,239	$ -	$ 21,507,539	$ -

	2014				
Disclosed at Fair Value					
Cash and cash equivalents	$ 62,058,533	$ 62,058,533	$ 62,058,533	$ -	$ -
Pledges receivable	2,263,478	2,241,660	-	-	2,241,660
Long-term debt, excluding capital leases (Note 10):					
Fixed rate revenue bonds	96,335,919	105,681,699	-	105,681,699	-
Variable rate revenue bonds	150,010,000	150,010,000	-	150,010,000	-
Note payable	28,750,000	28,750,000	-	-	28,750,000
Secured lines of credit	28,000,000	28,000,000	-	-	28,000,000

The following table presents the fair value measurements for beneficial interest in trusts that have unobservable inputs at December 31, 2015 and 2014:

Balance, January 1, 2014	$ 1,713,042
Decrease in value, included in changes in temporarily restricted net assets	(145,231)
Balance, December 31, 2014	1,567,811
Decrease in value, included in changes in temporarily restricted net assets	(194,353)
Balance, December 31, 2015	$ 1,373,458

The following represents a reconciliation of the assets reported at fair value included in the fair value table within the accompanying consolidated balance sheets at December 31:

	2015	2014
Short-term investments (Note 4)	$ 138,418,552	$ 133,618,264
Assets whose use is limited (Note 4):		
Current portion	4,031,128	3,020,970
Under trust indentures, held by trustees	5,953,215	6,215,093
Professional liability trust fund	10,187,116	12,839,326
Deferred compensation fund	1,473,131	164,057
Investments held by foundations	1,419,873	979,643
Beneficial interest in trusts	1,373,458	1,567,811
Total	$ 162,856,473	$ 158,405,164

The Corporation did not have any financial assets or financial liabilities measured at fair value on a non-recurring basis.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2015 and 2014.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Marketable certificates of deposit and mutual funds: Valued based on quoted market prices.

U.S. government securities, corporate bonds and other debt securities: Valued based on estimated quoted market prices of similar securities.

Beneficial interest in trusts: Beneficial interest in trusts are valued based on the fair value of the trusts underlying assets which represents a proxy for discounted present value of future cash flows. Beneficial interest in trusts are included in deposits and other noncurrent assets in the accompanying consolidated balance sheets.

Pledges receivable: Valued based on the original pledge amount, adjusted by a discount rate that a market participant would demand and an evaluation of uncollectible pledges. Pledges receivables are included in prepaid and other current assets and deposits and other noncurrent assets in the accompanying consolidated balance sheets.

Long-term debt: The fair value of the fixed rate debt is estimated based on market data provided by the Corporation’s financial consultants. Fair values of the remaining long-term debt are considered to approximate their carrying amounts in the accompanying consolidated balance sheets.

The Corporation is invested in the CBAM Resolute Fund, Ltd. (“Resolute Fund”). The fund is valued based on the net asset value per share of the fund which is based on the fair value of their underlying assets derived principally from or corroborated by observable market data by correlation or other means. In regards to the Fund, there are no unfunded purchase commitments or restrictions on the sale of the investments. In regards to redemption, the shares of the Resolute Fund can be redeemed on the last business day of each calendar month provided that written notice of redemption is provided five business days prior. Partial redemptions of the Resolute Fund must be at least $200,000 and the Corporation cannot redeem a portion of the Resolute Fund if it would result in the Corporation holding amounts whose net asset value would be less than the minimum initial subscription amount required. There are no known existing or potential restrictions on redemption as of December 31, 2015.

The following represents the investment strategy of the Resolute Fund and the Corporation's investment measured at fair value at December 31:

Fund	Investment Strategy	2015	2014
CBAM Resolute Fund, Ltd	To create an alternative source of income by harnessing risk premiums in global option markets. In pursuit of this objective, the fund will employ its option income strategy which utilizes actively-managed option-based investment structures to create absolute return profiles. This market-neutral strategy is designed to have minimal correlation to underlying market returns over an extended period of time and may be applied in a range of global markets including equities (both individual stocks and baskets of stocks), commodities, interest rates, foreign currencies and other markets where options are traded. The fund may trade and invest in the underlying instruments, related instruments (e.g. futures, forwards and exchange-traded funds or notes), and long and short call options and put options on the underlying or related instruments. The fund will seek to capitalize on a combination of systemic risk premium in global option markets and yields from active cash management.	$ 96,238	$ 32,512,162
		$ 96,238	$ 32,512,162

The Corporation measures its derivative financial instruments at fair value based on proprietary models of an independent third-party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument, and considers the credit risk of the Corporation and counterparty. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instrument and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would pay to terminate the agreement.

6. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment and accumulated depreciation and amortization at December 31, 2015 and 2014 consist of the following:

	2015	2014
Land and improvements	$ 16,711,792	$ 16,428,548
Buildings and improvements	488,364,688	471,321,373
Office furniture and equipment	249,979,263	230,876,788
Computer software and hardware	137,582,678	122,314,968
Equipment under capital leases	23,021,853	23,054,720
Total	915,660,274	863,996,397
Less accumulated depreciation and amortization	(526,883,809)	(488,168,772)
Total	388,776,465	375,827,625
Construction in progress	25,337,475	26,454,039
	$ 414,113,940	$ 402,281,664

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2015 and 2014, the Corporation incurred interest expense of approximately $10,989,000 and $12,274,000, respectively, of which approximately $1,670,000 was capitalized in 2015 and $1,351,000 in 2014. HRMC incurred interest expense of approximately $1,314,000 in 2015 and $1,296,000 in 2014 which is included in loss from discontinued operations in the accompanying consolidated statements of operations. There were no amounts capitalized for HRMC in 2015 and 2014. Investment earnings of approximately $13,000 and $17,000 were offset against capitalized interest in 2015 and 2014, respectively.

Depreciation expense, including amortization of equipment under capital leases, was $39,287,000 in 2015 and $37,915,712 in 2014. Depreciation expense, including amortization of equipment under capital leases, for HRMC was $4,870,000 in 2015 and $4,956,445 in 2014 and is included in loss from discontinued operations in the accompanying consolidated statements of operations. Accumulated amortization of equipment under capital lease as of December 31, 2015 and 2014 was $18,188,002 and $17,058,245, respectively.

Construction in progress as of December 31, 2015 consists primarily of major renovation and expansion projects of clinical facilities. Purchase commitments related to these and other miscellaneous projects were approximately $3,211,000 at December 31, 2015. The cost of these projects is expected to be funded through transfers from the Corporation's related foundations and from operations.

7. Investments and Investments in Unconsolidated Subsidiaries

The Corporation's investments and investments in unconsolidated subsidiaries include the following at December 31, 2015 and 2014:

	2015	2014
Investment in healthcare entities	$ 4,896,152	$ 8,927,379
Investment in Premier	4,868,701	2,967,923
Investments held by foundations and other	1,317,072	867,751
Total	$ 11,081,925	$ 12,763,053

Investment in Healthcare Entities

The Corporation recognized earnings of $1,371,874 and $1,018,286 during 2015 and 2014, respectively, related to its ownership interest in the healthcare entities accounted for under the equity method. A brief description of these investments is presented below:

Chesapeake Potomac Regional Cancer Center (“CPRCC”) - CPRCC provides outpatient radiation oncology services to patients in Maryland. The Corporation has a 20% ownership interest in CPRCC.

Doctors Regional Cancer Center (“DRCC”) - DRCC provides outpatient radiation oncology services to patients in Bowie and Lanham, Maryland. The Corporation has a 20% ownership interest in DRCC.

Germantown Outpatient Imaging (“GOI”) - This organization provides radiology and other imaging services to patients on an outpatient basis in Germantown, Maryland. Through July 31, 2015, the Corporation had a 50% ownership interest in GOI. On August 1, 2015, the Corporation purchased the remaining 50% equity interest in GOI from SGR. Thus, effective August 1, 2015, the Corporation owns 100% of GOI.

Shady Grove Medical Building, LLC (“SGMB”) - SGMB is organized for the purpose of developing and constructing a cancer care center on the campus of Shady Grove Medical Center. The Corporation has a 50% ownership interest in SGMB.

Riverside Health, Inc. (“RHI”) - RHI is a Medicaid managed care organization providing health services to its members. The Corporation sold its ownership interest on August 18, 2015 and recognized a gain on the sale of $1,664,925, which is included in investment income in the accompanying consolidated statements of operations. The Corporation had a 20% ownership interest in RHI prior to the date of sale.

Summarized financial information related to these entities is presented below:

	2015	2014
Net revenue	$ 17,359,701	$ 43,471,323
Revenues in excess of expenses	1,316,138	8,250,255
Total assets	30,758,798	71,086,079
Total liabilities	17,283,483	47,353,280

Investment in Premier

The Corporation is a partner in Premier, Inc. ("Premier"), a health care system group purchasing organization. In 2013, the Corporation recorded its Premier investment under the cost method of accounting. In October 2013, Premier converted from a privately held company to a public company through the issuance of an Initial Public Offering. At the time of conversion, the Corporation was issued 493,810 Class B common units of which 78,946 units were sold.

The remaining 414,864 Class B common units held by the Corporation are exchangeable for Class A common stock over a 7-year quarterly vesting period. The Corporation recognized a gain of $1,900,778 and $1,882,535 during 2015 and 2014, respectively, based on the market value of the units available for exchange. In addition, the Corporation recognized earnings of $832,617 and $799,979 during 2015 and 2014, respectively, related to distributions. Both the gain and the distributions are included in other revenue in the accompanying consolidated statements of operations.

Investments Held by Foundations and Other

The Foundations also hold marketable debt and equity securities for funds not required to be expended in less than 90 days. These marketable securities are subject to credit and market risks.

8. Land Held for Healthcare Development

Land - Clarksburg, Maryland

On February 25, 2002, the Corporation purchased 209 acres of land in Clarksburg, Maryland for approximately $20,000,000. Concurrent with this purchase, the Corporation entered into a sale agreement with an unrelated third party to be used for residential construction for the sale of 91 acres for $16,000,000.

On December 27, 2004, the Corporation purchased an additional adjacent parcel of land in Clarksburg, Maryland for $8,000,000. The purchase price and the related closing costs were financed under a line of credit with a commercial bank. Total costs capitalized related to the above parcels of land and improvements on this land were $46,915,938 and $53,235,412 at December 31, 2015 and 2014, respectively.

In May 2013, the Corporation entered into a Purchase and Sale Agreement (the "Sale Agreement") with an unrelated third party to sell 37.1 acres of the land located in Clarksburg, Maryland and 10.7 acres owned by Cabin Branch Commons, LLC ("Cabin Branch"). In June 2015, the Corporation closed on the sale of the land at a purchase price of $28,250,000. As of December 31, 2015, the Corporation has received $13,225,064 of the total purchase price. The additional proceeds are being held in escrow and will be received upon the completion of certain infrastructure improvements to the property, for which the Corporation and Cabin Branch are collectively responsible. No gain or loss has been recognized on the sale of the land as of December 31, 2015. The total amount of assets related to the parcel of land sold by the Corporation was $11,973,042, net of cash proceeds received in 2015, and $23,475,000 at December 31, 2015 and 2014, respectively.

Land - Silver Spring, Maryland

In July 2006, the Corporation purchased a parcel of land for purposes of building a replacement hospital for Washington Adventist Hospital. The land, which is located near the Calverton-White Oak area of Silver Spring, was purchased for approximately $11,000,000. In December 2015, the Maryland Health Care Commission granted formal approval of the Corporation’s plan to build the new facility. As of December 31, 2015 and 2014, the Corporation had total costs capitalized related to this land and land improvements of $39,776,601 and $35,190,353, respectively. These costs are included in land held for healthcare development in the accompanying consolidated balance sheet.

Land - Boyds, Maryland

On December 29, 2008, the Corporation participated in a group purchase of 5.31 acres of property located in Boyds, Maryland. The parcel was purchased by Cabin Branch Management, LLC, a Maryland Limited Liability Company of which the Corporation is a voting member. The Corporation does not maintain control of this Limited Liability Company and, therefore, the operation of it is not included in the consolidated financial statements at December 31, 2015 and 2014. The Corporation contributed $205,045 of the total contracted sales price of $735,000.

Land - Concordia Property

During 2011, Winchester Homes, Inc. and the Corporation created a new entity, Cabin Branch Commons, LLC (“Cabin Branch”), the purpose of which was to acquire a certain parcel of property known as the "Concordia Property", which was in default with Wells Fargo Bank (formerly known as Wachovia Bank). The Corporation paid $2,294,169 as its initial capital contribution to Cabin Branch. Cabin Branch purchased the note from Wachovia related to the Concordia Property, foreclosed on the Concordia Parcel, and purchased the Concordia Parcel at the foreclosure sale. The Corporation then paid Cabin Branch $500,000 for construction rights for certain active adult units on the Concordia Parcel. Total costs capitalized related to the above parcel of land were $2,794,169 at December 31, 2015 and 2014.

Land - Laurel, Maryland

In January 2014, the Corporation entered into a purchase agreement with an unrelated third party to buy land located in Laurel, Maryland for purposes of constructing an urgent care facility. On June 25, 2015, the Corporation closed on the purchase of the land for a total purchase price of $1,906,015. The cost of the land is included in land held for healthcare development in the accompanying 2015 consolidated balance sheet.

9. Short-Term Financing

The Corporation has a $3,000,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 1.50% (1.92% at December 31, 2015). There were no borrowings outstanding under this line of credit as of December 31, 2015 or 2014.

10. Long Term Obligations

Long term obligations as of December 31, 2015 and 2014 are comprised of the following:

	2015	2014
Fixed rate revenue bonds	$ 94,329,029	$ 96,335,919
Variable rate revenue bonds	141,140,000	150,010,000
Secured lines of credit	23,000,000	28,000,000
Note payable	24,346,297	28,750,000
Capital lease purchase financing facilities	144,289	1,886,526
Other long term liabilities	13,323,657	14,832,925
Total obligations	296,283,272	319,815,370
Less current maturities	31,540,973	27,909,209
Noncurrent portion of long term obligations, net	$ 264,742,299	$ 291,906,161

Fixed Rate Revenue Bonds

Fixed rate revenue bonds consist of the Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds, Series 2013, Adventist HealthCare, Inc. with a par amount of $12,844,029. Series 2011A, Adventist HealthCare, Inc. with a par amount of $57,205,000 and the Series 2014A, Adventist HealthCare, Inc. with a par value of $24,280,000. The Series 2013 bonds bear interest at a rate of 3.21%. The Series 2011A bear interest at fixed coupon rates ranging from 5.00% to 6.25%. The Series 2014A bonds bears interest at a fixed coupon rate of 3.56%.

Fixed rate revenue bonds consist of the following at December 31:

	2015	2014
Series 2011A, Adventist HealthCare, Inc.	$ 57,205,000	$ 57,205,000
Series 2013, Adventist HealthCare, Inc.	12,844,029	14,250,919
Series 2014A, Adventist HealthCare, Inc.	24,280,000	24,880,000
Total	$ 94,329,029	$ 96,335,919

The above bond issues are subject to trust indentures which impose various covenants on SGMC, WAH, HRMC, BH&WS, PH&R, and the Support Center (collectively, the “Obligated Group”) which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities, and the achievement of certain pre-established financial indicators. Management believes it has complied with these required financial covenants for the years ended December 31, 2015 and 2014. Debt service reserve funds are required on the Series 2011A bonds.

Variable Rate Revenue Bonds

Variable rate revenue bonds consist of the following at December 31:

	2015	2014
Maryland Health and Higher Educational Facilities Authority Revenue Bonds:		
Series 2005A, Adventist HealthCare, Inc.	$ 78,000,000	$ 78,000,000
Series 2011B, Adventist HealthCare, Inc.	38,155,000	46,680,000
Maryland Health and Higher Educational Facilities Authority Revenue Refunding Bonds,		
Series 2014B, Adventist HealthCare, Inc.	24,985,000	25,330,000
Total	$ 141,140,000	$ 150,010,000

The Series 2005A Bonds bear interest at a variable rate based on the SIFMA index and reset weekly. At December 31, 2015, the tax-exempt rate on the 2005A bonds was .02%. The 2004B taxable bonds referenced above bear interest at a variable rate based on the LIBOR index prior to refunding in 2014. The Corporation's Series 2005A, 2011B and 2014B bonds are subject to an Amended and Restated Master Trust Indenture that imposes various covenants on the Obligated Group which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities, and the achievement of certain pre-established financial indicators. Management believes it has complied with these required financial covenants for the years ended December 31, 2015 and 2014.

During November 2014, the 2004B bonds were redeemed and the Series 2014B bond was issued as a direct placement bond with a commercial bank and bears interest at a variable rate. The interest rate is one month LIBOR plus 2.3% (2.54% at December 31, 2015). As a result of this refunding, a loss on extinguishment of debt was recognized in 2014 for approximately $222,000, and was comprised of the remaining unamortized deferred financing costs related to the 2004B bonds. The payment of principal and interest on the 2005A bonds, which are subject to a remarketing agreement, are secured by a separate irrevocable direct-pay letter of credit. Draws on the letter of credit are payable when the letter of credit expires (January 2017) or 366 days from the date of the draw. Letters of credit are required to be maintained for the 2005A bonds through their maturity dates.

The Series 2011B bond is a direct placement bond with a commercial bank and bears interest at a variable rate that resets after two years. In September 2015, the interest rate was reset for two years through September 2017. The interest rate for the current two year period is 67% of one month LIBOR plus a spread of 1.77%. (1.93% at December 31, 2015).

The bonds subject to the Amended and Restated Master Trust Indenture are secured by the unrestricted revenues of the Obligated Group as well as a mortgage interest in the facilities of SGMC, WAH, HRMC, BH&WS and PH&R. In conjunction with the closing of the transfer of HRMC to Atlantic Health System as of March 31, 2016, HRMC is no longer a member of the Obligated Group.

Secured Lines of Credit

The Corporation has two secured lines of credit outstanding as follows:

- $20,000,000 line of credit with a commercial bank that bears interest at LIBOR plus 2.00% (2.24% at December 31, 2015). The term of this loan extends through June 30, 2016. The remaining amount due is shown as a component of the current portion of long-term debt at December 31, 2015. The balance on the working capital line was $12,500,000 and $15,000,000 at December 31, 2015 and 2014, respectively.

- $16,000,000 line of credit that bears interest at LIBOR plus 2.00% (2.24% at December 31, 2015) and expires on January 15, 2017. The amortization on the line extends to June 30, 2018. The balance on the line of credit was $10,500,000 and $13,000,000 at December 31, 2015 and 2014, respectively.

These lines of credit are secured by Master Notes issued under the Amended and Restated Master Trust Indenture dated as of February 1, 2003.

Notes Payable

The Corporation had a $20,000,000 unsecured line of credit outstanding with a commercial bank that bears interest at LIBOR plus 1.00% that expired on January 31, 2011. In February 2011, this line of credit was refinanced into a three year term loan, and bears interest at an interest rate of LIBOR plus 2.50% with a floor of 4.25% (4.25% at December 31, 2015). This loan is secured by a Master Note issued under the Amended and Restated Master Trust Indenture dated as of February 1, 2003. The note payable balance was $-0- at December 31, 2015 and $3,750,000 at December 31, 2014. This note was repaid in March 2015.

In December 2014, the corporation entered into a taxable term note for $25,000,000 with a commercial bank, which is secured by a Master Note issued under the Amended and Restated Master Trust Indenture dated as of February 1, 2003. The note bears interest at one month LIBOR plus 2.45% (2.7% as of December 31, 2015). The amortization on the note extends to December 18, 2034, however, the note matures on December 18, 2024. As of December 31, 2015, the outstanding balance was $24,346,297.

Capital Lease Purchase Financing Facilities

As of December 31, 2015, there was one capital lease purchase financing facility with a commercial bank. The facility was established in February 2011 for $10,000,000, bears interest at a rate of 3.47% and has a five year repayment period. Under the terms of the agreement, the commercial bank deposited funds into escrow accounts for the purpose of funding future purchases of new or used medical or medical-related equipment. The commercial bank retains title to the equipment and is considered to be the owner; however, the Corporation is responsible for all related expenses, including but not limited to, insurance, maintenance, and taxes. The balance of this facility was $144,289 and $1,886,526 at December 31, 2015 and 2014, respectively.

Other Long Term Liabilities

This category consists of several capital lease obligations and notes payable on various types of medical and IT equipment. The financed equipment serves as security on these leases. Interest rates on these other long term liabilities range from 3.40% - 6.83%.

Scheduled principal repayments of long-term obligations at December 31, 2015 are as follows:

Years ending December 31:	
2016	$ 31,540,973
2017	17,502,674
2018	21,586,184
2019	18,969,259
2020	4,061,308
Thereafter	202,622,874
Total	$ 296,283,272

11. Derivative Financial Instruments

The Corporation has two interest rate swap agreements, which are considered derivative financial instruments. The agreements were entered into in order to manage interest rate exposure. The principal objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in interest rates on its debt portfolio. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable, if any, which may be generated as a result of the swap agreement. Losses related to credit risk are managed by diversification among various swap counterparties and by requiring collateral from the Corporation’s swap counterparties at various ratings thresholds while the Corporation has no reciprocal requirement to post collateral. The two interest rate swap agreements are reported at fair value in the consolidated balance sheets.

The interest rate swap agreement with a notional amount of $78,000,000 was designated by the Corporation as a cash flow hedge, which qualifies it for hedge accounting treatment under accounting principles generally accepted in the United States of America. The effective portion of the change in fair value of the cash flow hedge is reported in the consolidated statements of operations and changes in net assets as an unrealized gain or loss on cash flow derivative financial instrument. The ineffective portion of the change in fair value is reported in the accompanying consolidated statements of operations as a component of interest expense.

The net cash paid or received under the swap agreements is recognized as either an adjustment to interest expense or other income. The net cash paid under the interest rate swap agreements was $4,200,383 in 2015 and $4,407,064 in 2014. For 2015 and 2014, $2,686,473 and $2,701,077, respectively, are reported as a component of interest expense in the accompanying consolidated statements of operations. These amounts represent the net cash paid related to the swap agreement that continues to be accounted for using hedge accounting. The remaining amounts for 2015 and 2014 are reported as a component of other income (expense) in the accompanying consolidated statements of operations, which is related to the swap agreement that does not qualifies for hedge accounting.

At December 31, 2015 and 2014, the Corporation's derivative financial instruments and related fair values are as follows:

	2015	2014
Agreement for the notional amount of $50,880,000 requiring the Corporation to pay a fixed interest rate of 3.457% while receiving variable interest rates based upon 67% of LIBOR, maturing January 2021	$ (3,066,432)	$ (3,960,691)
Agreement for the notional amount of $78,000,000 requiring the Corporation to pay a fixed interest rate of 3.567% while receiving variable interest rates based upon 67% of LIBOR, maturing January 2035 and qualifying for cash flow hedge accounting treatment	(19,209,343)	(17,546,848)
Total	$ (22,275,775)	$ (21,507,539)

The fair value of the interest rate swap agreements is estimated to be the amount the Corporation would receive or pay to terminate the swap agreements at the reporting date and was based on information supplied by an independent third party valuation agent (Note 5). Additionally, the fair value reflects a credit risk assessment required under accounting principles generally accepted in the United States of America. To the extent that the interest rate swaps qualifying for cash flow hedge accounting treatment are effective in converting the variable interest rate to a fixed rate, the unrealized gain or loss on the derivative financial instruments is excluded from revenues in excess of expenses from continuing operations. Gains or losses resulting from hedge ineffectiveness are recognized in revenues in excess of expenses from continuing operations. Gains of $0 and $94,622 were recognized as of December 31, 2015 and 2014, respectively as a result of hedge ineffectiveness. Gains or losses resulting from interest rate swap agreements not qualifying for cash flow hedge accounting treatment are entirely recognized as a component of revenues in excess of expenses from continuing operations. The impact of swaps not qualifying for hedge accounting treatment on the consolidated statements of operations were gains of $909,937 in 2015 and $803,817 in 2014.

On October 3, 2008, the counterparty for the Corporation's fixed pay swap maturing in January 2035, Lehman Brothers, Inc., commenced proceedings under Chapter 11 of the Bankruptcy Code. This action triggered an Event of Default under the ISDA Master Agreement in effect with said party and gave the Corporation the right to terminate the transaction. On October 16, 2008, the Corporation terminated this agreement and concurrently entered into an agreement with a new counterparty that assumed all existing terms and conditions of the original agreement. The termination of the original swap agreement resulted in a gain of $472,023 which is included in unrestricted net assets in the consolidated balance sheets. This gain is being amortized over the remaining term of the 2005A Series Bonds, or through January 2035. As of December 31, 2015 and 2014, accumulated amortization of $125,873 and $107,891, respectively, is included in other changes in net assets and interest expense in the consolidated statements of operations and changes in net assets.

12. Leases

The Corporation has entered into various operating leases primarily for office space as well as certain equipment items. Rental expense for operating leases was $22,130,309 in 2015 and $17,620,242 in 2014. Rental expense for operating leases of HRMC was $2,103,863 in 2015 and $2,181,328 in 2014 and is included in loss from discontinued operations in the accompanying consolidated statements of operations. Future minimum payments under non-cancelable operating leases with initial terms of one year or more consist of the following during the years ending December 31:

Years ending December 31:	
2016	$ 17,577,232
2017	16,704,326
2018	15,769,516
2019	15,037,984
2020	14,985,160
Thereafter	80,406,390
Total	$ 160,480,608

The Corporation has also entered into various sub-lease agreements with tenants that occupy space in the Corporation's buildings. The terms of these sub-leases vary and extend through 2030. Rental income was $4,536,740 in 2015 and $4,536,895 in 2014, which has been reported as a component of other operating revenue in the consolidated statements of operations. Future rent payments expected to be received by the Corporation during the years ending December 31 are as follows:

Years ending December 31:	
2016	$ 4,095,759
2017	3,383,360
2018	2,688,216
2019	2,093,114
2020	1,779,820
Thereafter	5,809,380
Total	$ 19,849,649

13. Retirement, Health Plan and Life Insurance

Defined Contribution Retirement Plan

The Corporation sponsors a 401(a) defined contribution retirement plan, which covers substantially all full-time employees. After twelve months of full-time or regular part-time employment of at least 1,000 base hours, the Corporation will contribute a total of 2% of eligible employees' compensation, plus a matching employer contribution equal to 50% of employee contributions (to the 403(b) plan) up to 6% of base salary. The Corporation also has a 403(b) retirement savings plan for employees. Employee contributions are made to the 403(b) retirement savings plan. Retirement plan expense was $8,657,979 in 2015 and $7,555,312 in 2014. Retirement plan expense for HRMC was $786,073 in 2015 and $646,853 in 2014 which is included in loss from discontinued operations in the consolidated statements of operations.

Supplemental Executive Retirement Plan

The Corporation also has a Supplemental Executive Retirement Plan (“SERP”) that became effective in 2015 and covers a group of key executives. During 2015, the Corporation recorded $496,857 of expense and a plan liability adjustment of $1,575,015, which was recognized in other changes in net assets in the consolidated statement of changes in net assets. At December 31, 2015, the Corporation’s liability for the SERP plan was $2,071,872, which is included in other liabilities in the consolidated balance sheet.

Executive Retention 457(F) Plan

Effective January 1, 2015, the Corporation established the Executive Retention 457(F) Plan (the “457(F) Plan”). The 457(F) Plan is a tax-deferred plan offered to key executives, whereby annual employer contributions are made to the Plan. Plan participants become vested in the contributions and receive plan payments in the second calendar year after the contribution is made if the employee is still employed. The final contribution will be made to the Plan for the year in which the plan participant becomes 62. The 457(F) plan expense was $1,712,760 in 2015 and the Corporation’s liability for the 457(F) plan at December 31, 2015 was $1,473,131, which is included in other liabilities in the consolidated balance sheet.

Salary Deferral (457(b)) Plan

Employees who contribute the maximum allowable amount to the 403(b) retirement plan have an opportunity to contribute additional funds on a tax-deferred basis to a 457(b) retirement plan up to the maximum tax-sheltered opportunity. There are no employer contributions to this plan.

Health Plan

The Corporation maintains a self-insurance employee program for its health insurance coverage. The Corporation accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its stop-loss insurance coverage, based upon data provided by the third-party administrator of the program and historical claims experience. Beginning January 1, 2005, HRMC maintained its own self-insurance program for employee health care coverage.

Life Insurance

Full-time and part-time employees are insured, through a third-party carrier, for an amount equal to one times their base salary at time of enrollment up to $450,000 for full-time employees and $10,000 for part-time employees. In addition, if death is caused by accident, the employee is insured for an additional benefit equal to the amount of their life insurance.

14. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for betterments to plant facilities and purchases of equipment or to support operating programs sponsored by the Corporation and its affiliates.

Permanently restricted net assets have been restricted by donor to be maintained by the Corporation in perpetuity.

Net assets were released from donor restriction by satisfying their restricted purposes in the amount of $3,671,485 in 2015 and $5,462,878 in 2014.

15. Commitments and Contingencies

Litigation and Claims

The Corporation is subject to asserted and unasserted claims (in addition to litigation) encountered in the ordinary course of business. In the opinion of management and after consultation with legal counsel, the Corporation has established adequate reserves related to all known matters. The outcome of any potential investigative, regulatory or prosecutorial activity that may occur in the future cannot be predicted with certainty. However, any associated potential future losses resulting from such activity could have a material adverse effect on the Corporation’s future financial position, results of operations and liquidity.

Insurance

The Corporation's primary coverage for professional liability is provided through a self-funded insurance retention trust (the “Trust”) established on January 1, 1993. The Trust is funded based on actuarial estimates and provides coverage of $2,000,000 per occurrence with no annual aggregate limitation. The Trust also provides general liability coverage up to $1,000,000 per occurrence and $3,000,000 in the aggregate. The Corporation also carries umbrella excess liability insurance on a claims made basis with a commercial carrier, with limits of $20,000,000 per occurrence and in aggregate.

It is the Corporation’s policy to accrue for the ultimate cost of uninsured asserted and unasserted malpractice claims, if any, when incidents occur. Based on a review of the Corporation’s prior experience and incidents occurring through December 31, 2015, management determined that the fully-funded professional liability reserve reported at December 31, 2015 and 2014 is adequate in light of the program’s excess umbrella policy currently in force and historical claims experience. The estimated professional liability for both asserted and unasserted claims was $12,291,581 and $11,626,223 at December 31, 2015 and 2014, respectively. The discount rate used in determining these liabilities was 2.5% at both December 31, 2015 and 2014.

The Corporation is self-insured for unemployment and workers' compensation benefits. The liability for unemployment and worker's compensation claims payable is an estimate based on the Corporation's past experience and is included in the accompanying consolidated balance sheets. It is reasonably possible that the estimates used could change materially in the near term.

Remediation

Certain buildings, which were constructed prior to the passage of the Clean Air Act, contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe fashion prior to demolition and renovation of these buildings. At this time, the Corporation has no plans to demolish or renovate these buildings and, as such, cannot reasonably estimate the fair value of the liability for such asbestos removal.

16. Business and Credit Concentrations

The Corporation grants credit to patients, substantially all of whom are local residents. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies.

At December 31, 2015 and 2014, concentrations of gross receivables from third-party payors and others are as follows:

	2015	2014
Medicare	27 %	20 %
Medicaid	8	13
Other third party payers	51	44
Self-pay and others	14	23
	100 %	100 %

Net patient service revenue, by payor class, consisted of the following for the years ended December 31:

	2015	2014
Medicare	31 %	31 %
Medicaid	10	9
Other third party payers	53	54
Self-pay and others	6	6
	100 %	100 %

The Corporation maintains its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000.

17. Functional Expenses

A summary of the Corporation's operating expenses by function for the years ended December 31 is as follows:

	2015	2014
Hospital acute and ambulatory services	$ 541,212,738	$ 531,992,119
Home care services	17,803,358	15,292,795
Other health care services	157,386,630	126,102,183
Other, including general and administrative	8,598,175	8,724,286
Fundraising	885,301	830,121
Total	$ 725,886,202	$ 682,941,504

The Corporation also incurred hospital acute services expense related to HRMC that were included in loss from discontinued operations in the consolidated statements of operations. HRMC hospital acute services expenses were $92,885,048 in 2015 and $90,387,497 in 2014.

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2015

Assets	Shady Grove Medical Center	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health & Wellness Services	Adventist Physical Health & Rehabilitation	Support Center	Eliminating Entries	Total Combined Obligated Group	Lourie Center	Adventist Home Care Services	Outpatient Services	Clinical Integration Services, Inc.	Other Health Services	Adventist HealthCare, Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Cash and cash equivalents	$ 128,869,140	$ (3,152,260)	$ 27,964,645	$ (4,567,511)	$ 12,485,079	$ (33,117,955)	$ -	$ 128,481,138	$ (932,018)	$ 4,734,852	(19,131,169)	$ (69,522,489)	$ 161,895	$ 1,846,382	$ -	$ 45,638,591
Short term investments	-	-	-	-	-	138,418,552	-	138,418,552	-	-	-	-	-	-	-	138,418,552
Assets whose use is limited	-	-	-	-	-	4,031,128	-	4,031,128	-	-	-	-	-	-	-	4,031,128
Patient accounts receivable, net of estimated allowance for doubtful collections of $25,654,000 in 2015	44,412,913	25,228,928	11,467,545	5,217,482	4,148,863	561,316	-	91,037,047	-	2,308,683	4,682,016	4,072,872	(4)	-	-	102,100,614
Other receivables, net of estimated allowance for doubtful collections of $2,110,000	3,253,293	4,987,390	719,026	944,002	62,040	2,503,847	(338,273)	12,131,325	1,720,686	(8,407)	475,733	30	716,332	986,408	-	16,022,107
Due from third party payors	-	-	-	1,312,324	693,718	-	(2,006,042)	-	-	-	-	-	-	-	-	-
Inventories	4,934,167	3,676,867	1,861,624	90,779	89,101	-	-	10,652,538	-	-	-	-	128,002	-	-	10,780,540
Prepaid expenses and other current assets	580,951	732,628	445,806	117,725	65,537	3,907,460	-	5,850,107	-	52,175	256,205	66,818	130,534	2,934	-	6,358,773
Total current assets	182,050,464	31,473,553	42,458,646	3,114,801	17,544,338	116,304,348	(2,344,315)	390,601,835	788,668	7,087,303	(13,717,215)	(65,382,769)	1,136,759	2,835,724	-	323,350,305
Property and Equipment, Net	185,541,854	36,415,669	38,683,898	11,994,728	9,938,466	120,238,378	-	402,812,993	1,757,938	394,331	7,027,683	1,837,062	283,933	-	-	414,113,940
Assets Whose Use is Limited																
Under trust indenture and capital lease purchase financing facilities, held by trustees and banks	840,381	864,244	2,777,924	490,222	443,534	536,910	-	5,953,215	-	-	-	-	-	-	-	5,953,215
Professional liability trust fund	-	-	-	-	-	10,187,116	-	10,187,116	-	-	-	-	-	-	-	10,187,116
Deferred compensation fund	-	-	-	-	-	1,473,131	-	1,473,131	-	-	-	-	-	-	-	1,473,131
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisition	331,236	-	1,520,124	-	23,377	-	-	1,874,737	567,418	-	-	-	-	691,537	-	3,133,692
Investments and Investments in Unconsolidated Subsidiaries	1,129,890	-	1,563,794	-	-	7,071,169	-	9,764,853	-	-	-	-	-	1,317,072	-	11,081,925
Land Held for Healthcare Development	-	28,805,827	-	-	-	60,885,926	-	89,691,753	-	-	1,906,015	-	-	-	-	91,597,768
Deferred Financing Costs, Net	637,044	369,252	406,455	72,479	60,399	663,452	-	2,209,081	-	-	(2,519)	-	-	-	-	2,206,562
Intangible Assets, Net	1,222,571	-	867,660	1,650,656	909,915	28,184	-	4,678,986	-	166,304	5,291,754	-	63,244	-	-	10,200,288
Deposits and Other Noncurrent Assets	2,556,198	31,351	2,807,837	26,674	32,000	1,047,861	-	6,501,921	5,054	30,828	78,594	6,889	32,754	2,005,701	-	8,661,741
Total assets	$ 374,309,638	$ 97,959,896	$ 91,086,338	$ 17,349,560	$ 28,952,029	$ 318,436,475	$ (2,344,315)	$ 925,749,621	$ 3,119,078	$ 7,678,766	$ 584,312	$ (63,538,818)	$ 1,516,690	$ 6,850,034	$ -	$ 881,959,683

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2015

Liabilities and Net Assets	Shady Grove Medical Center	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health & Wellness Services	Adventist Physical Health & Rehabilitation	Support Center	Eliminating Entries	Total Combined Obligated Group	Lourie Center	Adventist Home Care Services	Outpatient Services	Clinical Integration Services, Inc.	Other Health Services	Adventist HealthCare, Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Current Liabilities																
Accounts payable and accrued expenses	$ 24,740,589	$ 18,206,949	$ 5,858,082	$ 2,305,292	$ 934,631	$ 23,896,656	$ -	$ 75,942,199	$ 288,735	$ 824,738	4,762,435	$ 2,483,959	$ 722,886	$ 23,743	$ -	$ 85,048,695
Accrued compensation and related items	10,400,236	7,714,254	2,369,035	1,734,245	2,083,044	6,279,513	(338,273)	30,242,054	463,906	1,313,963	190,566	764,485	183,949	-	-	33,158,923
Interest payable	-	-	-	-	-	2,331,260	-	2,331,260	-	-	-	-	-	-	-	2,331,260
Due to third party payors	13,296,133	8,001,574	741,685	127,308	-	-	(2,006,042)	20,160,658	-	-	-	-	-	-	-	20,160,658
Estimated self-insured professional liability	-	-	-	-	-	2,258,544	-	2,258,544	-	-	-	-	-	-	-	2,258,544
Current maturities of long-term obligations	9,117,320	4,292,442	-	-	-	18,131,211	-	31,540,973	-	-		-	-	-	-	31,540,973
Total Current Liabilities	57,554,278	38,215,219	8,968,802	4,166,845	3,017,675	52,897,184	(2,344,315)	162,475,688	752,641	2,138,701	4,953,001	3,248,444	906,835	23,743	-	174,499,053
Construction Payable	-	-	50,410	-	-	-	-	50,410	-	-	-	-	-	-	-	50,410
Long-Term Obligations, Net																
Bonds payable	-	11,384,967	-	-	-	214,754,998	-	226,139,965	-	-	-	-	-	-	-	226,139,965
Notes payable	7,000,000	-	-	-	-	23,613,911	-	30,613,911	-	-	-	-	-	-	-	30,613,911
Capital lease obligation	1,395,095	-	-	-	-	6,536,774	-	7,931,869	-	-	56,554	-	-	-	-	7,988,423
Internal debt	113,455,522	55,051,935	32,229,053	5,809,634	4,347,854	(210,893,998)	-	-	-	-	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	22,275,775	-	22,275,775	-	-	-	-	-	-	-	22,275,775
Other Liabilities	3,182,392	1,158,698	901,530	-	154,265	7,786,691	-	13,183,576	-	-	-	-	-	59,575	-	13,243,151
Estimated Self Insured Professional Liability	-	-	-	-	-	10,033,037	-	10,033,037	-	-	-	-	-	-	-	10,033,037
Total liabilities	182,587,287	105,810,819	42,149,795	9,976,479	7,519,794	127,004,372	(2,344,315)	472,704,231	752,641	2,138,701	5,009,555	3,248,444	906,835	83,318	-	484,843,725
Net Assets (Deficit)																
Unrestricted	191,395,971	(8,399,503)	47,486,230	7,373,081	21,664,173	191,510,297	-	451,030,249	1,983,806	5,540,065	(4,425,243)	(66,787,262)	609,855	1,828,627	-	389,780,097
Temporarily restricted	326,380	548,580	1,450,313	-	(231,938)	(78,194)	-	2,015,141	41,210	-	-	-	-	4,528,089	-	6,584,440
Permanently restricted	-	-	-	-	-	-	-	-	341,421	-	-	-	-	410,000	-	751,421
Total net assets (deficit)	191,722,351	(7,850,923)	48,936,543	7,373,081	21,432,235	191,432,103	-	453,045,390	2,366,437	5,540,065	(4,425,243)	(66,787,262)	609,855	6,766,716	-	397,115,958
Total liabilities and net assets	$ 374,309,638	$ 97,959,896	$ 91,086,338	$ 17,349,560	$ 28,952,029	$ 318,436,475	$ (2,344,315)	$ 925,749,621	$ 3,119,078	$ 7,678,766	$ 584,312	$ (63,538,818)	$ 1,516,690	$ 6,850,034	$ -	$ 881,959,683

Adventist Healthcare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2015

	Shady Grove Medical Center	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health & Wellness Services	Adventist Physical Health & Rehabilitation	Support Center	Eliminating Entries	Total Combined Obligated Group	Lourie Center	Adventist Home Care Services	Outpatient Services	Clinical Integration Services, Inc.	Other Health Services	Adventist HealthCare Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Unrestricted Revenues																
Net patient service revenue	$ 359,864,907	$ 234,212,948	$ 88,604,596	$ 39,581,688	$ 41,349,120	$ 4,646,246	$ (88,792,424)	$ 679,467,081	$ 748,842	$ 18,739,587	9,633,409	$ 30,671,822	48,655	$ -	$ -	$ 739,309,396
Provision for doubtful collections	(15,042,527)	(11,790,785)	(3,622,660)	(2,051,815)	(1,410,967)	(33,871)	3,622,660	(30,329,965)	(153,510)	(112,579)	(25,281)	(3,032,000)	(224,717)	-	-	(33,878,052)
Net patient service revenue less provision for doubtful collections	344,822,380	222,422,163	84,981,936	37,529,873	39,938,153	4,612,375	(85,169,764)	649,137,116	595,332	18,627,008	9,608,128	27,639,822	(176,062)	-	-	705,431,344
Other revenue	8,094,550	5,182,702	5,626,392	7,274,887	2,605,385	6,520,732	(8,739,320)	26,565,328	9,073,864	43,129	880,038	130,235	7,438,990	2,073,814	(5,081,272)	41,124,126
Total unrestricted revenues	352,916,930	227,604,865	90,608,328	44,804,760	42,543,538	11,133,107	(93,909,084)	675,702,444	9,669,196	18,670,137	10,488,166	27,770,057	7,262,928	2,073,814	(5,081,272)	746,555,470
Operating Expenses																
Salaries and wages	121,401,216	83,364,311	38,479,759	23,066,573	23,230,553	18,312,806	(38,479,759)	269,375,459	4,965,652	11,714,851	6,439,503	27,484,902	2,238,118	-	-	322,218,485
Employee benefits	26,497,269	17,799,970	9,645,201	5,418,669	4,892,163	4,029,191	(9,645,201)	58,637,262	1,130,045	2,352,110	1,344,604	984,166	451,810	-	-	64,899,997
Contract labor	14,760,278	14,086,082	2,646,755	1,869,365	1,201,357	(532,474)	(2,962,249)	31,069,114	593,409	616,722	683,151	2,002,745	1,043,909	-	-	36,009,050
Medical supplies	52,807,840	38,563,165	14,030,487	1,765,659	1,411,912	12,614	(14,109,880)	94,481,797	69,135	278,173	520,779	2,398,464	1,006,067	-	(340)	98,754,075
General and administrative	36,445,346	27,270,391	8,510,520	3,842,923	3,460,589	36,606,912	(9,495,469)	106,641,212	1,847,180	906,208	2,151,209	9,380,006	1,264,575	2,167,139	(12,258,266)	112,099,263
Building and maintenance	24,558,487	9,433,830	5,496,961	3,315,485	1,718,233	842,487	(7,417,881)	37,947,602	325,937	663,645	2,742,687	446,873	537,182	-	(231,281)	42,432,645
Insurance	2,224,189	1,586,349	459,232	185,460	101,503	(11,442)	(459,232)	4,086,059	9,753	84,995	268,847	830,888	5,688	-	-	5,286,230
Interest	5,309,961	1,999,994	1,314,227	245,907	197,409	1,565,558	(1,314,227)	9,318,829	-	-	-	-	-	-	-	9,318,829
Depreciation and amortization	14,855,774	4,767,695	4,893,291	1,117,989	776,321	12,226,288	(4,893,291)	33,744,067	136,956	121,066	440,470	348,589	76,480	-	-	34,867,628
IT depreciation	5,326,851	3,525,135	1,529,793	681,334	485,132	(11,599,991)	(1,529,793)	(1,581,539)	-	35,253	-	-	16,493	-	1,529,793	-
Allocation: IT services	16,118,373	10,340,098	3,554,049	1,536,200	1,721,428	(33,850,244)	(3,554,049)	(4,134,145)	-	467,473	-	-	112,623	-	3,554,049	-
AHC management fees	7,561,429	5,218,626	2,324,773	1,410,861	1,202,706	(18,981,930)	(2,324,773)	(3,588,308)	165,493	585,889	24,388	357,027	130,738	-	2,324,773	-
Total expenses	327,867,013	217,955,646	92,885,048	44,456,425	40,399,306	8,619,775	(96,185,804)	635,997,409	9,243,560	17,826,385	14,615,638	44,233,660	6,883,683	2,167,139	(5,081,272)	725,886,202
Income (loss) from operations	25,049,917	9,649,219	(2,276,720)	348,335	2,144,232	2,513,332	2,276,720	39,705,035	425,636	843,752	(4,127,472)	(16,463,603)	379,245	(93,325)	-	20,669,268
Other Income (Expense)																
Investment income (loss)	(227,403)	(747,366)	97,146	(43,906)	1,228	1,837,483	(97,146)	820,036	3,189	2,664	-	-	-	37,709	-	863,598
Other income (expense)	(741,033)	(468,715)	(688,151)	(34,830)	(25,010)	862,793	688,151	(406,795)	-	-	-	-	-	-	-	(406,795)
Total other income (expense)	(968,436)	(1,216,081)	(591,005)	(78,736)	(23,782)	2,700,276	591,005	413,241	3,189	2,664	-	-	-	37,709	-	456,803
Revenue and gains in excess of (less than) expenses from continuing operations	24,081,481	8,433,138	(2,867,725)	269,599	2,120,450	5,213,608	2,867,725	40,118,276	428,825	846,416	(4,127,472)	(16,463,603)	379,245	(55,616)	-	21,126,071
Change in net unrealized gains and losses on investments other than trading securities	(783,672)	(2,044)	(232,025)	(1,277)	(51,416)	(1,171,988)	-	(2,242,422)	(649)	(23,908)	-	-	-	(14,715)	-	(2,281,694)
Change in net unrealized loss on derivative financial instrument	-	-	-	-	-	(1,644,513)	-	(1,644,513)	-	-	-	-		-	-	(1,644,513)
Transfer from (to) unconsolidated subsidiary	-	-	(1,527,200)	-	-	1,527,200	-	-	-	-	-	-	-	-	-	-
Deferred compensation adjustment	-	-	-	-	-	(1,575,015)	-	(1,575,015)	-	-	-	-	-	-	-	(1,575,015)
Net assets released from restriction for purchase of property and equipment	253,970	605,556	-	-	62,740	-	-	922,266	-	-	-	-	-	-	-	922,266
Other unrestricted net asset activity	18	2	(364,331)	11	-	(179,865)	-	(544,165)	6	-	(248,860)	143,557	5	-	-	(649,457)
Increase (decrease) in unrestricted net assets from continuing operations	23,551,797	9,036,652	(4,991,281)	268,333	2,131,774	2,169,427	2,867,725	35,034,427	428,182	822,508	(4,376,332)	(16,320,046)	379,250	(70,331)	-	15,897,658
Loss from discontinued operations	-	-	-	-	-	-	(2,867,725)	(2,867,725)	-	-		-	-	-	-	(2,867,725)
Increase (decrease) in unrestricted net assets	$ 23,551,797	$ 9,036,652	$ (4,991,281)	$ 268,333	$ 2,131,774	$ 2,169,427	$ -	$ 32,166,702	$ 428,182	$ 822,508	$ (4,376,332)	$ (16,320,046)	$ 379,250	$ (70,331)	$ -	$ 13,029,933

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Balance Sheet
December 31, 2015

	Shady Grove Medical Center Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Hackettstown Community Hospital Foundation, Inc.	Adventist Behavioral Health & Wellness Services Foundation, Inc.	Eliminating Entries	Combined Adventist HealthCare, Inc. Foundations
Assets						
Current Assets						
Cash and cash equivalents	$ 663,036	$ 872,493	$ 161,589	$ 149,264	$ -	$ 1,846,382
Current portion pledges receivable, less allowance for doubtful pledges of $71,000	711,523	221,268	27,506	15,030	-	975,327
Other receivables	-	1,319	9,762	-	-	11,081
Prepaid expenses and other current assets	-	-	2,934	-	-	2,934
Total current assets	1,374,559	1,095,080	201,791	164,294	-	2,835,724
Cash and Cash Equivalents Held for Capital Acquisitions	-	495,786	-	195,751	-	691,537
Investments	884,564	5,717	426,791	-	-	1,317,072
Beneficial Interest in Trusts	102,801	722,923	-	-	-	825,724
Noncurrent Portion of Pledges Receivable	995,211	184,766	-	-	-	1,179,977
Total assets	$ 3,357,135	$ 2,504,272	$ 628,582	$ 360,045	$ -	$ 6,850,034
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	$ 13,678	$ -	$ 10,065	$ -	$ -	$ 23,743
Liability to Charitable Gift Annuitants	59,575	-	-	-	-	59,575
Total liabilities	73,253	-	10,065	-	-	83,318
Net Assets						
Unrestricted	1,549,361	93,370	84,714	101,182	-	1,828,627
Temporarily restricted	1,734,521	2,410,902	123,803	258,863	-	4,528,089
Permanently restricted	-	-	410,000	-	-	410,000
Total net assets	3,283,882	2,504,272	618,517	360,045	-	6,766,716
Total liabilities and net assets	$ 3,357,135	$ 2,504,272	$ 628,582	$ 360,045	$ -	$ 6,850,034

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Statement of Operations
Year Ended December 31, 2015

	Shady Grove Medical Center Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Hackettstown Community Hospital Foundation, Inc.	Adventist Behavioral Health & Wellness Services Foundation, Inc.	Eliminating Entries	Combined Adventist HealthCare, Inc. Foundations
Changes in Unrestricted Net Assets						
Unrestricted Revenues, Gains, And Other Support						
Contributions, net	$ 274,615	$ 251,044	$ 62,179	$ 38,529	$ -	$ 626,367
Investment income	37,293	-	135	281	-	37,709
Net assets released from restrictions	528,794	553,660	359,831	5,162	-	1,447,447
Total unrestricted revenues, gains, and other support	840,702	804,704	422,145	43,972	-	2,111,523
Expenses						
General administrative expenses	189,936	204,704	124,577	7	-	519,224
In-kind gifts expended	161,498	204,574	-	-	-	366,072
Total expenses before transfers to the hospitals	351,434	409,278	124,577	7	-	885,296
Transfers to (from) the hospitals	440,952	576,171	259,565	5,155	-	1,281,843
Total expenses	792,386	985,449	384,142	5,162	-	2,167,139
Revenues in excess of (less than) expenses	48,316	(180,745)	38,003	38,810	-	(55,616)
Change in net unrealized gains on investments other than trading securities	(14,715)	-	-	-	-	(14,715)
Increase (decrease) in unrestricted net assets	33,601	(180,745)	38,003	38,810	-	(70,331)
Unrestricted net assets, beginning	1,515,760	274,115	46,711	62,372	-	1,898,958
Unrestricted net assets, ending	$ 1,549,361	$ 93,370	$ 84,714	$ 101,182	$ -	$ 1,828,627
Changes in Temporarily Restricted Net Assets						
Contributions, net	$ 1,072,514	$ 1,036,371	$ 356,111	$ 42,989	$ -	$ 2,507,985
Net assets released from restrictions	(528,794)	(553,660)	(359,831)	(5,162)	-	(1,447,447)
Change in value of beneficial interest in trusts	-	(82,491)	-	-	-	(82,491)
Change in discount of pledges receivable and provision for doubtful pledges	(109,987)	(12,006)	-	-	-	(121,993)
Investment income and unrealized gain on investments	-	-	1,748	-	-	1,748
(Decrease) increase in temporarily restricted net assets	433,733	388,214	(1,972)	37,827	-	857,802
Temporarily restricted net assets, beginning	1,300,788	2,022,688	125,775	221,036	-	3,670,287
Temporarily restricted net assets, ending	$ 1,734,521	$ 2,410,902	$ 123,803	$ 258,863	$ -	$ 4,528,089
Changes in Permanently Restricted Net Assets						
Contributions, net	$ -	$ -	$ 410,000	$ -	$ -	$ 410,000
Increase in permanently restricted net assets	-	-	410,000	-	-	410,000
Permanently restricted net assets, beginning	-	-	-	-	-	-
Permanently restricted net assets, ending	$ -	$ -	$ 410,000	$ -	$ -	$ 410,000