Hackensack University Health Network

Consolidated Financial Statements
December 31, 2015 and 2014

Hackensack University Health Network
Index
December 31, 2015 and 2014

Independent Auditor's Report

To the Board of Trustees of
Hackensack University Health Network

We have audited the accompanying consolidated financial statements of Hackensack University Health Network (the "Network"), 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the Network'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 Network'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 Hackensack University Health Network at 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.

PricewaterhouseCoopers LLP

March 30, 2016

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Hackensack University Health Network
Consolidated Balance Sheets
December 31, 2015 and 2014

(in thousands of dollars)	**2015**	**2014**
Assets		
Current assets		
Cash and cash equivalents	$ 176,684	$ 171,157
Investments	437,378	382,837
Current portion of assets whose use is limited	31,970	31,673
Accounts receivable		
Patients (less allowance for doubtful accounts of $58,998 and $71,249 in 2015 and 2014, respectively)	157,884	158,823
Other	55,434	47,517
Inventories	37,971	30,721
Prepaid expenses	17,631	15,861
Total current assets	914,952	838,589
Assets whose use is limited		
Board designated	69,595	72,605
Deferred employee benefit plan assets	25,314	25,183
Trustee held assets under bond indenture	27,651	27,534
Assets held for captive insurance program	25,586	28,735
Donor-restricted assets	3,694	2,918
Total assets whose use is limited, less current portion	151,840	156,975
Investments in joint ventures	56,760	48,129
Investments, net of current portion	22,959	24,361
Property and equipment, net	660,625	547,349
Deferred financing costs, net	7,735	8,527
Other assets	41,069	46,682
Total assets	$ 1,855,940	$ 1,670,612
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$ 172,885	$ 159,923
Accrued interest payable	16,560	15,680
Current portion of long-term debt	46,638	42,275
Other current liabilities	55,886	48,280
Total current liabilities	291,969	266,158
Long-term debt, less current portion	624,670	554,353
Nonrecourse debt	17,842	17,297
Accrued employee benefits	225,072	204,763
Estimated professional liability costs	16,134	18,416
Other liabilities	5,461	12,469
Total liabilities	1,181,148	1,073,456
Net assets		
Unrestricted	613,694	544,239
Noncontrolling interest in subsidiary	25,862	26,029
Total unrestricted net assets	639,556	570,268
Temporarily restricted	24,377	16,827
Permanently restricted	10,859	10,061
Total net assets	674,792	597,156
Total liabilities and net assets	$ 1,855,940	$ 1,670,612

The accompanying notes are an integral part of these consolidated financial statements.

Hackensack University Health Network
Consolidated Statements of Operations
Years Ended December 31, 2015 and 2014

(in thousands of dollars)	**2015**	**2014**
Revenues		
Net patient service revenue before provision for bad debts	$ 1,445,663	$ 1,386,336
Provision for bad debts	(58,618)	(81,626)
Net patient service revenue after provision for bad debts	1,387,045	1,304,710
Other revenues	246,341	224,442
Investment (loss) income - net	(3,932)	17,533
Net assets released from restrictions - operations	2,283	17,877
Total revenues	1,631,737	1,564,562
Expenses		
Salaries and wages	684,419	650,748
Employee benefits	117,445	125,753
Supplies and other	654,882	607,389
Depreciation and amortization	62,505	60,880
Interest expense	26,670	27,351
Total expenses	1,545,921	1,472,121
Excess of revenues over expenses	85,816	92,441
Other changes in unrestricted net assets		
Pension-related adjustments	(17,233)	(186,979)
Distributions to noncontrolling interests	(6,709)	(5,498)
Net assets released from restrictions - capital acquisitions	7,414	2,600
Increase (decrease) in unrestricted net assets	$ 69,288	$ (97,436)

The accompanying notes are an integral part of these consolidated financial statements.

Hackensack University Health Network
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2015 and 2014

(in thousands of dollars)	**2015**	**2014**
Unrestricted net assets		
Excess of revenues over expenses	$ 85,816	$ 92,441
Pension-related adjustments	(17,233)	(186,979)
Distributions to noncontrolling interests	(6,709)	(5,498)
Net assets released from restrictions - capital acquisitions	7,414	2,600
Increase (decrease) in unrestricted net assets	69,288	(97,436)
Temporarily restricted net assets		
Investment (loss) income	(109)	232
Restricted gifts, bequests, and similar items	17,356	10,714
Net assets released from restrictions	(9,697)	(20,878)
Increase (decrease) in temporarily restricted net assets	7,550	(9,932)
Permanently restricted net assets		
Restricted gifts, bequests, and similar items	798	2,023
Increase in permanently restricted net assets	798	2,023
Increase (decrease) in net assets	77,636	(105,345)
Net assets		
Beginning of year	597,156	702,501
End of year	$ 674,792	$ 597,156

The accompanying notes are an integral part of these consolidated financial statements.

Hackensack University Health Network
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

(in thousands of dollars)	**2015**	**2014**
Cash flows from operating activities		
Change in net assets	$ 77,636	$ (105,345)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for bad debts	58,618	81,626
Depreciation and amortization	62,505	60,880
Gain on sale of property and joint venture	(9,566)	(273)
Amortization of premium/discount on bonds	(194)	(194)
Decrease in long-term accreted bond interest	(1,764)	(1,363)
Change in the value of investments accounted for on the equity basis of accounting	(2,799)	(2,031)
Net unrealized losses on investments	25,850	8,083
Net realized losses (gains) on investments	1,274	(13,091)
Contributions restricted for capital acquisitions	(7,414)	-
Pension-related adjustments	(17,233)	(186,979)
Changes in operating assets and liabilities		
Patients accounts receivable	(57,679)	(60,804)
Inventories and other assets	(7,134)	8,999
Accounts payable and accrued expenses	7,528	20,325
Accrued interest payable	5,350	5,687
Accrued employee benefits	37,542	386,484
Estimated professional liability costs	(2,282)	(3,044)
Other current liabilities	7,606	(436)
Other liabilities	(2,415)	(1,429)
Net cash provided by operating activities	175,429	197,095
Cash flows from investing activities		
Purchases of property and equipment	(171,475)	(54,986)
Investment in joint venture	(4,904)	(3,787)
Distribution of joint venture interest	-	10,000
Proceeds from sale of property and joint venture	11,070	340
Increase in trading securities, net	(80,857)	(50,266)
Purchases of other than trading securities	(47,929)	(41,274)
Proceeds from sales of other than trading securities	51,778	41,565
Net cash used in investing activities	(242,317)	(98,408)
Cash flows from financing activities		
Issuance of long-term debt	120,203	-
Payments of deferred financing costs	(458)	-
Payments of long-term debt	(48,035)	(47,599)
Distributions to non-controlling interests	(6,709)	(5,498)
Contributions restricted for capital acquisitions	7,414	-
Net cash provided by (used in) financing activities	72,415	(53,097)
Net increase in cash and cash equivalents	5,527	45,590
Cash and cash equivalents		
Beginning of year	171,157	125,567
End of year	$ 176,684	$ 171,157
Supplemental disclosures of cash flow information		
Interest paid	$ 22,450	$ 23,016
Change in non-cash acquisitions of property and equipment	5,434	(6,436)
Non-cash change in non-recourse loan	(545)	10,703

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of dollars)

1. Organization and Summary of Significant Accounting Policies

Organization

Hackensack University Health Network (the “Network”) and its subsidiaries and controlled entities comprise an integrated health care delivery system. The Network is incorporated as a New Jersey non-profit, nonstock corporation established to promote and carry out charitable, scientific, academic and research activities. The Network is the sole corporate member of the following entities: Hackensack University Medical Center (the “Medical Center”), a 775-licensed bed, non-profit acute care hospital, Hackensack University Medical Center Foundation (the “Foundation”), Bergen Health Management System (“BHMS”), and Hackensack Physician-Hospital Alliance ACO, LLC (“ACO”).

The Medical Center is the sole shareholder of 20 Prospect Holdings, LLC, a for-profit disregarded entity, established in 2015 for the purpose of purchasing a medical office building and its adjoining parking garage (See Note 5).

The Medical Center and its subsidiary have various bond issues and bank loans outstanding and is considered the legally Obligated Group (Note 5).

The accompanying consolidated financial statements include the accounts of the Network and its subsidiaries noted above including the Medical Center whom controls the following tax-exempt and taxable professional corporations: Hackensack University Medical Group, P.C. (“HUMG”), HUMC Cardiovascular Partners, P.C. (“HUMCCP”), HUMC Primary Care Associates, P.C. (“HUMCPCA”), New Amsterdam Medical Associates, P.C. (“NAMA”), Hackensack Specialty Care Associates, P.C. (“HSCA”), Hackensack Medical Observation, P.A. (“HMO”), Hackensack Occupational Medicine Associates, P.C. (“HOM”), and The Auxiliary of Hackensack University Medical Center. Additionally, Hackensack University Medical Center Casualty Company, LTD (“HUMCCO”), is a wholly-owned subsidiary of the Medical Center, domiciled in Bermuda, that was established in 2003 to provide the Medical Center with medical professional liability insurance (see Note 13). These entities, while controlled by the Medical Center, are excluded from the Obligated Group for the Medical Center’s outstanding bonds and loans.

During 2012, the Network through the Medical Center entered into two separate joint ventures with another unrelated entity. Under the first joint venture arrangement, entered into on March 23, 2012, the Network contributed the existing property and equipment of the former Pascack Valley Hospital campus for a 35% interest in the joint venture which was valued at $51,100. Under the second joint venture, entered into on July 1, 2012, the Network purchased a 20% ownership interest in Mountainside Hospital. For its ownership interest, the Network contributed $10,644 in cash and entered into a $28,000 nonrecourse loan agreement with its joint venture partner. The interest rate on the loan is 8.875% per annum, with principal and interest payments to be made on a non-recourse basis from the distribution of profits of the Network’s share in the joint venture.

In March 2014, the joint venture with Mountainside Hospital completed a sale-leaseback transaction where the joint venture sold the property (land and buildings) of Mountainside Hospital for $115,000 to an unrelated third party. The Network’s share of the proceeds from this transaction was $22,100. The Network received a cash distribution of $10,000 and the remaining balance of approximately $12,100 was utilized to pay down the $28,000 nonrecourse loan (including interest). Joint ventures in which the Network exerts significant influence in the operations of the unconsolidated entities primarily through shared representation on the governing bodies of the

(in thousands of dollars)

investee and equal voting rights, has an equity interest of 20% but less than 50% are accounted for under the equity method of accounting.

During 2012, the Network through the Medical Center entered into a joint venture with a separate unrelated entity for the purpose of purchasing a 51% joint share of two ambulatory surgical centers (the “Centers”) located in Bergen County, New Jersey. The Network and the unrelated party paid consideration of $11,157 and $12,802, respectively, to purchase the collective 51% interest. The remaining 49% interest in the Centers was retained by the previous owners. Of the 51% interest in the joint venture, the Network has a 50.1% voting interest and, as such, has consolidated the Centers within these consolidated financial statements in accordance with Accounting Standards Codification 810 (“ASC 810”), *Not-for-Profit Entities - Consolidation*. The net assets (including goodwill of $34,250) acquired in the transaction were $34,950 and recorded at the transaction date in accordance with *ASU 2010-07, Not-for Profit Entities: Mergers and Acquisitions*. The Network also reflected a noncontrolling interest for the equity related to the previous owners and the unrelated party in accordance with ASC 810, which amounted to $25,862 and $26,029 at December 31, 2015 and 2014, respectively.

The following schedule of changes in consolidated net assets attributable to the parent and the noncontrolling interest reconciles beginning and ending balances of the parent’s controlling interest and noncontrolling interest for fiscal years 2015 and 2014:

	Total	The Network (Controlling Interest)	Non-controlling Interests
Balances at December 31, 2013	$ 667,704	$ 642,113	$ 25,591
Excess revenues over expenses (from continuing operations)	92,441	86,505	5,936
Distributions to non-controlling interests	(5,498)	-	(5,498)
Other changes	(184,379)	(184,379)	-
Change in unrestricted net assets	(97,436)	(97,874)	438
Balances at December 31, 2014	570,268	544,239	26,029
Excess revenues over expenses (from continuing operations)	85,816	79,274	6,542
Distributions to non-controlling interests	(6,709)	-	(6,709)
Other changes	(9,819)	(9,819)	-
Change in unrestricted net assets	69,288	69,455	(167)
Balances at December 31, 2015	$ 639,556	$ 613,694	$ 25,862

Acquisition of Palisades Healthcare System, Inc.

In April 2015, the Network signed a definitive agreement with Palisades Health System, Inc. (“Palisades”) to corporately affiliate Palisades as a full member of the Network. This agreement builds upon the Network’s clinical affiliation to collaborate and expand clinical programs and services to patients in the Hudson and southern Bergen counties. Subsequent to December 31, 2015, the Network received final approval to acquire Palisades with an effective date of March 1, 2016.

(in thousands of dollars)

Definitive Agreement with Meridian Health System
In May 2015, the Network signed a definitive agreement with Meridian Health System ("Meridian Health") to merge both parent organizations; creating one integrated healthcare delivery system known as Hackensack Meridian Health, to better meet the needs of many New Jersey communities. The merger will become effective upon the receipt of regulatory approvals, which is expected to be completed during 2016.

Definitive Agreement with Seton Hall University
In June 2015, the Network and Seton Hall University ("SHU") signed a definitive agreement to form a new, four-year school of medicine. The partnership will establish the only private school of medicine in the State of New Jersey. In conjunction with this definitive agreement, the Network signed a non-binding letter of intent to enter into a long-term lease for two buildings in the town of Nutley, New Jersey. Under a separate financial commitment agreement, SHU will assume responsibility for 50% of the cost of this lease upon its finalization.

Basis of Accounting and Principles of Consolidation
The consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Transactions among the various Network entities in the accompanying consolidated financial statements relate to the sharing of certain services, facilities, equipment and personnel. These transactions are recorded within operating revenues and expenses within the consolidated statements of operations and eliminate between the Network entities in consolidation.

Use of Estimates
The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the reserves on accounts receivable such as allowance for doubtful accounts and contractual allowances, valuation of alternative investments, estimated amounts due to and from third-party payers, professional liability costs and accrued employee benefit costs. Actual results could differ from those estimates.

Cash and Cash Equivalents
The Network considers certain investments in highly liquid investment securities with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are also held in its investment portfolio and assets whose use is limited.

Investments and Investment Income
Investments in equity securities with readily determinable fair values, investments in debt securities, and investments in common and collective trusts are measured at fair value. Fair value is based on quoted market prices of the investment or similar investments or the net asset values of common and collective trusts. Investment income or losses (including realized gains and losses on investments, interest, dividends, holding gains and losses on trading securities, declines in fair value that are determined by management to be other-than-temporary, and changes in the value of investments accounted for on the equity basis of accounting) are included in the accompanying consolidated statements of operations, unless the income or loss is restricted by donor or law.

(in thousands of dollars)

Gains and losses on sales of investment assets are determined using the first-in first-out method. Investments classified as current assets are available to support current operations.

A majority of the Network's investments in equity securities with readily determinable fair values and investments in debt securities are reported as trading securities based on the Network's investment strategy and investment philosophies. Trustee-held assets under bond indenture, which are primarily comprised of cash and short-term investments, as well as alternative investments, are classified as other than trading.

The Network invests in various alternative investments, primarily limited partnerships issued by nontraditional firms or "hedge funds," which engage in a variety of investment strategies and are managed by money managers. The investments in alternative investments are valued by management at fair value utilizing the net asset value (NAV) provided by the underlying investment companies unless management determines some other valuation is more appropriate. Such fair value estimates do not reflect early redemption penalties as the Network does not intend to sell such investments before the expiration of the early redemption periods. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Changes in the value of these alternative investments are included in investment (loss) income - net, in the consolidated statements of operations. Generally, alternative investments upon which redemptions may be made annually with written notice of 100 days are recorded as current assets. Limited partnerships which do not provide for voluntary withdrawal and are long term in nature are classified as noncurrent assets.

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

Assets Whose Use is Limited

Assets whose use is limited include cash and investments set aside by the Medical Center's Board of Governors (the "Board") for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held by trustees under indenture agreements, assets held in connection with the captive insurance program, assets held for deferred employee benefit plans, and donor-restricted assets. Amounts required to meet current liabilities of the Network are classified as current assets.

Other Receivables

Other receivables primarily consist of receivables for physician fees, pledges and grants, rent, interest, charity care subsidies, and other non-patient receivables.

(in thousands of dollars)

Other Assets
Goodwill is a type of long-lived asset that represents the excess of the aggregate purchase price over the fair value of assets acquired in a business combination. ASC 350, *Intangibles – Goodwill and Other*, requires that tangible and indefinite-lived assets, including goodwill, be reviewed for impairment. The Network has included goodwill of $34,250 in other assets on the consolidated balance sheets as of December 31, 2015 and 2014, in connection with the consolidation of two ambulatory surgery centers. The Network has performed an impairment analysis using the guidance in ASC 350, and determined that the recorded goodwill was not impaired at December 31, 2015 and 2014.

Inventories
Inventories are stated at the lower of cost (determined on an average cost basis) or market.

Property and Equipment
Property and equipment acquisitions are recorded at cost. Donated items are recorded at fair value on the date of the contributions. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

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.

	Years
Land improvements	5-25
Buildings and building improvements	10-40
Fixed equipment	5-20
Movable equipment	3-15

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell. There were no impairments of long-lived assets at December 31, 2015 and 2014.

Deferred Financing Costs
Deferred financing costs include legal, financing, and placement fees associated with the issuance of long-term debt. These costs are being amortized using the interest method over the period the related obligations are outstanding.

(in thousands of dollars)

Long-Term Accreted Bond Interest Payable

The Network accretes interest payable on the capital appreciation portion of the Series 1997 bonds due between January 1, 2012 and January 1, 2022. The accreted bond interest payable is included in long-term debt as of December 31, 2015 and 2014 (See Note 5).

Accounting for Employee Benefit Plans

The Network follows pension accounting which requires plan sponsors of defined benefit pension and postretirement benefit plans to recognize the overfunded or underfunded status of its plans in the consolidated balance sheets, measure the fair value of plan assets and benefit obligations as of the fiscal year end, and provide certain disclosures. The guidance also requires that changes that occur in the funded status of the plans other than amounts related to the next periodic cost be recognized by the Network in the year in which the changes occur as a change in unrestricted net assets presented below excess of revenues over expenses in the consolidated statements of operations and changes in net assets. These items will be amortized and recognized as part of net periodic benefit cost in future periods (See Note 7).

Estimated Professional and Workers Compensation Liabilities

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred, but not reported (See Note 13). The Network also has an occurrence based policy for workers compensation claims with a third party insurance company.

The guidance under ASU 2010-24, *Healthcare Entities*, *Presentation of Insurance Claims and Related Insurance Recoveries,* requires the gross presentation of insurance recoveries and liabilities, however, the Network has determined that these recoveries and related liabilities will not be reported as they do not have a material impact on the consolidated balance sheets as of December 31, 2015 and 2014.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Network has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Network in perpetuity.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted net assets. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as income of unrestricted net assets.

Performance Indicator

Excess of revenues over expenses is the performance indicator. Changes in unrestricted net assets which are excluded from the excess of revenues over expenses, consistent with industry practice, include pension-related adjustments, distributions to noncontrolling interests, and net assets released from restrictions for capital acquisitions.

(in thousands of dollars)

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is accounted for on the accrual basis in the period in which the service is provided. These amounts are net of appropriate allowances to give recognition to differences between Network charges and reimbursement rates from third party payers. The Network is reimbursed from third party payers under various methodologies based on the level of care provided. Certain net revenues received are subject to audit and retroactive adjustment for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The net negative adjustment included within the consolidated statement of operations relating to prior year estimates was approximately $2,355 for the year ended December 31, 2015. The net positive adjustment included within the consolidated statement of operations relating to prior year estimates was $4,577 for the year ended December 31, 2014.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. The use of historical collection and payer reimbursement experience is an integral part of the estimation of reserves for uncollectible accounts. Revisions in reserve for uncollectible accounts estimates are recorded as an adjustment to the provision for bad debts.

A summary of the payment arrangements with major third-party payers is as follows:

- Medicare - inpatient acute care services and most outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Network is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of the annual cost report by the Medical Center and audits thereof by the Medicare fiscal intermediary. The Network's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Network. The Network's Medicare cost reports have been audited and finalized by the Medicare fiscal intermediary through December 31, 2012, with the exception of 2005 and 2010, which remain open.

- Medicaid - inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are paid based upon a cost reimbursement methodology and certain services are paid based on a Medicaid fee schedule. The Network is paid for reimbursable costs at a tentative rate with final settlement determined after submission of the annual cost report by the Network and audit thereof by the Medicaid fiscal intermediary. The Network's Medicaid cost reports have been audited through December 31, 2013, and have been finalized by the Medicaid fiscal intermediary through December 31, 2006.

(in thousands of dollars)

- The Network has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Network under these agreements includes prospectively determined rates per day/case and discounts from established charges.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major sources, is as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Gross charges	$ 4,649,874	$ 5,081,569
Allowances	(3,204,211)	(3,695,233)
Patient service revenue, net of contractual allowances	1,445,663	1,386,336
Bad debt provision	(58,618)	(81,626)
Total net patient service revenue	$ 1,387,045	$ 1,304,710

The Network grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer arrangements. The mix of patient service revenue, net of contractual allowances from patients and third-party at December 31, 2015 and 2014 are as follows:

	2015	2014
Medicare	25 %	27 %
Medicaid	10	9
New Jersey Blue Cross	21	26
Other managed care and commercial	43	37
Uninsured	1	1
	100 %	100 %

The current Medicare and Medicaid programs are based upon complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties, and exclusion from such programs. The Network is not aware of any noncompliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material adverse effect on its consolidated financial statements.

(in thousands of dollars)

Tax Status
The Network and its subsidiaries and controlled entities, except as noted below, are Section 501(c)(3) organizations exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. The Network is also exempt from State taxes.

HUMCCO is registered under the laws of Bermuda and is exempt from income and capital gains tax until 2016.

HUMCPCA, NAMA, and NJOM are taxable entities.

Reclassifications
Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the presentation in the 2015 consolidated financial statements.

New Authoritative Pronouncements
In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The Network is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2018.

In April 2015, the FASB issued a standard on Simplifying the Presentation of Debt Issuance Costs. This standard requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The standard is effective for fiscal years beginning after December 15, 2015. The Network is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2016.

In May 2015, the FASB issued guidance about Fair Value Measurement and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This guidance requires entities to present investments that use net asset value (NAV) as a practical expedient for valuation purposes separately from other investments categorized in the fair value hierarchy described in Note 7. The standard is effective for fiscal years beginning after December 15, 2016. The Network is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2017.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee‘s obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This guidance will be effective

(in thousands of dollars)

for the Network beginning in fiscal year 2019. Early application is permitted. The Network is currently assessing the impact the adoption of ASU 2016-02 will have on their consolidated financial statements.

2. Charity and Uncompensated Care

In furtherance of its charitable purpose, the Network provides a wide array of services to the community, including various community-based social service programs, health screenings, trauma services, training for emergency service personnel, social service and support counseling for patients and families, pastoral care, crisis intervention, and transportation to and from the Network. Additionally, a large number of health-related educational programs are provided for the benefit of the community, including health enhancements and wellness, classes on specific conditions, medical education, telephone information services, and programs designed to improve the general standards of the health of the community.

The Network provides medical care without charge or at reduced costs to residents of its community. The Network definition of charity care includes the following: (a) services provided at no charge to the uninsured or underinsured and (b) services provided to patients expressing a willingness to pay, but who are determined to be unable to pay because of socioeconomic factors.

Charity care is provided to patients who meet the criteria under the Chapter 160 System for charity care or to those patients who qualify for a new program established by the Network in 2008.

The Network offers its own charity care to uninsured patients who do not qualify under the Chapter 160 System. The difference between the Network's charges and the reduced rates are considered the Network's self-pay charity care. The Network maintains records to identify and monitor the level of charity care it provides. Such foregone charges for 2015 and 2014 were as follows:

	2015	2014
Chapter 160 system	$ 89,054	$ 164,373
Network's self-pay charity care program	70,185	91,470
Total charges foregone	$ 159,239	$ 255,843

Of the Network's total expenses reported in 2015 and 2014, an estimated $53,076 and $73,449 arose during 2015 and 2014, respectively, from providing services to charity care patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Network's total expenses divided by gross patient service revenue. Additionally, the New Jersey Health Care Reform Act of 1992 provided for certain subsidy payments from the state to qualified hospitals to partially fund uncompensated care and certain other costs. Subsidy payments recognized as revenue amounted to approximately $4,825 and $9,808 for 2015 and 2014, respectively, and are included in net patient service revenue in the accompanying consolidated statements of operations.

(in thousands of dollars)

3. Investments and Assets Whose Use is Limited

Investments

Investments are comprised of pooled investments and other long-term investments. The Network invests cash from operations together with board-designated assets in a pooled portfolio. Funds in this pool participate in income, gains, and losses based upon their proportionate share of the total pool. The composition of the investment portfolio as of December 31, 2015 and 2014 is as follows:

	2015	2014
Pooled investments		
Cash and cash equivalents and money market funds	$ 34,235	$ 30,403
Marketable equity securities	152,360	117,202
Investments in limited and master limited partnerships	109,660	114,871
Common/collective trusts	2,892	3,667
Mutual funds	112,950	76,703
Corporate debt	34,865	38,894
U.S. treasury and other government obligations	15,085	12,335
Accrued interest receivable	542	596
Total pooled investments	462,589	394,671
Other investments		
Money market funds	974	3,477
Marketable equity securities	11,068	13,178
Mutual funds	949	2,836
U.S. treasury and other government obligations	20,921	23,975
Corporate debt	29,834	38,033
Real Estate	153	171
Total pooled and other investments	526,488	476,341
Less: Pooled investments included in board-designated assets included in assets whose use is limited	66,151	69,143
Total investments	460,337	407,198
Less: Investments available for current operations	63,900	81,670
Less: Pooled investments available for current operations	373,478	301,167
Long-term pooled investments	$ 22,959	$ 24,361

(in thousands of dollars)

Assets Whose Use is Limited

The composition of assets, whose use is limited as of December 31, 2015 and 2014, is as follows:

	2015	2014
Board designated		
Cash and cash equivalents	$ 145	$ 318
Marketable equity securities	1,524	1,380
Pooled investments	66,151	69,143
Fixed income securities	1,644	1,678
Real estate	114	79
Accrued interest receivable	17	7
Total board designated	69,595	72,605
Deferred employee benefit plan assets		
Cash and cash equivalents	1	1
Marketable equity securities	23,134	22,882
Corporate debt and other fixed income securities	2,179	2,300
Total deferred employee benefit plan assets	25,314	25,183
Trustee-held assets under bond indenture		
Cash and cash equivalents	35,221	39,112
U.S. treasury and other government obligations	24,400	20,095
Less: Current portion of assets whose use is limited	(31,970)	(31,673)
Total trustee-held assets under bond indenture	27,651	27,534
Assets held for captive insurance program		
Cash and cash equivalents	497	1,088
Marketable equity securities	5,670	5,947
Fixed income securities	19,419	21,700
Total assets held for captive insurance program	25,586	28,735
Donor-restricted assets		
Cash and cash equivalents	132	1,059
Marketable equity securities	762	752
Mutual funds	1,731	-
Real estate	62	61
Corporate debt and other fixed income securities	1,007	1,046
Total donor-restricted assets	3,694	2,918
Long-term assets whose use is limited	$ 151,840	$ 156,975

(in thousands of dollars)

Total return on investments and assets whose use is limited for the years ended December 31, 2015 and 2014, is as follows:

	2015	2014
Investment (losses) income - net		
Interest and dividend income	$ 17,032	$ 11,455
Net realized (loss) gain on investment securities	(1,274)	13,091
Change in the value of investments accounted for on the equity basis of accounting	(1,583)	1,070
Holding net loss on trading securities	(25,850)	(8,083)
Net gain on sale of investment in joint venture	7,743	-
Subtotal investment (losses) income - net	(3,932)	17,533
Changes in temporarily restricted net assets		
Investment income - all other	104	76
Change in net unrealized (loss) gain on investment securities available for sale	(213)	156
Subtotal changes in temporarily restricted net assets	(109)	232
Total return	$ (4,041)	$ 17,765

The Network is committed to specific funding levels for certain of its investments in limited partnerships. As of December 31, 2015 and 2014, the unfunded commitments totaled approximately $6,764 and $9,260, respectively.

4. Property and Equipment

Property and equipment as of December 31, 2015 and 2014, is as follows:

	2015	2014
Land	$ 6,412	$ 6,412
Land improvements	5,478	5,946
Buildings	768,674	655,842
Fixed equipment	94,976	90,591
Movable equipment	454,374	436,396
Total property and equipment	1,329,914	1,195,187
Less: Accumulated depreciation and amortization	(676,404)	(653,932)
Add: Construction in progress	7,115	6,094
Property and equipment, net	$ 660,625	$ 547,349

Depreciation expense for the years ended December 31, 2015 and 2014 was $58,736 and $54,086, respectively.

(in thousands of dollars)

5. Long-Term Debt

Long-term debt at December 31, 2015 and 2014 consists of the following:

		2015		2014
New Jersey Economic Development Authority Series 1997 Revenue Bonds which mature annually from January 1, 1998 through January 1, 2022, and bear interest at stated rates ranging from 4.1% to 5.7% (1)	$	18,666	$	21,401
Accreted bond interest payable on the capital appreciation portion of the Series 1997 bonds due between January 1, 2012 and January 1, 2022 (1)		34,095		35,689
Serial bonds, Series 2008, which mature annually from January 1, 2009 through January 1, 2018, and bear interest at rates ranging from 3.5% to 5.0%, payable semiannually (2)		4,185		9,400
Term bonds, Series 2008, which mature from January 1, 2021 through January 1, 2041, and bear interest at rates ranging from 5.125% to 5.375% payable semiannually (2)		216,985		216,985
Serial bonds, Series 2010, which mature annually from January 1, 2011 through January 1, 2025, and bear interest at rates ranging from 3.0% to 4.5%, payable semiannually (3)		29,790		33,545
Term bonds, Series 2010, which mature from January 1, 2030 through January 1, 2034, and bear interest at rates ranging from 4.625% to 5.0% payable semiannually (3)		38,480		38,480
Serial bonds, Series 2010B, which mature annually from January 1, 2012 through January 1, 2025, and bear interest at rates ranging from 4.0% to 4.25%, payable semiannually (4)		71,805		77,400
Term bonds, Series 2010B, which mature on January 1, 2028 and bear interest at rates ranging from 4.25% to 5.0% payable semiannually (4)		28,455		28,455
Bank loan, Series 2013A, which has an annual interest rate of 1.93% and a term of 84 months with a fixed monthly payment of $957, commencing May 1, 2013 and ending April 1, 2020 (5)		47,659		58,096
Bank loan, Series 2013B, which has an annual interest rate of 1.80% and a term of 84 months with a fixed monthly payment of $1,270, commencing May 1, 2013 and ending April 1, 2020 (5)		63,436		77,376
Tax -exempt bonds, Series 2015A, which have an annual interest rate of 2.38%, a term of 120 months with a 25-year amortization, and a fixed monthly payment of $372; commencing August 2015 and ending August 2025 (6)		83,122		-
Bank loan, Series 2015B, which has an annual interest rate of 3.31%, a term of 120 months with a 25-year amortization, and a fixed monthly payment of $177; commencing August 2015 and ending August 2025 (6)		35,680		-
Other promissory notes		1,549		2,035
		673,907		598,862
Less: Current portion of long-term debt		(46,638)		(42,275)
Less: Current portion of accreted interest (included in accrued interest payable)		(4,640)		(4,470)
Less: Unamortized bond discount		(1,182)		(1,237)
Add: Unamortized bond premium		3,223		3,473
Long-term debt	$	624,670	$	554,353

(in thousands of dollars)

(1) The New Jersey Economic Development Authority Revenue Bonds Series 1997 (the "Series 1997 Bonds") include: Capital Appreciation Bonds which are payable annually from January 1, 2012 through January 1, 2022, with interest rates ranging from 5.5% to 5.7%, with an outstanding balance of $18,666 at December 31, 2015. These bonds accrete interest from their date of issuance compounded initially on January 1, 1998, and semiannually thereafter. The interest is payable at maturity. Capital Appreciation Bonds, including accreted bond interest payable, totaled approximately $52,761 and $57,090 as of December 31, 2015 and 2014, respectively.

The Series 1997 Bonds are secured by a first mortgage lien on certain land, buildings, and improvements, a security interest in certain equipment, and real property. The Medical Center is subject to covenants under the Loan Agreement with the New Jersey Economic Development Authority containing restrictions and limitations with respect to mergers, maintenance of existence, sale or transfer of assets, use of property, and pledged funds.

(2) During 2008, the Obligated Group issued bonds under the New Jersey Health Care Facilities Financing Authority (the "Series 2008 Bonds"). The proceeds of the loan were used by the Medical Center to (1) advance refund the outstanding principal amount of the Series 2004 bonds; (2) construct and equip the Cancer Center, which includes diagnostic facilities, chemotherapy preparation and infusion areas, pharmacy and laboratory resources, as well as radiation oncology services; (3) construct and equip an adjacent freestanding parking garage facility consisting of approximately 975 parking spaces; (4) acquire medical and other equipment at its facilities; (5) pay capitalized interest on a portion of the Series 2008 Bonds; (6) fund the Debt Service Reserve Fund; and (7) pay the costs of issuance of the Series 2008 Bonds.

The Series 2008 Bonds are secured by the Obligated Group's gross receipts and a Series 2008 note which was issued in the same aggregate principal amount as the Series 2008 Bonds and contains payment provisions corresponding to those of the Series 2008 Bonds. The Obligated Group is subject to covenants under the Master Trust Indenture agreement ("MTI"). The Series 2008 Bonds are also secured by a first mortgage lien on the principal facilities of the Medical Center in favor of the Master Trustee under the MTI.

(3) During August, 2010, the Obligated Group issued $86,295 of New Jersey Health Care Facilities Financing Authority Revenue and Refunding Bonds (the "Series 2010 Bonds"). The proceeds of the loan were used to advance refund the outstanding principal amount of the Series 2000 bonds and also to refinance $10,000 of the Obligated Group's Series 1997 bonds.

The Series 2010 bonds are secured by the Obligated Group's gross receipts and a Series 2010 note, which was issued in the same aggregate amount as the Series 2010 bonds and contains payment provisions corresponding to those of the Series 2010 bonds. The Obligated Group is subject to covenants under the MTI. The Series 2010 bonds are also secured by a first mortgage lien on the principal facilities of the Medical Center in favor of the Master Trustee under the MTI.

(in thousands of dollars)

(4) During October, 2010, the Obligated Group issued $121,240 of New Jersey Health Care Facilities Financing Authority Revenue and Refunding Bonds (the "Series 2010B Bonds"). The proceeds of the loan were used to advance refund the outstanding principal amount of the Series 1998 bonds.

The Series 2010B bonds are secured by the Obligated Group's gross receipts and a Series 2010B note which was issued in the same aggregate principal amount as the Series 2010B bonds and contains payment provisions corresponding to those of the Series 2010B bonds. The Obligated Group is subject to covenants under the MTI. The Series 2010B bonds are also secured by a first mortgage lien on the principal facilities of the Medical Center in favor of the Master Trustee under the MTI.

(5) On March 22, 2013, the Obligated Group entered into the Series 2013A and Series 2013B taxable term loans from two banks totaling $175,000. The net proceeds of the loans were used to fund the Medical Center's noncontributory defined benefit retirement plan and reduce its corresponding liability. The Obligated Group is subject to covenants under the bank loans. The loans are secured by the Obligated Group's gross receipts and a mortgage lien on the Medical Center's principal facilities.

(6) In August 2015, the Obligated Group completed two borrowings to finance the purchase of a medical office building and its adjoining parking garage on the Medical Center's property. Both borrowings are obligations under the MTI. Series 2015A is a $84,000 tax-exempt bond issuance through the New Jersey Health Care Facilities Financing Authority. Series 2015B is a $36,000 taxable bank loan. The loans carry a combined blended rate of 2.63%, and require fixed monthly payments over a 120 month period from August 2015 to August 2025, at which point a balloon payment is due for the remaining outstanding principal and interest due on the borrowings.

Management is not aware of any noncompliance with any of the required covenants related to its outstanding debt for the years ended December 31, 2015 and 2014.

Required principal payments (including accreted bond interest payable) for the next five years and thereafter at December 31, 2015, are as follows:

December 31,		
2016	$	51,278
2017		52,969
2018		53,612
2019		54,786
2020		38,257
Thereafter		423,005
Total principal payments	$	673,907

Interest cost on long-term debt (excluding interest on promissory notes) was $25,452 and $25,475 for the years ended December 31, 2015 and 2014, respectively.

(in thousands of dollars)

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014 include $24,377 and $16,827 of amounts restricted by donors for capital acquisitions, research, and education.

Permanently restricted net assets at December 31, 2015 and 2014, include $10,859 and $10,061 in investments required by donors to be held in perpetuity by the Network. Income earned on these investments is expendable to support patient care services, or as specified by the donor.

7. Accrued Employee Benefits

The Network has a noncontributory defined benefit retirement plan covering most employees. The Network's funding policy is to contribute annually an amount no less than the minimum amount required by the Employee Retirement Income Security Act.

In 2010, the Network announced to all employees a change in its qualified defined benefit pension plan. Beginning January 1, 2011, most of its employees automatically earned retirement benefits under two new retirement plans, a defined contribution plan and a retirement savings plan. Any employee whose age and years of vesting service total at least 65 remains in the defined benefit plan and earns benefits under a new pension formula. The new pension formula continues to use an employee's compensation and years of service, but benefits grow more evenly and slower over the remaining course of an employee's career.

In 2014, the Network offered a voluntary enhanced retirement opportunity ("VERO") to employees who were within three years of the normal retirement age. The package of benefits includes removal of the early retirement reduction factor for those under 65; a $1,000 per month stipend for those under age 65, lasting until age 65 as a means to 'bridge' the employee to Social Security coverage; service credit for the retirement years under age 65; and extending access to health coverage. Over 180 employees accepted the VERO offering. The impact of the VERO, including certain sick-time benefits for these employees, was a one-time special termination of benefits charge of $12,502, which is included in employee benefits in the consolidated statements of operations for the year ended December 31, 2014.

The defined contribution plan and the retirement savings plan both provide for employer contributions. The retirement savings plan is a noncontributory plan whereby the employer contribution is specific to employees who do not accrue benefits under the old defined benefit plan and equals two percent of the participant's eligible compensation. The defined contribution plan provides for employee and employer matching contributions. The matching employer contribution is equal to 50 percent of the employee's elective contribution up to a maximum employer contribution ranging from 1.5% to 3% of eligible compensation, based on years of service beginning in 2011. For the years ended December 31, 2015 and 2014, the contribution expense related to the plans was $14,268 and $14,044, respectively, and is included in employee benefits within the consolidated statements of operations.

The Network also sponsors a nonqualified, unfunded supplementary employee retirement plan for certain other employees. Similar to the changes under the qualified pension plan, the Network froze benefits under the nonqualified deferred compensation plan as of December 31, 2010. Beginning January 1, 2011, certain management employees earn benefits under a newly designed supplemental employee retirement plan. This plan is intended to remain as an unfunded

(in thousands of dollars)

nonqualified deferred compensation plan which provides for an annual contribution in the form of a percentage of base payroll.

The Network also sponsors a defined benefit postretirement health care plan that covers both salaried and nonsalaried employees, and is contributory to the level of the annual major medical deductible.

The Network has recognized liabilities, in connection with a self-insured medical and dental plan for its employees of $4,396 and $3,605 at December 31, 2015 and 2014, respectively. This liability is included in accounts payable and accrued expenses in the consolidated balance sheets.

The following table provides a reconciliation of the benefit obligations, plan assets and funded status of the Network's defined benefit retirement plans and other postretirement benefit plans, and the related amounts that are recognized in the accompanying consolidated balance sheets at December 31, 2015 and 2014:

	Pension Benefits		Other Benefits	
	2015	**2014**	**2015**	**2014**
Change in benefit obligation				
Benefit obligation, January 1	$ 837,321	$ 622,073	$ 910	$ 962
Service cost	13,864	14,169	-	-
Interest cost	35,844	33,261	35	44
Actuarial (gain) loss	(46,358)	173,259	(40)	30
Plan amendments	(2,783)	-	-	-
Special termination benefits	-	11,952	-	-
Benefits paid	(41,374)	(17,393)	(67)	(126)
Benefit obligation, December 31	796,514	837,321	838	910
Change in plan assets				
Fair value of plan assets, January 1	664,707	648,567	-	-
Actual return on plan assets	(21,223)	32,154	-	-
Employer contributions	84	1,379	67	126
Benefits paid	(41,374)	(17,393)	(67)	(126)
Fair value of plan assets, December 31	602,194	664,707	-	-
Funded status/accrued pension liability	$ 194,320	$ 172,614	$ 838	$ 910
Accumulated benefit obligation	$ 788,343	$ 829,704	$ 838	$ 910

(in thousands of dollars)

At December 31, 2015 and 2014 the accrued pension liability is included in the consolidated balance sheets as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Current liabilities				
Accounts payable and accrued expenses	$ 4,386	$ 3,710	$ 84	$ 85
Noncurrent Liabilities				
Accrued employee benefits	189,934	168,904	754	825
Total accrued pension liability	$ 194,320	$ 172,614	$ 838	$ 910

At December 31, 2015 and 2014, the Network has recognized liabilities related to its vested sick pay program of $4,300 and $4,092, respectively, and other benefits provided to current and retired employees of $30,084 and $30,944, respectively.

At December 31, 2015 and 2014, unrestricted net assets include the following amounts not yet recognized as a component of net periodic benefit costs:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Prior service credit	$ (36,174)	$ (37,463)	$ -	$ -
Net loss (gain)	369,351	353,521	(1,868)	(1,982)
Adjustment to unrestricted net assets (obligations)	333,177	316,058	(1,868)	(1,982)
Accumulated contributions surplus in excess of periodic benefit cost	(138,857)	(143,444)	2,706	2,892
Net amount recognized in consolidated balance sheets	$ 194,320	$ 172,614	$ 838	$ 910

The changes in plan assets and benefit obligation recognized in unrestricted net assets not yet recognized in net periodic benefit cost for the years ended December 31, 2015 and 2014, which are included in unrestricted net assets, are as follows:

	2015		2014	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Amortization of net actuarial (loss) gain	$ (8,201)	$ 154	$ (8,822)	$ 176
Amortization of prior service credit (cost)	4,072	(40)	4,072	30
New prior service credit	(2,783)	-	-	-
Net loss	24,031	-	191,523	-
Total pension-related adjustments	$ 17,119	$ 114	$ 186,773	$ 206

(in thousands of dollars)

The amounts expected to be recognized in net periodic benefit cost from unrestricted net assets during 2016 are as follows:

	Pension Benefits	Other Benefits
Prior service credit	$ (4,153)	$ -
Net loss (gain)	9,071	(151)

The components of net periodic benefit cost for the years ended December 31, 2015 and 2014, were as follows:

	Pension Benefits 2015	Pension Benefits 2014	Other Benefits 2015	Other Benefits 2014
Service cost	$ 13,864	$ 14,169	$ -	$ -
Interest cost	35,844	33,261	35	44
Expected return on plan assets	(49,167)	(50,418)	-	-
Amortization of net actuarial loss (gain)	8,201	8,141	(154)	(176)
Amortization of prior service cost	(4,072)	(4,072)	-	-
Settlement loss recognized	-	680	-	-
Special termination benefit recognized	-	11,952	-	-
Net periodic benefit cost	$ 4,670	$ 13,713	$ (119)	$ (132)

At December 31, 2015 and 2014, the Network used the following weighted average assumptions in determining the following amounts:

	2015	2014
Benefit obligation		
Discount rate		
Retirement income plan	4.77 %	4.36 %
Deferred compensation plan	3.95 %	3.57 %
Other benefits	4.46 %	4.03 %
Rate of increase in future compensation levels	3.00 %	3.00 %
Net periodic benefit cost		
Discount rate		
Retirement income plan	4.36 %	5.45 %
Deferred compensation plan	3.57 %	4.39 %
Other benefits	4.03 %	4.77 %
Expected long-term rate of return on plan assets	7.52 %	7.87 %
Rate of increase in future compensation levels	3.00 %	3.00 %

(in thousands of dollars)

Plan Assets

The assets of the pension plans are invested as follows:

Investment	**Target Asset Allocation**
Domestic equity	26 %
International equity	13
Fixed income	27
Hedge equity	15
Hedge market neutral	5
Real estate	2
Alternative investments (private equity and mixed)	3
Inflation hedges (Treasury Inflation Protected Securities (TIPS) & alternatives)	9
	100 %

The Network's investment policy and strategy, as established by its Finance and Investment Committee, is to provide for growth of capital with a moderate level of volatility by investing assets based on the target allocations. The target allocations above have been set to achieve a long-term rate of return of 7.52% while minimizing risk. The expected long-term rate of return assumptions are based on forward-looking return forecasts for the modeled asset classes provided by the Network's investment management consultants. The long-term forecasts are based on their analysis of long-cycle historical data as well as their longer-term global views.

(in thousands of dollars)

The following table presents information as of December 31, 2015 and 2014 about the Plan's financial assets that are measured at fair value on a recurring basis:

	Assets at Fair Value at December 31, 2015				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Valuation Technique (1)
Cash equivalents	$ 13,492	$ -	$ -	$ 13,492	M
Marketable equity securities					
Common stock - domestic	148,556	-	-	148,556	M
Common stock - international	30,530	-	-	30,530	M
Asset backed securities	-	4,214	-	4,214	M
Mortgage backed securities	-	10,299	-	10,299	M
Master limited partnership	32,240	-	-	32,240	M
Mutual funds					
Equity	36,032	-	-	36,032	M
Fixed income	83,485	-	-	83,485	M
Corporate bonds	-	51,844	-	51,844	M
Government securities					
Government bonds	-	2,569	-	2,569	M
Treasuries	-	11,497	-	11,497	M
Common/collective trust					
Equities	-	22,817	-	22,817	M
Limited partnerships	-	-	153,462	153,462	M, C
	$ 344,335	$ 103,240	$ 153,462	$ 601,037	

	Assets at Fair Value at December 31, 2014				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Valuation Technique (1)
Cash equivalents	$ 19,985	$ -	$ -	$ 19,985	M
Marketable equity securities					
Common stock - domestic	126,427	-	-	126,427	M
Common stock - international	38,551	-	-	38,551	M
Asset backed securities	-	5,053	-	5,053	M
Mortgage backed securities	-	8,516	-	8,516	M
Master limited partnership	45,826	-	-	45,826	M
Mutual funds					
Equity	40,594	-	-	40,594	M
Fixed income	93,986	-	-	93,986	M
Corporate bonds	-	77,599	-	77,599	M
Government securities					
Government bonds	-	4,102	-	4,102	M
Treasuries	-	11,837	-	11,837	M
Common/collective trust					
Equities	-	35,929	-	35,929	M
Limited partnerships	-	-	156,302	156,302	M, C
	$ 365,369	$ 143,036	$ 156,302	$ 664,707	

(1) See Note 11.

At December 31, 2015 there was $1,157 in cash equivalents that are considered recurring fair value measures included in Plan's financial assets. There were no such cash equivalents included in the Plan's financial assets at December 31, 2014.

(in thousands of dollars)

Reconciliation of Level 3 Investments

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

	Hedge Fund	Private Equity	Real Estate	Mortgage and Asset Backed Securities	Total
Balances at December 31, 2013	$ 123,109	$ 16,040	$ 9,460	$ 424	$ 149,033
Net realized gain	1,458	370	1,171	-	2,999
Net unrealized gain	7,120	(378)	784	-	7,526
Transfers out	-	-	-	(371)	(371)
Purchases	13,604	87	209	-	13,900
Sales	(12,116)	(1,102)	(3,514)	(53)	(16,785)
Balances at December 31, 2014	133,175	15,017	8,110	-	156,302
Net realized gain	339	(507)	936	-	768
Net unrealized gain	2,630	232	(1,016)	-	1,846
Transfers out					-
Purchases	3,500	64	407	-	3,971
Sales	(1,186)	(4,929)	(3,310)	-	(9,425)
Balances at December 31, 2015	$ 138,458	$ 9,877	$ 5,127	$ -	$ 153,462

Cash Flows

The Network is not required to make a contribution during 2016.

Estimated Benefit Payments

The Network expects to pay the following for pension benefits, which reflect expected future service as appropriate, and expected postretirement benefits in the following years:

Year ending December 31,	Pension Benefits	Other Benefits
2016	$ 29,645	$ 83
2017	27,158	80
2018	28,810	76
2019	31,920	72
2020	34,472	69
2021-2025	217,215	303

8. Other Revenues

Other revenues at December 31, 2015 and 2014, consist of the following:

	2015	2014
Physician fee revenue	$ 170,735	$ 156,381
Grant and research income	12,457	13,232
Other	63,149	54,829
Total	$ 246,341	$ 224,442

(in thousands of dollars)

9. Leases

The Network rents certain office space and equipment under various noncancelable operating leases. Future payments relating to these leases, by year, at December 31, 2015, are as follows:

2016	$ 9,276
2017	6,944
2018	2,900
2019	2,684
2020	2,386
Thereafter	13,428
	$ 37,618

Rent expense charged to operations under operating leases for 2015 and 2014 was approximately $18,381 and $22,973, respectively.

10. Functional Expenses

The Network provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2015 and 2014, are as follows:

	2015	2014
Health care services	$ 1,285,570	$ 1,233,432
General and administrative	260,351	238,689
Total expenses	$ 1,545,921	$ 1,472,121

11. Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

Investments and Assets Whose Use is Limited

The Network adopted guidance related to fair value accounting which defines fair value, provides a framework for measuring fair value, and expands disclosures for fair value measurements.

The guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy

(in thousands of dollars)

based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Network for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or substantially the whole term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market Approach (M) - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost Approach (C) - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income Approach (I) - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions the market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors.

The Network utilized the best available information in measuring fair value.

The adoption of the guidance on fair value accounting to the Network's financial assets did not have any impact on the consolidated financial statements.

(in thousands of dollars)

The following table presents information as of December 31, 2015 and 2014, about the Network's financial assets that are measured at fair value on a recurring basis:

	Assets at Fair Value at December 31, 2015				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Valuation Technique
Cash equivalents	$ 70,816	$ -	$ -	$ 70,816	M
Marketable equity securities					
Common stock - domestic	104,242	-	-	104,242	M
Common stock - international	46,309	-	-	46,309	M
Asset backed securities	-	9,904	-	9,904	M
Mortgage backed securities	-	20,757	-	20,757	M
Master limited partnerships	23,795	-	-	23,795	M
Mutual funds					
Equity	32,948	-	-	32,948	M
Fixed income	108,466	-	-	108,466	M
Annuity contract	-	-	2,180	2,180	
Corporate bonds	-	74,787	-	74,787	M
Government securities					
Government bonds	-	23,625	-	23,625	M
Treasuries	-	36,823	-	36,823	M
Common/collective trust					
Equities	-	2,892	-	2,892	M
Real estate	312	17	-	329	M
	$ 386,888	$ 168,805	$ 2,180	$ 557,873	

	Assets at Fair Value at December 31, 2014				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Valuation Technique
Cash equivalents	$ 73,863	$ -	$ -	$ 73,863	M
Marketable equity securities					
Common stock - domestic	79,235	-	-	79,235	M
Common stock - international	39,977	-	-	39,977	M
Asset backed securities	-	11,049	-	11,049	M
Mortgage backed securities	-	19,454	-	19,454	M
Master limited partnerships	25,646	-	-	25,646	M
Mutual funds					
Equity	24,515	-	-	24,515	M
Fixed income	80,629	-	-	80,629	M
Annuity contract			2,300	2,300	
Corporate bonds	-	87,894	-	87,894	M
Government securities					
Government bonds	-	26,320	-	26,320	M
Treasuries	-	30,158	-	30,158	M
Common/collective trust					
Equities	-	3,667	-	3,667	M
Real estate	293	17	-	310	M
	$ 324,158	$ 178,559	$ 2,300	$ 505,017	

At December 31, 2015 and 2014 included in investments and assets whose use is limited is approximately $409 and $1,605, respectively, which consists of cash equivalents that are not considered recurring fair value measures.

(in thousands of dollars)

The Network's investment portfolio includes alternative investments of $85,865 and $89,224 at December 31, 2015 and 2014, respectively. However, as these investments are accounted for under the equity method of accounting, they are excluded from the above tables.

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

Marketable Equity Securities
Fair value estimates for publicly traded common stock, exchange funds, and master limited partnerships are based on quoted market prices are classified as Level 1. For investments in asset and mortgage backed securities, fair value is based on the average of the last reported bid or ask prices, therefore these investments are rendered Level 2 unless external price data is not observable in which case they are rendered Level 3.

U.S. Government Securities and Corporate Bonds
For investments in U.S. Securities (notes, bonds, and treasuries) and corporate bonds fair value is based on the average of the last reported bid or ask prices; therefore, these investments are classified as Level 2. These investments fluctuate in value based on changes in the interest rates. Fair values of debt securities that do not trade on a regular basis in active markets are classified as Level 2.

Cash Equivalents and Mutual Funds
Estimated fair values of cash equivalents (money market funds) and mutual funds are based on daily values (closing price on primary market) that are validated with a sufficient level of observable activity (i.e., purchases and sales) and are therefore classified as Level 1.

Common and Collective Trusts
Fair value is based on the net asset value per unit of the trust, and common and collective trusts are classified as Level 2.

Real Estate
Fair value of real estate investment trusts are based on quoted market prices on active secondary markets (Level 1).

Limited Partnerships
Fair value of limited partnerships is based on unobservable inputs that cannot be corroborated by observable market data and are therefore classified as Level 3. The fair values are based on information provided by the respective fund managers.

The Network uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company. Per the applicable guidance, the following tables list investments in other investment companies (in partnership format) by major category. All percentages are based on NAV as of December 31, 2015 and 2014.

(in thousands of dollars)

Alternative Investments In Limited Partnerships at December 31, 2015

		Pooled Investments		Retirement Plan Assets			
Investment Funds	Investment Strategy	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Ironwood Partners	Hedge Fund of Funds	$ 6,403	N/A	$ 18,169	N/A	Quarterly	95 Days notice
Monarch	Hedge Fund of Funds	7,355	N/A	9,466	N/A	Biennial	90 Days notice
Pointer	Hedge Fund of Funds	38,031	N/A	64,718	N/A	Annual	105 Days notice
Silver Creek Long Short	Hedge Fund of Funds	259	N/A	379	N/A	**	**
Silver Creek Low Vol	Hedge Fund of Funds	2,292	N/A	2,364	N/A	**	**
Weatherlow	Hedge Fund of Funds	7,491	N/A	43,359	N/A	Quarterly	65 Days notice
Blackstone IV	Real Estate	2,269	$ 730	N/A	N/A	Illiquid	*
Blackstone V	Real Estate	3,596	209	N/A	N/A	Illiquid	*
Blackstone VI	Real Estate	1,873	155	3,301	$ 259	Illiquid	*
Metropolitan Real Estate II	Real Estate	621	90	N/A	N/A	Illiquid	*
Metropolitan Real Estate V	Real Estate	N/A	N/A	860	144	Illiquid	*
Penn Square	Real Estate	N/A	N/A	969	825	Illiquid	*
Citigroup Real Estate Partners	Real Estate	1,157	155	N/A	N/A	Illiquid	*
Abraaj Growth Markets Fund	Private Equity	2,223	3,500	N/A	N/A	Illiquid	*
Goldman Sachs Vintage	Private Equity	1,829	863	N/A	N/A	Illiquid	*
Hamilton Lane	Private Equity	4,707	1,027	4,118	899	Illiquid	*
Macquarie Infrastructure Partners	Private Equity	4,684	35	4,684	35	Illiquid	*
Fortress	Private Equity	1,075	N/A	1,075	N/A	Annual	185 Days notice
		$ 85,865	$ 6,764	$ 153,462	$ 2,162		

* The Network and/or Plan may not directly or indirectly transfer or sell their interest without consent from the general partner.

** The Funds are currently in liquidation and redemptions are no longer permitted.

Alternative Investments In Limited Partnerships at December 31, 2014

		Pooled Investments		Retirement Plan Assets			
Investment Funds	Investment Strategy	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Sense	Hedge Fund of Funds	$ 355	N/A	$ 315	N/A	Annual	100 Days notice
Ironwood Partners	Hedge Fund of Funds	4,626	N/A	17,795	N/A	Quarterly	95 Days notice
Monarch	Hedge Fund of Funds	7,816	N/A	10,032	N/A	Biennial	90 Days notice
Pointer	Hedge Fund of Funds	35,452	N/A	58,681	N/A	Annual	105 Days notice
Silver Creek Long Short	Hedge Fund of Funds	354	N/A	396	N/A	**	**
Silver Creek Low Vol	Hedge Fund of Funds	3,129	N/A	3,231	N/A	**	**
Weatherlow	Hedge Fund of Funds	7,380	N/A	42,724	N/A	Quarterly	65 Days notice
Blackstone IV	Real Estate	1,310	$ 1,620	N/A	N/A	Illiquid	*
Blackstone V	Real Estate	4,342	209	N/A	N/A	Illiquid	*
Blackstone VI	Real Estate	3,185	165	5,291	$ 275	Illiquid	*
Metropolitan Real Estate II	Real Estate	773	90	N/A	N/A	Illiquid	*
Metropolitan Real Estate V	Real Estate	N/A	N/A	1,510	188	Illiquid	*
Penn Square	Real Estate	N/A	N/A	1,309	825	Illiquid	*
Citigroup Real Estate Partners	Real Estate	2,370	155	N/A	N/A	Illiquid	*
Abraaj Growth Markets Fund	Private Equity	-	5,000	N/A	N/A	Illiquid	*
Goldman Sachs Vintage	Private Equity	2,398	837	N/A	N/A	Illiquid	*
Hamilton Lane	Private Equity	5,580	1,150	4,862	1,006	Illiquid	*
Macquarie Infrastructure Partners	Private Equity	4,403	34	4,404	34	Illiquid	*
Fortress	Private Equity	5,751	N/A	5,752	N/A	Annual	185 Days notice
		$ 89,224	$ 9,260	$ 156,302	$ 2,328		

* The Network and/or Plan may not directly or indirectly transfer or sell their interest without consent from the general partner.

** The Funds are currently in liquidation and redemptions are no longer permitted.

Long-Term Debt

Fair values of the Medical Center's revenue bonds are based on current traded value. The Medical Center estimates the fair value of its remaining long-term debt based on interest rates available for obligations with similar characteristics and by comparison to quoted market prices, and therefore classified as Level 2. Fair values of the Network's promissory notes, bank loans, and nonrecourse debt approximate carrying value. These fair values are based on unobservable market data and are therefore classified as Level 3.

(in thousands of dollars)

The carrying amounts and fair values of the Network's long-term debt, including nonrecourse debt, at December 31, 2015 and 2014 are as follows:

		2015		2014
Carrying amount	$	691,749	$	616,159
Estimated fair value	$	724,065	$	654,830

12. Commitments and Contingencies

Lines of Credit
The Network had available lines of credit totaling $45,000 at December 31, 2015 and December 31, 2014. No amounts were outstanding at December 31, 2015 and 2014.

Litigation
Various suits and claims arising in the normal course of operations are pending or are in progress against the Network. Such suits and claims are either specifically covered by insurance, provided for through estimated self-insurance liabilities, or are not material. While the outcome of these other suits cannot be determined at this time, management, based on advice from legal counsel, believes that any loss which may arise from these actions will not have a material adverse effect on the consolidated financial position or results of operations of the Network.

13. Professional and General Liability Insurance

Effective August 1, 2003, HUMCCO, the Medical Center's captive insurance company, began providing the Medical Center with "claims-made" professional and general liability insurance. The HUMCCO arrangement provided coverage of $6,000 per occurrence and $8,000 annual aggregate from August 1, 2003 through July 31, 2004; $6,000 per claim, $11,500 annual aggregate from August 1, 2004 through December 31, 2005; $6,000 per claim, $11,000 annual aggregate from January 1, 2006 through December 31, 2008; and $6,000 per claim, $13,000 annual aggregate from January 1, 2009 through December 31, 2015. For each of the years ended December 31, 2009 through December 31, 2015, HUMCCO purchased annual reinsurance policies in the amount of $5,000 with a $1,000 aggregate deductible in excess of the HUMCCO primary coverage. The Medical Center has an additional layer of insurance of $50,000 annual aggregate. The estimated liability for reported claims is reported on an undiscounted basis and totals approximately $10,680 and $12,137 at December 31, 2015 and 2014, respectively. The estimated liability for claims incurred but not reported at December 31, 2015 and 2014, is reported on a discounted basis, using a discount rate of 2.5% and totaled $7,454 and $8,279, respectively. The total estimated professional liability costs at December 31, 2015 and 2014 are as follows:

		2015		2014
Estimated professional liability costs included in accounts payable and accrued expenses	$	2,000	$	2,000
Estimated professional liability costs - long-term		16,134		18,416
Total estimated professional liability costs	$	18,134	$	20,416

(in thousands of dollars)

The activity in the liability for claims reported and claims incurred but not reported for the years ended December 31, 2015 and 2014, are summarized as follows:

	2015	2014
Beginning balance	$ 20,416	$ 23,460
Incurred related to		
Current year	2,844	3,011
Prior years	(2,706)	(3,909)
Total incurred	138	(898)
Paid related to		
Current year	105	39
Prior years	2,315	2,107
Total paid	2,420	2,146
Ending balance	$ 18,134	$ 20,416

HUMCCO is registered under the Bermuda Insurance Act of 1978 and the related regulations (the "Insurance Act") and is obliged to comply with various provisions of the Insurance Act regarding solvency and liquidity. The minimum statutory capital and surplus at December 31, 2015 and 2014, was $990 and $1,213, respectively, and the actual statutory capital and surplus was $15,819 and $16,661, respectively. In addition, a minimum liquidity ratio must be maintained whereby relevant assets, as defined by the Insurance Act, must exceed 75% of relevant liabilities. As of December 31, 2015 and 2014, the liquidity ratio was met.

14. Concentrations of Credit Risk

The Network grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The mix of net accounts receivable from third-party payers and patients (excluding accounts with collection agencies) at December 31, 2015 and 2014, is as follows:

	2015	2014
Medicare	25 %	19 %
Medicaid	11	11
New Jersey Blue Cross	26	22
Other managed care and commercial	38	48
	100 %	100 %

15. Subsequent Events

Subsequent events have been evaluated through March 30, 2016, which is the date the consolidated financial statements were issued. Except as disclosed within Note 1, no subsequent events have occurred that require disclosure in or adjustment to the consolidated financial statements.