BAKER DONELSON

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May 5, 2017

VIA HAND DELIVERY AND EMAIL
Kevin McDonald, Chief
Certificate of Need Division
Maryland Health Care Commission
4160 Paterson Avenue
Baltimore, Maryland 21215

Re: Adventist Home Health Services, Inc.
Certificate of Need Application

Dear Mr. McDonald:

Enclosed please find six copies of a Certificate of Need Application being filed on behalf of Adventist Home Health Services, Inc. ("AHHS") regarding a project to extend its services and provide the continuum of care to AHHS patients and others residing in Frederick County. A full copy of the application will also be emailed to you in searchable PDF and Word forms.

I hereby certify that a copy of the CON application has been provided to the affected local health department.

If any further information is needed, please let us know.

Sincerely,
BAKER, DONELSON, BEARMAN,
CALDWELL & BERKOWITZ, PC

Howard L. Sollins, Shareholder

JJE/tjr
Enclosures
cc: Barbara Brookmyer, MD, MPH
Health Officer - Frederick County
Ms. Ruby Potter
Health Facilities Coordination Officer

cc: Robert E. Jepson, Vice President/Business Development
Washington Adventist Hospital
Andrew L. Solberg
A.L.S. Healthcare Consultant Services
John J. Eller, Esquire

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PART I

PART I - PROJECT IDENTIFICATION AND GENERAL INFORMATION

1. APPLICANT. ***If the application has a co-applicant, provide the following information for that party in an attachment.***

Legal Name of Project Applicant (Licensee or Proposed Licensee):
Adventist Home Health Services, Inc.

Address:				
12041 Bournefield Way Suite B	Silver Spring	20904	MD	Montgomery
Street	City	Zip	State	County

Telephone: (301)592-4400

Name of Owner/Chief Executive: Keith Ballenger, Vice President, Adventist Healthcare Home Care Services at Adventist HealthCare, Inc.

2. NAME OF OWNER Adventist Home Health Services, Inc.

If Owner is a Corporation, Partnership, or Limited Liability Company, attach a description of the ownership structure identifying all individuals that have or will have at least a 5% ownership share in the applicant and any related parent entities. Attach a chart that completely delineates this ownership structure.

3. FACILITY

Name of HHA provider: Adventist Home Health Services, Inc.

Address:				
12041 Bournefield Way Suite B	Silver Spring	20904	MD	Montgomery
Street	City	Zip		County

Name of Owner (if differs from applicant):

4. NAME OF LICENSEE OR PROPOSED LICENSEE, if different from the applicant:

Adventist Home Health Services, Inc.

5. LEGAL STRUCTURE OF APPLICANT (and LICENSEE, if different from applicant).

Check ☑ or fill in applicable information below and attach an organizational chart showing the owners of applicant (and licensee, if different).

A.	Governmental	☐	
B.	Corporation		
	(1) Non-profit	☒	
	(2) For-profit	☐	
	(3) Close	☐	State & Date of Incorporation Maryland; June 15, 1973
C.	Partnership		
	General	☐	
	Limited	☐	
	Limited Liability Partnership	☐	
	Limited Liability Limited Partnership	☐	
	Other (Specify):		
D.	Limited Liability Company	☐	
E.	Other (Specify):		
	To be formed:	☐	
	Existing:	☒	

6. PERSON(S) TO WHOM QUESTIONS REGARDING THIS APPLICATION SHOULD BE DIRECTED

A. Lead or primary contact:

Name and Title: Keith Ballenger, Vice President, Adventist Healthcare Home Care Services at Adventist HealthCare, Inc.

Mailing Address:

12041 Bournefield Way, Suite B	Silver Spring	20904	MD
Street	City	Zip	State

Telephone: 301-5924433

E-mail Address (required): KBALLENG@adventisthealthcare.com

Fax:301-592-4450

B. Additional or alternate contact:

a.	Howard L. Sollins, Esq Name and Title Baker Donelson			a.	Andrew L. Solberg Name and Title A.L.S. Healthcare Consultant Services		
b.	100 Light Street Street			b.	5612 Thicket Lane Street		
c.	Baltimore City	21202 Zip	Baltimore City County	c.	Columbia City	21044 Zip	Howard County
d.	410-862-1101 Telephone			d.	410-730-2664 Telephone		
e.	443-263-7569 Fax No. Email:		hsollins@bakerdonelson.com	e.	410-730-6775 Fax No. Email:		asolberg@earthlink.net

7. Proposed Agency Type: ☑

a. Health Department ___
b. Hospital-Based ___
c. Nursing Home-Based ___
d. Continuing Care Retirement Community-Based ___
e. HMO-Based ___
f. Freestanding √
g. Other ___
(Please Specify.) _____

8. Agency Services (Please check ☑ all applicable.)

Service	Currently Provided	Proposed to be Provided in the Jurisdiction(s) that are the subject of this Application*
Skilled Nursing Services	√	√
Home Health Aide	√	√
Occupational Therapy	√	√
Speech, Language Therapy	√	√
Physical Therapy	√	√
Medical Social Services	√	√
Home Infusion	√	√
Wound Care	√	√
Dietician	√	√
Chaplain	√	√

* If proposing different services in different jurisdictions, note that accordingly.

9. Offices

Identify the address of all existing main office, subunit office, and branch office locations and identify the location (city and county) of all proposed main office, subunit office, and branch offices, as applicable. (Add rows as needed.)

	Street	City	County	State	Zip Code	Telephone
Existing Main Office	12041 Bournefield Way Suite B	Silver Spring	Montgomery	MD	20904	301-592-4433
Existing Subunit Offices						
Existing Branch Offices	2 Research Place Suite 103	Rockville	Montgomery	MD	20850	301-592-4770
Existing Branch Offices	3720 Leonardtown Road Suite 105	Waldorf	Charles	MD	20601	301-592-4777
Locations of Proposed HHA Main Office						
Locations of Proposed HHA Subunit Office						
Locations of Proposed Branch Office						

10. Project Implementation Target Dates

A. Licensure: 1 months from CON approval date.
B. Medicare Certification N/A (already Certified) months from CON approval date.

NOTE: in completing this question, please note that Commission regulations at COMAR 10.24.01.12 state that "home health agencies have up to 18 months from the date of the certificate of need to: (i) become licensed and Medicare certified; and (ii) begin operations in the jurisdiction for which the certificate of need was granted."

11. Project Description:

Provide a summary description of the project immediately below. At minimum, include the jurisdictions to be served and all of the types of home health agency services to be established, expanded, or otherwise affected if the project receives approval.

Please see the following page.

Project Description

Adventist HealthCare Home Care Services ("AHH") is a faith-based, not for profit home health agency established in 1973 as part of the Adventist HealthCare system. AHH serves patients in Montgomery, Prince George's, Charles, Calvert, St. Mary's, Howard, and Anne Arundel counties. AHH, a CMS 5-star quality rated home health agency delivers home health care services to patients of all ages and incomes to provide the best health outcomes and to prevent hospital readmissions. In addition to the CMS 5-star rating, AHH has been designated a Home Care Elite Agency continuously since 2013. AHH seeks a Certificate of Need to extend its services and provide the continuum of care to Adventist HealthCare patients and others residing in Frederick County allowing a progression from acute care through rehabilitation to home care.

Adventist Home Health offers a range of in home services assisting patients recovering from an illness, injury or surgical procedure. Comprehensive home health services to be offered in Frederick are: Adult Nursing Services for patients requiring cardiac care, diabetes management, medication management, oncology care, ostomy nursing, infusion, total parenteral nutrition, wound care, private duty nurses, as needed. Additionally, AHH plans to deliver Maternal and Child Home Care and Pediatric Nursing, In-Home Rehabilitation Services including physical therapy, occupational therapy, speech and language therapy. Other services delivered by our compassionate care team include chaplaincy services, medical social services, nutritional services, home health aide services and personal care services.

Specialized care programs are also part of AHH such as Healthy Heart at Home, a customized heart failure program; and an advanced balance and coordination program that supports an individualized approach to fall reduction that is delivered by a specialty trained clinical team of physical and occupational therapists. Nurses with advanced training in wound care tend to patients where they live, lessening hospital lengths of stay. Other patient education initiatives for disease-specific problems are offered as needed.

As part of the AHH re-hospitalization reduction initiatives, patient visits are frontloaded in the first two weeks of care, including a physician visit within the first 7-14 days following hospital discharge; medication reconciliation and triage nurses available round the clock 365 days a year. All patients who have emergent conditions or a hospitalization are reviewed by supervisors weekly. As a result of these measures, AHH patients have a re-hospitalization rate of 11.7% compared with the state average of 17% and the national rate of 16%.

During the past year 3,699 patients residing in Frederick County received care from Adventist HealthCare, at Washington Adventist Hospital, Shady Grove Medical Center, Adventist Rehabilitation, Adventist Behavioral Health or the Germantown Emergency Center. With an established administrative office in Rockville, and with many staff members residing in or near Frederick County, extending our services to the

neighboring county would be a natural extension.

AHH is blessed to have a staff with great depth and longevity; some having been with the agency since 1979; the Executive Officer has been with the agency since 1988 (20 years as the Executive Officer), and the Director of Clinical Operations has been with the agency for 20 years, the last 12 of which as Clinical Operations Director, Finance Director over 13 years, Clinical Manager at Rockville has been with the agency over 20 years, and the Director of Operations for private duty work has been employed for over 20 years.

PART II

PART II - CONSISTENCY WITH REVIEW CRITERIA AT COMAR 10.24.01.08G(3):

INSTRUCTION: Each applicant must respond to all applicable criteria included in COMAR 10.24.01.08G. These criteria follow, 10.24.01.08G(3)(a) through 10.24.01.08G(3)(f).

10.24.01.08G(3)(a). "The State Health Plan" Review Criterion
An application for a Certificate of Need shall be evaluated according to all relevant State Health Plan standards, policies, and criteria. (Note: In this case it is the standards at COMAR 10.24.16.08 – and in the case of comparative reviews, at COMAR 10.24.16.09.)

10.24.16.08 Certificate of Need Review Standards for Home Health Agency Services.
The Commission shall use the following standards, as applicable, to review an application for a Certificate of Need to establish a new home health agency in Maryland or expand the services of an existing Maryland home health agency to one or more additional jurisdictions.

The following standards must be addressed by all home health agency CON applicants, as applicable. Provide a direct, concise response explaining the proposed project's consistency with each standard. In cases where standards require specific documentation, please include the documentation as a part of the application.

10.24.16.08A. Service Area.
An applicant shall:

(1) Designate the jurisdiction or jurisdictions in which it proposes to provide home health agency services; and

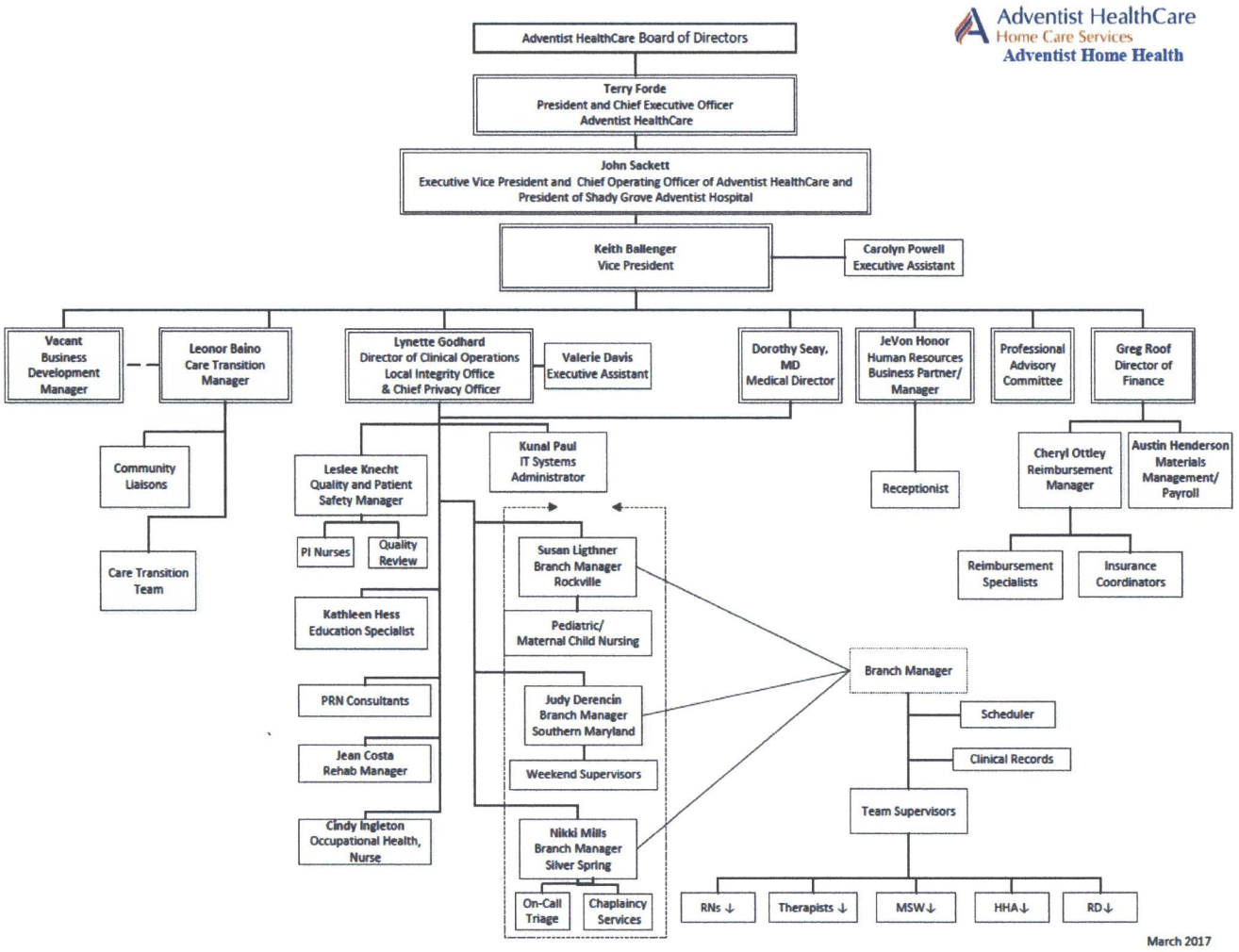
AHH is already approved to provide services in Anne Arundel, Calvert, Charles, Howard, Montgomery, Prince George's, and St. Mary's Counties.

AHH is now proposing to provide services in Frederick County.

(2) Provide an overall description of the configuration of the parent home health agency and its interrelationships, including the designation and location of its main office, each subunit, and each branch, as defined in this Chapter, or other major administrative offices recognized by Medicare.

AHH is a part of Adventist HealthCare. Figure 1 shows AHH's organizational chart. AHH's main office is at 12041 Bournefield Way, Suite B, Silver Spring, MD 20904. It has branch offices at 2 Research Place, Suite 103, Rockville, MD 20850 and 3720 Leonardtown Road, Suite 105, Waldorf, MD 20601. Services to Frederick County will be provided out of the Rockville branch office.

Figure 1



10.24.16.08B. Populations and Services.

An applicant shall describe the population to be served and the specific services it will provide.

AHH already serves all age groups in the counties in which it is approved to provide services. Table 1 shows the number of clients served by AHH by age from the MHCC's 2014 Public Use Database.

Table 1
Total Number of Home Health Clients (Unduplicated Count) by Jurisdiction of Residence, Age Group
AHH
2014

Jurisdiction of Client's Residence	0-4	5-14	15-24	25-44	45-64	65-74	75-84	85+	Total
Anne Arundel County	0	1	0	0	7	1	2	0	11
Calvert County	0	0	1	0	3	3	0	1	8
Charles County	2	3	4	31	130	106	126	80	482
Howard County	1	1	0	0	19	13	11	6	51
Montgomery County	115	9	26	143	779	808	857	814	3,551
Prince George's County	35	4	10	104	482	419	348	226	1,628
St. Mary's County	0	0	0	3	13	7	5	2	30
Total	153	18	41	281	1,433	1,357	1,349	1,129	5,761

Source: MHCC 2014 Public Use Database

AHH proposes to serve all ages in Frederick County. Similarly, AHH already provides Skilled Nursing Services, Home Health Aide, Occupational Therapy, Speech, Language Therapy, Physical Therapy, Medical Social Services, Home Infusion, Wound Care, Dietician, and Chaplain services. AHH proposes to provide these in Frederick County, as well.

As shown in Table 1, the majority of AHH's clients are age 65 and older. Maryland Department of Planning ("MDP") population data show that the 65+ population is projected to grow by 27.5% between 2015 and 2020 and by another 25.8% between 2020 and 2025. This is demonstrated in Table 2.

Table 2
Population by Age Cohort
Frederick County
2010-2025

Age Cohort	2010	2015	% Change '10-'15	2020	% Change '15-'20	2025	% Change '20-'25
0-4	14,862	14,160	-4.7%	16,730	18.1%	19,420	16.1%
5-19	50,293	50,010	-0.6%	49,200	-1.6%	49,780	1.2%
20-44	75,528	76,070	0.7%	83,900	10.3%	93,520	11.5%
45-64	66,788	72,160	8.0%	73,480	1.8%	69,970	-4.8%
65+	25,914	33,200	28.1%	42,340	27.5%	53,260	25.8%
Total	233,385	245,600	5.2%	265,650	8.2%	285,950	7.6%

Source: Maryland Department of Planning, http://planning.maryland.gov/MSDC/County/fred.pdf, Accessed 4/20/17

10.24.16.08C. Financial Accessibility.
An applicant shall be or agree to become licensed and Medicare- and Medicaid-certified, and agree to maintain Medicare and Medicaid certification and to accept clients whose expected primary source of payment is either or both of these programs.

AHH is already Medicare and Medicaid certified and will accept clients in Frederick County whose expected primary source of payment is either or both of these programs.

10.24.16.08D. Fees and Time Payment Plan.
An applicant shall make its fees known to prospective clients and their families at time of patient assessment before services are provided and shall:

(1) Describe its special time payment plans for an individual who is unable to make full payment at the time services are rendered; and

(2) Submit to the Commission and to each client a written copy of its policy detailing time payment options and mechanisms for clients to arrange for time payment.

AHH's Charity Care Assessment and Medicaid Determination Policy includes the opportunity to participate in a time payment plan. It is provided to each client. A copy of the policy is included in Exhibit 2.

10.24.16.08 E. Charity Care and Sliding Fee Scale.
Each applicant for home health agency services shall have a written policy for the provision of charity care for indigent and uninsured patients to ensure access to home health agency services regardless of an individual's ability to pay and shall provide home health agency services on a charitable basis to qualified indigent and low income persons consistent with this policy. The policy shall include provisions for, at a minimum, the following:

(1) Determination of Eligibility for Charity Care and Reduced Fees. Within two business days following a client's initial request for charity care services, application for medical assistance, or both, the home health agency shall make a determination of probable eligibility for medical assistance, charity care, and reduced fees, and communicate this probable eligibility determination to the client.

AHH's Charity Care Assessment and Medicaid Determination Policy includes both charity care and the opportunity to participate in a sliding fee schedule. It is provided to each client. A copy of the policy is included in Exhibit 2. The policy includes the provision that AHH shall make a determination of probable eligibility for Medical Assistance, charity care, and reduced fees, within two business days following a client's initial request and communicate this probable eligibility determination to the client.

(2) Notice of Charity Care and Sliding Fee Scale Policies. Public notice and information regarding the home health agency's charity care and sliding fee scale policies shall be disseminated, on an annual basis, through methods designed to best reach the population in the HHA's service area, and in a format understandable by the service area population. Notices regarding the HHA's charity care and sliding fee scale policies shall be posted in the business office of the HHA and on the HHA's website, if such a site is maintained. Prior to the provision of HHA services, a HHA shall address clients' or clients' families concerns with payment for HHA services, and provide individual notice regarding the HHA's charity care and sliding fee scale policies to the client and family.

AHH will publish notice of information regarding the home health agency's charity care and sliding fee scale policies on an annual basis in a local Frederick County newspaper. Notices regarding AHH's charity care and sliding fee scale policies shall be posted in AHH's business office and on AHH's website. Prior to the provision of services, AHH will address clients' or clients' families concerns with payment for services, and provide individual notice regarding AHH's charity care and sliding fee scale policies to the client and family.

(3) Discounted Care Based on a Sliding Fee Scale and Time Payment Plan Policy. Each HHA's charity care policy shall include provisions for a sliding fee scale and time payment plans for low-income clients who do not qualify for full charity care, but are unable to bear the full cost of services.

AHH's Charity Care Assessment and Medicaid Determination Policy includes both charity care and the opportunity to participate in a sliding fee schedule. It is provided to each client. A copy of the policy is included in Exhibit 2.

(4) Policy Provisions. An applicant proposing to establish a home health agency or expand home health agency services to a previously unauthorized jurisdiction shall make a commitment to, at a minimum, provide an amount of charity care equivalent to the average amount of charity care provided by home health agencies in the jurisdiction or multi-jurisdictional region it proposes to serve during the most recent year for which data is available. The applicant shall demonstrate that:

(a) Its track record in the provision of charity care services, if any, supports the credibility of its commitment; and

AHH commits that it will provide, at a minimum, an amount of charity care equivalent to the average amount of charity care provided by home health agencies in the jurisdiction or multi-jurisdictional region it proposes to serve during the most recent year for which data is available. According to the MHCC's 2014 Home Health Public Use Raw Data (the most recent year for which data are available), the average percent of Home Health visits that are charity visits is 0.11%. The data are presented in Table 3.

Table 3
Charity Visits, Total Visits, Charity Care Percentage
Home Health Agencies
Frederick County
2014

Agency	County	Charity Visits	Total Visits	%
Visiting Nurse Association of Maryland LLC	Frederick	0	244	0.00%
Frederick Memorial Hospital Home Health Services	Frederick	95	42,378	0.22%
HomeCall Inc. d/b/a HomeCall	Frederick	0	36,678	0.00%
Gentiva Health Services	Frederick	0	34	0.00%
Meritus Home Health	Frederick	6	464	1.29%
Bayada Home Health Care	Frederick	0	6,236	0.00%
Community Home Health of Maryland Inc	Frederick	0	1,400	0.00%
Johns Hopkins Pediatrics at Home	Frederick	0	90	0.00%
Carroll Home Care	Frederick	0	647	0.00%
MedStar Visiting Nurse Association Inc.	Frederick	0	184	0.00%
SpiriTrust Lutheran™ Home Care & Hospice	Frederick	0	2,619	0.00%
Total		101	90,974	0.11%

Source: MHCC Public Use Home Health Raw Jurisdiction Data

The same data show that Adventist Home Health Services, Inc. had an average of 0.51%, as demonstrated in Table 4. AHH's track record in the provision of charity care services supports the credibility of its commitment.

Table 4
Charity Visits, Total Visits, Charity Care Percentage
Adventist Home Health Services, Inc.
All Counties
2014

Agency	County	Charity Visits	Total Visits	%
Adventist Home Health Services, Inc.	Anne Arundel	0	176	0.00%
Adventist Home Health Services, Inc.	Calvert	0	85	0.00%
Adventist Home Health Services, Inc.	Charles	0	5,936	0.00%
Adventist Home Health Services, Inc.	Howard	0	514	0.00%
Adventist Home Health Services, Inc.	Montgomery	299	48,500	0.62%
Adventist Home Health Services, Inc.	Prince George's	86	20,699	0.42%
Adventist Home Health Services, Inc.	St Mary's	0	306	0.00%
Total		385	76,216	0.51%

Source: MHCC Public Use Home Health Raw Jurisdiction Data

In Montgomery County, where AHH has had most of its visits, the average percent for charity care for all agencies in 2014 (the most recent year for which there are data) was 0.3%, AHH's charity care percentage was 0.62%, more than double the average percent for agencies operating in Montgomery County. These data are presented in Table 5. This, too, shows that AHH has a track record in the provision of charity care services which supports the credibility of its commitment.

Table 5
Charity Visits, Total Visits, Charity Care Percentage
Home Health Agencies
Montgomery County
2014

Agency	County	Charity Visits	Total Visits	%
Home Health Connection Inc.	Montgomery	0	3	0.00%
Visiting Nurse Associateion of Maryland	Montgomery	17	3,697	0.46%
Holy Crosss Home Care & Hospice	Montgomery	206	28,955	0.71%
Adventist Home Health Services Inc.	Montgomery	299	48,500	0.62%
Frederick Memorial Hospital Home Health Services	Montgomery	0	487	0.00%
HomeCall Inc. d/b/a HomeCall	Montgomery	0	15,652	0.00%
Revival Homecare Agency	Montgomery	0	3,894	0.00%
Gentiva Health Services	Montgomery	0	12,784	0.00%
Potomac Home Health Care	Montgomery	76	33,171	0.23%
Community Home Health of Maryland Inc	Montgomery	0	2,613	0.00%
Nursing Enterprises Inc.	Montgomery	0	20	0.00%
Johns Hopkins Pediatrics at Home	Montgomery	0	706	0.00%
Amedisys Home Health Care	Montgomery	0	8,586	0.00%
MedStar Visiting Nurse Assocation Inc.	Montgomery	0	27,182	0.00%
Americare In-Home Nursing	Montgomery	5	1,212	0.41%
Professional Healthcare Resources of Maryland Inc.	Montgomery	0	16,822	0.00%
Riderwood Home Health	Montgomery	0	6,995	0.00%
Bayada Home Health Care	Montgomery	2	10,423	0.02%
MBL Associates Inc.	Montgomery	74	4512	1.64%
Celtich Healthcare Montgomery	Montgomery	0	4075	0.00%
Compehensive Home Health Care Agency	Montgomery	8	834	0.96%
Total		687	231,123	0.30%

Source: MHCC Public Use Home Health Raw Jurisdiction Data

(b) It has a specific plan for achieving the level of charity care to which it is committed.

AHH lets every hospital in the jurisdictions in which it practices know that that it takes patients who require charity care. AHH works with hospital discharge planners and case managers so that they understand that AHH accepts patients who cannot pay

or cannot pay fully. AHH will broaden this to distribute its charity care policy to all of AHH's referral sources and to community organizations (churches, organizations serving underserved communities etc.) in Frederick County. Of course, patients are able to choose AHH or other home care agencies which the hospital staff list as available to provide care. In addition, Adventist Health publishes a Public Notice that it has a charity care policy in the *Washington Post*, on its website, and will publish a notice in the local Frederick County newspaper.

10.24.16.08F. Financial Feasibility.
An applicant shall submit financial projections for its proposed project that must be accompanied by a statement containing the assumptions used to develop projections for its operating revenues and costs. Each applicant must document that:

(1) Utilization projections are consistent with observed historic trends of HHAs in each jurisdiction for which the applicant seeks authority to provide home health agency services;

AHH's utilization projections are consistent with observed historic trends of HHAs in Frederick County. The MHCC has found need for more home care capacity in Frederick County. This is not surprising, as the MHCC's Public Use Raw Data for 2011-2014 (the most recent year for which data are available) show that home health visits in Frederick County increased by 10.9%.

	2011	2012	2013	2014	% Change '11-'14
Total	3,990	4,093	4,441	4,424	10.9%

In response to COMAR 10.24.01.08G(3)(b) (The "Need" Review Criterion), below, AHH projects that there will be a need for capacity to serve 851 additional home health clients, based on 2014 use rates and MDP's projected changes in the Frederick County population. AHH projects that it will serve 515 home health clients in 2019, which is well within the projected number of home health additional clients.

Adventist hospitals discharged 3,611 patients from Frederick County in CY 2015 and 3,699 in 2016. Of these, 90 patients had discharge dispositions that showed that they were discharged to home care in 2015 and 79 in 2016. AHH believes that the number accessing home care are understated, as (1) discharge disposition data are often incomplete in regard to discharges to home health, and (2) these do not count people who were not directly discharged to home care but who accessed home care on their own (or were referred by their physicians) shortly after discharge. While AHH believes that the number is higher, it is conservative to estimate that there are at least 100 patients discharged from Adventist hospitals who will choose AHH for home care. The remaining 415 patient will derive from the existing utilization and the projected growth.

(2) Projected revenue estimates are consistent with current or anticipated charge levels, rates of reimbursement, contractual adjustments and discounts, bad debt, and charity care provision, as experienced by the applicant if an existing HHA or, if a proposed new HHA, consistent with the recent experience of other Maryland HHAs serving each proposed jurisdiction; and

Projected revenue estimates are consistent with current or anticipated charge levels, rates of reimbursement, contractual adjustments and discounts, bad debt, and charity care provision, as experienced by AHH. Please see Exhibit 1 which includes a statement of assumptions.

(3) Staffing and overall expense projections are consistent with utilization projections and are based on current expenditure levels and reasonably anticipated future staffing levels as experienced by the applicant if an existing HHA or, if a proposed new HHA, consistent with the recent experience of other Maryland HHAs serving the each proposed jurisdiction.

Staffing and overall expense projections are consistent with utilization projections and are based on current expenditure levels and reasonably anticipated future staffing levels as experienced by AHH. Please see Exhibit 1 which includes a statement of assumptions.

10.24.16.08G. Impact.
An applicant shall address the impact of its proposed home health agency service on each existing home health agency authorized to serve each jurisdiction or regional service area affected by the proposed project. This shall include impact on existing HHAs' caseloads, staffing and payor mix.

AHH projects that it will have 515 clients in 2019. Table 6 shows the number of clients in Frederick County by existing provider in 2014 based on the MHCC's Public Use Raw Jurisdictional Data Base. AHH believes that the impact on each agency will be proportional to its existing market share.

Table 6
Number of Clients by Agency
Home Health Agencies
Frederick County
2014

Agency	Total Clients	Percent	Impact
Visiting Nurse Association of Maryland LLC	24	0.5%	3
Frederick Memorial Hospital Home Health Services	2,390	54.0%	278
HomeCall Inc. d/b/a HomeCall	1,136	25.7%	132
Gentiva Health Services	6	0.1%	1
Meritus Home Health	29	0.7%	3
Bayada Home Health Care	406	9.2%	47
Community Home Health of Maryland Inc	94	2.1%	11
Johns Hopkins Pediatrics at Home	14	0.3%	2
Carroll Home Care	48	1.1%	6
MedStar Visiting Nurse Assocation Inc.	23	0.5%	3
SpiriTrust Lutheran™ Home Care & Hospice	254	5.7%	30
Total	4,424	100.0%	515

Source: MHCC's 2014 Public Use Raw Jurisdictional Data Base

However, as shown in the response to COMAR 10.24.01.08G(3)(b) (The "Need" Review Criterion), AHH projects that there will be a need for capacity to serve 851 additional clients in Frederick County by 2019. AHH believes that the additional need will "backfill" and compensate any agencies for any losses in market share that they may lose as a result of AHH's approval.

As stated previously, AHH's expansion into Frederick County will require minimal additional staff (1.84 FTEs of Registered Nurses, 2 Physical Therapists, 0.4 Occupational Therapists, 0.1 Speech Therapists, 0.12 Home Health Aides, and 0.04 Medical Social Workers). As AHH has stated, it already has staff who live in or near Frederick County and who may choose to work in Frederick County, once AHH is providing services there. AHH does not anticipate that these positions will be difficult to fill and will not pose a burden to existing agencies.

AHH does not believe that its approval will materially affect the payor mix of the existing agencies. In fact, in AHH's experience in other counties, AHH accepts a wider range of insurers and HMO subscribers than do other agencies, and AHH believes that it will increase access and choice for many Frederick County residents.

As reimbursement is determined by payors, AHH's approval will not impact the cost of care.

10.24.16.08H. Financial Solvency.
An applicant shall document the availability of financial resources necessary to sustain the project. Documentation shall demonstrate an applicant's ability to comply with the capital reserve and other solvency requirements specified by CMS for a Medicare-certified home health agency.

Adventist Health's most recent Audited Financial Statement is attached as Exhibit 3. It demonstrates the availability of financial resources necessary to sustain the project and the ability to comply with the capital reserve and other solvency requirements specified by CMS for a Medicare-certified home health agency.

10.24.16.08I. Linkages with Other Service Providers.
An applicant shall document its links with hospitals, nursing homes, continuing care retirement communities, hospice programs, assisted living providers, Adult Evaluation and Review Services, adult day care programs, the local Department of Social Services, and home delivered meal programs located within its proposed service area.

(1) A new home health agency shall provide this documentation when it requests first use approval.

(2) A Maryland home health agency already licensed and operating shall provide documentation of these linkages in its existing service area and document its work in forming such linkages before beginning operation in each new jurisdiction it is authorized to serve.

As an existing agency which provides services in seven counties, AHH has many existing linkages, both formal and informal. The following list reflects just some of the facilities and agencies to which AHH refers residents or from which it receives referrals. AHH will develop comparable linkages in Frederick County.

Comprehensive Care Facilities
Althea Woodlands Nursing and Rehab
Arcola Health and Rehab
Bedford Court
Bel Pre Nursing & Rehab
Bethesda Health and Rehab
Brighten Gardens-Tuckerman Ln
Brook Grove Nursing & Rehab Ctr.
Carriage Hill Bethesda
CCNRC Family of Care
Clinton Nursing & Rehab
Collingswood Nursing Center
Collington Episcopal Life Care Community
Forrestville Health & Rehab
Fort Washington Nusing & Rehab
Fox Chase
Friends House Retirement/Assited Living
Future Care Pineview
Genesis - Bradford Oaks Nursing & Retirement Ctr
Genesis - Fairland Nursing & Rehab Center
Genesis - Shady Grove Adventist Nursing & Rehab
Genesis - Sligo Creek Nursing & Rehab
Genesis - Springbrook Nursing & Rehab Center
Genesis Crescent Cites Center
Genesis Eldercare La Plata Center
Genesis Eldercare Magnolia Center
Genesis Eldercare Woodside Center
Genesis Layhill Center
Genesis Waldorf
Hadley Hospital Skilled Nursing Home
Heartland Healthcare Center Adephii
Heartland Healthcare Center Hyattsville

Hebrew Home of Greater Washington
Hillhaven Nursing Center
Holy Cross Nursing & Rehab/Sanctuary
Kensington Nursing and Rehab
ManorCare Chevy Chase
ManorCare Health Services Bethesda
ManorCare Health Services Largo
ManorCare Health Services Potomac
ManorCare Health Services Silver Spring
ManorCare Health Services Wheaton
Montgomery Village Nursing & Rehab
Patuxent Nursing and Rehab
Potomac Valley Nursing & Rehab
Renaissance Gardens @ Riderwood Village
Restore Health
Rockville Nursing Home
Sibley Renaissance
St. Thomas Moore
Villages of Rockville
Wilson (Herman M) Health Care Center
Woodbine Nursing Center

Hospitals

Adventist Rehab Hosp. - RO
Adventist Rehab Hosp. - WAH
Anne Arundel Medical Center
Arlington Hospital Center
Calvert Memorial Hospital
Children's National Medical Center
Civista Medical Center
Doctors Community Hospital
Fort Washington Hospital
George Washington University Hospital
Georgetown University Hospital
Greater Baltimore Medical Center
Hadley Hospital
Holy Cross - Germantown
Holy Cross Hospital
Hospital for Sick Children
Howard County General Hospital
Howard University Hospital
Inova Alexandria Hospital
Inova Fairfax Hospital
Inova Mount Vernon Hospital
Johns Hopkins Bayview Medical Center
Johns Hopkins Hospital
Kernan Hospital
Laurel Regional Hospital
Mercy Medical Center
Medstar Montgomery Medical Center
Mount Washington Pediatric Center
National Institutes of Health
National Rehabilitation Hospital
Prince George's Hospital Center
Providence Hospital
Adventist HealthCare Shady Grove Medical Center
Sibley Hospital
Sinai Hospital
Southern MD Hospital
St Joseph Medical Center
St. Agnes Hospital
St. Mary's Hospital
Suburban
Union Memorial Hospital
University of Maryland Medical Center
Veteran Affairs Medical Center
Walter Reed National Naval Med Ctr
Adventist HealthCare Washington Adventist Hospital
Washington Hospital Center

Other

Anne Arundel County - Department of Aging and Disabilities
Calvert County Office on Aging
Charles County Department of Community Services
Home Health Total
Homecare - Home Call
Howard County Aging Office
John Hopkins Home Care Group Connection
Kaiser
Montgomery County Aging Unit
Network Health Services
Other Home Health Agency
Physician Practices
Potomac Home Health
Prince George's County Department of Aging
St. Mary's County Department of Aging & Human Services

10.24.16.08J. Discharge Planning.
An applicant shall document that it has a formal discharge planning process including the ability to provide appropriate referrals to maintain continuity of care. It will identify all the valid reasons upon which it may discharge clients or transfer clients to another health care facility or program.

AHH is an existing home health agency and has an existing Patient Care Policy which complies with this standard. Please see Exhibit 4.

10.24.16.08K. Data Collection and Submission.
An applicant shall demonstrate ongoing compliance or ability to comply with all applicable federal and State data collection and reporting requirements including, but not limited to, the Commission's Home Health Agency Annual Survey, CMS' Outcome and Assessment Information Set (OASIS), and CMS' Home Health Consumer Assessment of Healthcare Providers (HHCAHPS).

AHH is an existing home health agency and complies with all applicable federal and State data collection and reporting requirements including, but not limited to, the Commission's Home Health Agency Annual Survey, CMS' Outcome and Assessment Information Set (OASIS), and CMS' Home Health Consumer Assessment of Healthcare Providers (HHCAHPS).

10.24.16.09 Certificate of Need Preference Rules in Comparative Reviews.
Consistent with COMAR 10.24.01.09A(4)(b), the Commission shall use the following preferences, in the order listed, to limit the number of CON applications approved in a comparative review.

10.24.16.09A. Performance on Quality Measures.
Higher levels of performance will be given preference over lower levels of performance.

Not applicable. This is not a comparative review.

10.24.16.09B. Maintained or Improved Performance.
An applicant that demonstrates maintenance or improvement in its level of performance on the selected process and outcome measures during the most recent three-year reporting period will be given preference over an applicant that did not maintain or improve its performance.

Not applicable. This is not a comparative review.

10.24.16.09C. Proven Track Record in Serving all Payor Types, the Indigent and Low Income Persons.
An applicant that served a broader range of payor types and the indigent will be given preference over an applicant that served a narrower range of payor types and provided less service to the indigent and low income persons.

Not applicable. This is not a comparative review.

10.24.16.09D. Proven Track Record in Providing a Comprehensive Array of Services.
An applicant that provided a broader range of services will be given preference over an applicant that provided a narrower range of services.

Not applicable. This is not a comparative review.

10.24.16.09E. These preferences will only be used in a comparative review of applications when it is determined that approval of all applications that fully comply with standards in Regulation .08 of this Chapter would exceed the permitted number of additional HHAs provided for in a jurisdiction or multi-jurisdictional region as provided in Regulation .10.

Not applicable. This is not a comparative review.

10.24.01.08G(3)(b). The "Need" Review Criterion
The Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served, and established that the proposed project meets those needs.

Please discuss the need of the population served or to be served by the Project. Recognizing that the State Health Plan has identified need to establish an opportunity for review of CON applications in certain jurisdictions based on the determination that the identified jurisdiction(s) has insufficient consumer choice of HHAs, a highly concentrated HHA service market, or an insufficient choice of HHAs with high quality performance (COMAR 10.24.16.04), applicants are expected to provide a quantitative analysis that, at a minimum, describes the Project's expected service area; population size, characteristics, and projected growth; and, projected home health services utilization.

The MHCC has already found the need for new home health agency capacity in Frederick County. This is not surprising when applying the 2014 home health use rate by age to a projected 2019 population. Table 7 shows the number of clients by age in Frederick County from the MHCC's Public Use Raw Jurisdictional Data for 2014.

Table 7
Home Health Services Clients by Age
Providers in Frederick County
2014

	0-4	5-14	15-24	25-44	45-64	65-74	75-84	85+	Total
Visiting Nurse Association of Maryland LLC	-	-	-	2	14	2	4	2	24
Frederick Memorial Hospital Home Health Services	37	5	31	116	694	534	565	408	2,390
HomeCall Inc. d/b/a HomeCall	1	1	-	11	121	314	341	347	1,136

Gentiva Health Services	-	-	-	-	2	3	-	1	6
Meritus Home Health	1	-	3	2	7	6	5	5	29
Bayada Home Health Care	-	-	4	46	134	77	31	114	406
Community Home Health of Maryland Inc	-	-	-	-	12	31	38	13	94
Johns Hopkins Pediatrics at Home	7	6	1	-	-	-	-	-	14
Carroll Home Care	5	-	1	2	12	9	14	5	48
MedStar Visiting Nurse Association Inc.	-	-	-	3	11	8	1	-	23
SpiriTrust Lutheran™ Home Care & Hospice	17	1	7	30	113	45	22	19	254
Total	68	13	47	212	1,120	1,029	1,021	914	4,424

Source: MHCC's Public Use Raw Jurisdictional Data for 2014

Table 8 shows the population in each of these age groups for 2014 and 2019 (interpolated using MDP Population projections and the Compound Average Growth Rates between 2010, 2015, and 2020). It also shows the 2014 Frederick County home health clients by age cohort shown above, the calculated 2014 use rate/1,000 population, and the projected number of 2019 clients based on the 2014 use rate. It shows that there are projected to be 851 additional clients in 2019.

Table 8
Population, Home Health Clients, and Use Rate/1,000 Population
Frederick County, 2014
And Projections for 2019

	O-4	5-14	15-24	25-44	45-64	65-74	75-84	85+	Total
2014 Pop	14,296	32,380	33,192	60,292	70,917	17,967	8,971	4,541	242,557
2014 Clients	68	13	47	212	1,120	1,029	1,021	914	4,424
2014 Use Rate/1,000	4.76	0.40	1.42	3.52	15.79	57.27	113.82	201.27	
2019 Pop	16,163	30,941	36,625	63,897	73,041	23,208	11,364	5,627	260,867
2019 Clients	77	12	52	225	1,154	1,329	1,293	1,133	5,275
Difference 2014-2019	9	(1)	5	13	34	300	272	219	851

Source: MHCC's Public Use Raw Jurisdictional Data for 2014

As discussed previously, Adventist hospitals discharged 3,611 patients from Frederick County in CY 2015 and 3,699 in 2016. Of these, 90 patients had discharge dispositions that showed that they were discharged to home care in 2015 and 79 in 2016. AHH believes that the number accessing home care are understated, as these do not count people who were not directly discharged to home care but who accessed home care on their own (or were referred by their physicians) shortly after discharge.

Also, AHH's diverse agreements with a broad range of payors will enhance access to services. See Table 9.

Table 9
Payor Mix
Home Health Services Agencies in Frederick County
And AHH
2014

Agency	County	Medicare Traditional	Medicare Advantage	Medicaid Traditional	Medicaid Health Choice	Other Government	Private Insurers	HMO Clients	Self Pay	Other	Total %	Total Number Clients
Visiting Nurse Association of Maryland	Frederick	45.8%	0.0%	4.2%	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	100.0 %	24
Frederick Memorial Hospital Home Health Services	Frederick	62.5%	2.3%	4.9%	0.0%	0.0%	26.4%	1.3%	0.9%	1.7%	100.0 %	2,390
HomeCall Inc. d/b/a HomeCall	Frederick	91.1%	2.8%	1.0%	0.0%	0.0%	5.1%	0.0%	0.0%	0.0%	100.0 %	1,136
Gentiva Health Services	Frederick	83.3%	0.0%	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0 %	6
Meritus Home Health	Frederick	48.3%	0.0%	3.4%	10.3%	0.0%	34.5%	0.0%	3.4%	0.0%	100.0 %	29
Bayada Home Health Care	Frederick	65.8%	1.2%	0.7%	1.2%	0.0%	19.0%	1.2%	0.2%	10.6 %	100.0 %	406
Community Home Health of Maryland Inc	Frederick	76.6%	0.0%	0.0%	0.0%	0.0%	23.4%	0.0%	0.0%	0.0%	100.0 %	94
Johns Hopkins Pediatrics at Home	Frederick	0.0%	0.0%	21.4%	35.7%	0.0%	21.4%	21.4%	0.0%	0.0%	100.0 %	14
Carroll Home Care	Frederick	52.1%	2.1%	10.4%	0.0%	0.0%	33.3%	2.1%	0.0%	0.0%	100.0 %	48
MedStar Visiting Nurse Assocation Inc.	Frederick	21.7%	0.0%	0.0%	0.0%	0.0%	56.5%	21.7%	0.0%	0.0%	100.0 %	23
SpiriTrust Lutheran™ Home Care & Hospice	Frederick	35.4%	0.4%	1.2%	3.9%	0.0%	58.3%	0.0%	0.8%	0.0%	100.0 %	254
Total	Frederick	68.2%	2.1%	3.3%	0.5%	0.0%	22.4%	1.0%	0.6%	1.9%	100.0 %	4,424
Adventist Home Health Services, Inc.	All Currently Approved Counties	59.7%	0.0%	2.3%	0.0%	0.0%	27.5%	8.7%	1.8%	0.0%	100.0 %	5,761

Source: MHCC's Public Use Raw Jurisdictional Data for 2014

AHH will provide a full array of home health services, including Skilled Nursing Services, Home Health Aide, Occupational Therapy, Speech, Language Therapy, Physical Therapy, Medical Social Services, Home Infusion, Wound Care, Dietician, and Chaplain services. Table 10 shows the services currently provided in Frederick County (based on the MHCC's 2014 Public Use Jurisdictional Raw Data), and the extent to which AHH provides them. AHH's approval will expand the amount of choice that residents of Frederick County will have, adding an experienced, high quality provider with the resources to provide the care they need.

Table 10
Home Health Services Provided in Frederick County
And Provided by AHH
2014

Agency	County	Routine/ skilled nursing	IV/ Enteral	Psych	Early maternal, newborn	Antepart um care	Home health aide	Occupati onal ther	Speech/ language	Physical ther	Medical social	Dietician
Visiting Nurse Association of Maryland LLC	Frederick	15	8	-	-	-	1	2	1	14	2	1
Frederick Memorial Hospital Home Health Se	Frederick	1,037	-	-	-	-	2	566	22	773	2	-
HomeCall Inc. d/b/a HomeCall	Frederick	833	-	-	-	-	134	666	123	1,014	147	1
Gentiva Health Services	Frederick	4	-	-	-	-	-	-	-	3	-	-
Meritus Home Health	Frederick	27	2	-	1	-	1	9	2	22	5	-
Bayada Home Health Care	Frederick	250	23	-	-	-	21	121	37	252	28	-
Community Home Health of Maryland Inc	Frederick	36	-	-	-	-	3	16	2	38	1	-
Johns Hopkins Pediatrics at Home	Frederick	-	-	-	-	-	-	-	-	-	-	-
Carroll Home Care	Frederick	32	1	1	2	-	6	14	3	31	6	-
MedStar Visiting Nurse Assocation Inc.	Frederick	20	-	-	-	-	-	3	-	23	-	-
SpiriTrust Lutheran™ Home Care & Hospice	Frederick	234	-	-	-	-	11	65	7	150	11	-
Total		2,488	34	1	3	-	179	1,462	197	2,320	202	2
Adventist Home Health Services Inc.	All Currently Approved Counties	4,917	93	-	4	1	462	1,973	282	5,629	353	46

Source: MHCC's Public Use Raw Jurisdictional Data for 2014

10.24.01.08G(3)(c). The "Availability of More Cost-Effective Alternatives" Review Criterion

The Commission shall compare the cost-effectiveness of the proposed project with the cost-effectiveness of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.

Please explain the characteristics of the Project which demonstrate why it is a less costly and/or a more effective alternative for meeting the needs identified than other types of projects or approaches that could be developed for meeting those same needs or most of the needs.

A clear statement of project objectives should be outlined. Alternative approaches to meeting these objectives should be fully described. The effectiveness of each alternative in meeting the project objectives should be evaluated and the cost of each alternative should be estimated.

For applications proposing to demonstrate superior patient care effectiveness, please describe the characteristics of the Project that will assure the quality of care to be provided. These may include, but are not limited to: meeting quality measures and performance benchmarks established by the Commission; meeting accreditation standards, personnel qualifications of caregivers, special relationships with public agencies for patient care services affected by the Project, the development of community-based services or other characteristics the Commission should take into account.

As the neighboring county, expansion of AHH into Frederick County could be

accomplished with a minimum of added staff and very low capital or project costs. In addition, it will allow AHH to care for the approximately 100 patients a year who are discharged from Adventist hospitals and who need home health following admission. AHH is a Five Star rated agency (as shown below), and it will provide the residents of Frederick County with increased choice of a quality provider with a broad range of services and a very diverse series of payor contracts.

	ADVENTIST HOME HEALTH SERVICES	MARYLAND AVERAGE	NATIONAL AVERAGE
Quality of patient care star ratings	★★★★★	★★★★½	★★★½

https://www.medicare.gov/homehealthcompare/profile.html#profTab=1&ID=217032&loc=ROCKVILLE%2C%20MD&lat=39.0839973&lng=-77.1527578&stsltd=%20MD, accessed 4/25/17

Reimbursement for home health is set by the payors, and all home care agencies providing similar services will receive similar reimbursement.

10.24.01.08G(3)(d). The "Viability of the Proposal" Review Criterion.
The Commission shall consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frames set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project.

Please include in your response:

a. Audited Financial Statements for the past two years. In the absence of audited financial statements, provide documentation of the adequacy of financial resources to fund this project signed by a Certified Public Accountant who is not directly employed by the applicant. The availability of each source of funds listed in Part IV, Table 1 B. Sources of Funds for Project, must be documented.

b. Existing home health agencies shall provide an analysis of the probable impact of the project on its costs and charges for the services it provides. Non-home health agency applicants should address the probable impact of the project on the costs and charges for core services they provide.

c. A discussion of the probable impact of the project on the cost and charges for similar services provided by other home health agencies in the area.

d. All applicants shall provide a detailed list of proposed patient charges for affected services.

e. A discussion of the staffing and workforce implications of this proposed project, including:

- **An assessment of the sources available for recruiting additional personnel;**

- **A description of your plans for recruitment and retention of personnel believed to be in short supply;**

- **A report on the average vacancy rate and turnover rates for affected positions in the last year.**

- **Completion of Table 5 in the *Charts and Tables Supplement (Part IV).***

This project entails minimal costs and does not require financing.

As the CON Application Table Package shows, AHH is financially viable and will remain so after it implements this project.

The most recent audited financial statements can be found in Exhibit 3.

In 2015, AHH's turnover rate was 21%, slightly up from 13% in 2014. Vacancies are able to be filled in one to two months.

As can be seen from Table 5, adding Frederick County to the jurisdictions in which AHH is able to provide services will only add 1.84 FTE Registered Nurses, 2 Physical Therapists, 0.4 Occupational Therapists, 0.1 Speech Therapists, 0.12 Home Health Aides, and 0.04 Medical Social Workers. AHH does not anticipate experiencing any problems adding these staff. Some AHH staff already live in or near Frederick County. Some of these staff may choose to work in Frederick County once AHH begins providing services there.

Exhibit 1 (the CON Application Table Package) includes Table 5.

Exhibit 5 includes a list of proposed patient charges.

Exhibit 6 includes letters of support. As more are received, AHH will forward them to the MHCC.

10.24.01.08G(3)(e). The "Compliance with Conditions of Previous Certificates of Need" Review Criterion.

An applicant shall demonstrate compliance with all terms and conditions of each previous Certificate of Need granted to the applicant, and with all commitments made that earned preferences in obtaining each previous Certificate of Need, or provide the Commission with a written notice and explanation as to why the conditions or commitments were not met.

List all prior Certificates of Need that have been issued since 1990 to the project applicant or to any entity which included, as principals, persons with ownership or control interest in the project applicant. Identify the terms and conditions, if any, associated with these CON approvals and any commitments made that earned preferences in obtaining any of the CON approvals. Report on the status of the approved projects, compliance with terms and conditions of the CON approvals and

commitments made.

Adventist HealthCare, Inc. was issued a CON by the Commission to build a rehabilitation hospital on April 14, 1995.

Adventist Health Care, Inc. was issued a CON by the Commission on September 10, 1996 to create the Shady Grove Adventist Hospital Neonatal Intensive Care Unit (NICU).

Adventist HealthCare, Inc. was issued a CON by the Commission on November 12, 1996 to establish a 20-bed hospital-based subacute care unit. This unit operated as Care-Link at Washington Adventist Hospital.

Adventist HealthCare, Inc. was issued a CON by the Commission on February 20, 2003 for 15 of the 20 comprehensive care beds operated at Care-Link at Washington Adventist Hospital to be consolidated and relocated with the existing 82 bed complement at Fairland Nursing and Rehabilitation Center, expanding its bed capacity to 97 beds. The remaining five beds were relinquished.

Adventist HealthCare, Inc. was issued a CON by the Commission on June 19, 2003 for 22 rehabilitation beds.

Adventist HealthCare, Inc. was issued a CON on February 16, 2005 to expand the patient tower at Shady Grove Adventist Hospital.

Washington Adventist Hospital was issued a CON on November 18, 2005 to establish the Washington Adventist Surgery Center. The CON was relinquished on August 18, 2006.

The MHCC has found that Adventist HealthCare, Inc. has complied with all conditions applicable to these Certificates of Need as part of its First Use Reviews.

Adventist HealthCare, Inc. was issued a CON on December 17, 2015 to relocate Washington Adventist Hospital from Takoma Park to Silver Spring (Docket No.: 13-15-2349). Progress on the construction is on schedule and on budget. Compliance with the conditions of this CON will be timely for the project under development.

10.24.01.08G(3)(f). The "Impact on Existing Providers" Review Criterion.

An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the health planning region, including the impact on geographic and demographic access to services, on occupancy, on costs and charges of other providers, and on costs to the health care delivery system.

INSTRUCTIONS: Please provide an analysis of the impact of the proposed project. Please assure that all sources of information used in the impact analysis are identified and identify all the assumptions made in the impact analysis with respect to demand for services, payer mix, access

to service and cost to the health care delivery system including relevant populations considered in the analysis, and changes in market share, with information that supports the validity of these assumptions. Provide an analysis of the following impacts:

a) On the volume of service provided by all other existing health care providers that are likely to experience some impact as a result of this project;

b) On the payer mix of all other existing health care providers that are likely to experience some impact on payer mix as a result of this project. If an applicant for a new nursing home claims no impact on payer mix, the applicant must identify the likely source of any expected increase in patients by payer.

c) On access to health care services for the service area population that will be served by the project. (State and support the assumptions used in this analysis of the impact on access);

d) On costs to the health care delivery system.

If the applicant is an existing provider, submit a summary description of the impact of the proposed project on the applicant's costs and charges, consistent with the information provided in the Project Budget, the projections of revenues and expenses, and the work force information.

Please see the response to State Health Plan standard 10.24.16.08G (Impact).

PART III

PART III - APPLICANT HISTORY, STATEMENT OF RESPONSIBILITY, AUTHORIZATION AND SIGNATURE

1. List the name and address of each owner or other person responsible for the proposed project and its implementation. If the applicant is not a natural person, provide the date the entity was formed, the business address of the entity, the identify and percentage of ownership of all persons having an ownership interest in the entity, and the identification of all entities owned or controlled by each such person.

   Keith Ballenger, Vice President
   Adventist Healthcare Home Care Services at Adventist HealthCare, Inc.
   12041 Bournefield Way, Suite B
   Silver Spring, MD 20904

2. Is the applicant, or any person listed above now involved, or ever been involved, in the ownership, development, or management of another health care facility or program? If yes, provide a listing of each facility or program, including facility name, address, and dates of involvement.

   No

3. Has the Maryland license or certification of the applicant home health agency, or any of the facilities or programs listed in response to Questions 1 and 2, above, ever been suspended or revoked, or been subject to any disciplinary action (such as a ban on admissions) in the last 5 years? If yes, provide a written explanation of the circumstances, including the date(s) of the actions and the disposition. If the applicant, owner or other person responsible for implementation of the Project was not involved with the facility or program at the time a suspension, revocation, or disciplinary action took place, indicate in the explanation.

   No

   1. Is any facility or program with which the applicant is involved, or has any facility or program with which the applicant or other person or entity listed in Questions 1 & 2, above, ever been found out of compliance with Maryland or Federal legal requirements for the provision of, payment for, or quality of health care services (other than the licensure or certification actions described in the response to Question 3, above) which have led to an action to suspend, revoke or limit the licensure or certification at any facility or program. If yes, provide copies of the findings of non-compliance including, if applicable, reports of non-compliance, responses of the facility or program, and any final disposition reached by the applicable governmental authority.

      No

5. Has the applicant, or other person listed in response to Question 1, above, ever pled guilty to or been convicted of a criminal offense connected in any way with the ownership, development or management of the applicant facility or program or any health care facility or program listed in response to Question 1 & 2, above? If yes, provide a written explanation of the circumstances, including the date(s) of conviction(s) or guilty plea(s).

No

One or more persons shall be officially authorized in writing by the applicant to sign for and act for the applicant for the project which is the subject of this application. Copies of this authorization shall be attached to the application. The undersigned is the owner(s), or authorized agent of the applicant for the proposed home health agency service.

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information and belief.

May 1, 2017

Date

Keith A. Ballenger

Signature of Owner or
Authorized Agent of the Applicant

EXHIBITS

Exhibits

1. CON Application Table Package (Part V)
2. Charity Care Assessment and Medicaid Determination Policy
3. Audited Financial Statements
4. Patient Care Policy
5. Proposed Patient Charges
6. Letters of Support
7. Affirmations

Exhibit 1

CON Application Table Package (Part V)

Financial Assumptions used for Frederick CON Application

1. 7,140 Patients were discharged in 2016 from SG, WAH and Rehab. 7% of hospital discharges go to home care
   7,140 x 7% = 500 patients

2018	2019
500	515

   3% Growth year over year

2. Visits per discipline were determined from 2016 statistics and were used for table 2a and 2b

Visits per Patient Admit - Billable 2016

Skilled Nursing Visits	4.816852
Home Health Aide Visits	0.436806
Physical Therapy Visits	5.399218
Occupational Therapy Visits	1.008325
Medical Social Services Visits	0.081357
Speech Therapy Visits	0.265767
Total	12.00832

   Number of Patient admits x visit per admission per discipline = projected visits per discipline
   500 admits x 4.816852 SN visits = 2,466 nursing visits for 2018
   3% Growth year over year
   Non-Bill visits = 2% of total visits for 2016 and this % was used to project non-bill visits
   Non-Bill visits were split equally between SN and PT

3. Table 3 Projected Income Statement
   Admission Volumes are projected to increase 3% year over year
   FY 2017 is from Home Health's 2017 approved budget
   Years 2018 - 2021 projections are based on 3% increase in revenue and expenses
   with the exception of Salaries and Benefits that are increased by 1.5%.
   Payor Mix as a percent of total revenue for 2017 is based 2017 budget through March
   Payor Mix as a percent of total revenue for 2018 -2019 is based on actual results through March of 2017
   Payor Mix as a percent of total visits for 2017 - 2019 is based on 2017 budget

4. Table 4 Projected Income Statement for Frederick County
   Revenue accounts are calculated by number of projected admissions times the revenue per admission from table 3 tab
   500 admissions for 2018 x 2688.75 = $1,344,377
   Salaries and Benefits are calculated from Table 5
   Salaries are increased by 1.5% per year
   Medical Supplies are calculated at $2.81 per projected admission. The $2.81 comes from 2017 Budget
   Mileage is calculated at $2.46 per projected admission. The $2.46 comes from the 2017 budget

5. Table 5 Staffing
   Benefits are calculated on a percentage of Salaries (20% to 22%) and include health insurance, retirement,
   long-term and short-term disability, tuition reimbursement, Workers' Comp and Unemployment.
   Visiting Staff with the exception of LPN and Physical Therapy Assistant, are paid by the visit.
   Therefore, a productivity standard is determined on what qualifies as full time status.
   FTEs for RN, PT, OT and ST are calculated on 230 working days x 6 visits per day = 1,380 per year
   Medical Social Worker FTE is calculated on 230 working days x 4 visits per day = 920 visits per year.
   Home Health Aide FTE is calculated on 230 working days x 8 visits per day = 1,840 visits per year
   230 Days is based on 365 days minus 104 weekend days, 7 holidays and 24 vacation days
   PTO is calculated 0n 7 Holidays & 24 vacation days = 31 days. 31 days x 8 hours per day = 248 Hours

TABLE 1. PROJECT BUDGET			
Instructions: All estimates for 1a- d; 2a- f; and 3 are for current costs as of the date of application submission and should include the costs for all intended construction and renovations to be undertaken. Inflation from date of submission of project completion should only be included on the Inflation line 1e. (DO NOT CHANGE THIS FORM OR ITS LINE ITEMS. IF ADDITIONAL DETAIL OR CLARIFICATION IS NEEDED, ATTACH ADDITIONAL SHEET.)			
NOTE : Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.d as a use of funds and on line B.8 as a source of funds			
A.	**USE OF FUNDS**		
	1.	**CAPITAL COSTS**	
		a.	**New Construction**
		(1)	Building
		(2)	Fixed Equipment
		(3)	Site and Infrastructure
		(4)	Architect/Engineering Fees
		(5)	Permits (Building, Utilities, Etc.)
			SUBTOTAL **$0**
		b.	**Renovations**
		(1)	Building
		(2)	Fixed Equipment (not included in construction)
		(3)	Architect/Engineering Fees
		(4)	Permits (Building, Utilities, Etc.)
			SUBTOTAL **$0**
		c.	**Other Capital Costs**
		(1)	Movable Equipment
		(2)	Contingency Allowance $10,000
		(3)	Gross interest during construction period
		(4)	Other *(Specify/add rows if needed)*
			SUBTOTAL ***$10,000***
			TOTAL CURRENT CAPITAL COSTS **$10,000**
		d.	***Land Purchase***
		e.	**Inflation Allowance**
			TOTAL CAPITAL COSTS **$10,000**
	2.	**Financing Cost and Other Cash Requirements**	
		a.	Loan Placement Fees
		b.	Bond Discount
		c	CON Application Assistance
			c1. Legal Fees **$40,000**
			c2. Other (Specify/add rows if needed) **$25,000**
		d.	Non-CON Consulting Fees
			d1. Legal Fees
			d2. Other (Specify/add rows if needed)
		e.	Debt Service Reserve Fund
		f	Other *(Specify/add rows if needed)*
			SUBTOTAL ***$65,000***

	3.	**Working Capital Startup Costs**	
		TOTAL USES OF FUNDS	***$75,000***
B.	**Sources of Funds**		
	1.	**Cash**	**$75,000**
	2.	**Philanthropy (to date and expected)**	
	3.	**Authorized Bonds**	
	4.	**Interest Income from bond proceeds listed in #3**	
	5.	**Mortgage**	
	6.	**Working Capital Loans**	
	7.	**Grants or Appropriations**	
		a. Federal	
		b. State	
		c. Local	
	8.	**Other *(Specify/add rows if needed)***	
		TOTAL SOURCES OF FUNDS	***$75,000***
			Hospital Building
Annual Lease Costs (if applicable)			
	1.	**Land**	
	2.	**Building**	
	3.	**Major Movable Equipment**	
	4.	**Minor Movable Equipment**	
	5.	**Other *(Specify/add rows if needed)***	

* Describe the terms of the lease(s) below, including information on the fair market value of the item(s), and the number of years, annual cost, and the interest rate for the lease.

Table 2A	Two Most Current Actual Years		Projected Years - ending with first year at full Utilization				
CY or FY (circle)	2015	2016	2017	2018	2019	2020	2021
Client Visits							
Billable	87,061	93,686	91,385	105,300	111,593		
Non-Billable	1,917	1,516	1,600	2,106	2,232		
TOTAL	88,978	95,202	92,985	107,406	113,825		
# of Clients and Visits by Discipline							
Total Clients (Unduplicated Count)	7,436	7,928	8,034	8,775	9,293		
Skilled Nursing Visits	34,795	38,188	36,874	43,285	45,879		
Home Health Aide Visits	3,187	3,463	3,186	3,833	4,059		
Physical Therapy Visits	40,852	42,805	42,217	48,394	51,291		
Occupational Therapy Visits	8,277	7,994	7,879	8,848	9,370		
Medical Social Services Visits	530	645	627	714	756		
Speech Therapy Visits	1,337	2,107	2,202	2,332	2,470		

Table 2B	Two Most Current Actual Years		Projected Years - ending with first year at full Utilization				
CY or FY (circle)	2015	2016	2017	2018	2019	2020	2021
Client Visits							
Billable				6,000	6,180		
Non-Billable				120	124		
TOTAL				6,120	6,304		
# of Clients and Visits by Discipline							
Total Clients (Unduplicated Count)				500	515		
Skilled Nursing Visits				2,466	2,541		
Home Health Aide Visits				218	225		
Physical Therapy Visits				2,758	2,841		
Occupational Therapy Visits				504	519		
Medical Social Services Visits				41	42		
Speech Therapy				133	137		

Table 3	Two Most Current Actual Years		Projected Years - ending with first year at full Utilization				
CY or FY (circle)	2015	2016	2017	2018	2019	2020	2021
1. Revenue							
Gross Patient Service Revenue	19,555,802	20,709,941	21,601,396	23,593,815	24,301,670		
Allowance for Bad Debt	112,579	96,082	100,000	109,224	112,500		
Contractual Allowance	741,216	655,086	958,060	1,046,427	1,077,822		
Charity Care	75,000	75,000	75,000	81,918	84,375		
Net Patient Services Revenue	18,627,007	19,883,773	20,468,336	22,356,246	23,026,972		
Other Operating Revenue Donations, Rental Income	43,128	54,646	92,717	95,499	98,363		
Net Operating Revenue	18,670,135	19,938,419	20,561,053	22,451,745	23,125,336		
2. Expenses							
fringe benefits)	14,071,717	15,302,350	15,424,669	16,050,996	16,483,494		
Contractual Services	611,964	431,648	486,440	692,619	692,619		
Interest on Current Debt	-						
Interest on Project Debt	-						
Current Depreciation	147,342	198,242	227,155	233,970	240,989		
Project Depreciation							
Current Amortization	8,976	8,976	8,976	8,976	8,976		
Project Amortization					-		
Supplies							
Purchased Services, Building and Maint., IT &	2,986,386	3,164,326	3,191,061	3,319,045	3,418,619		
Total Operating Expenses	17,826,385	19,105,542	19,338,301	20,305,606	20,844,697		
3. Income							
Income from Operation	843,750	832,877	1,222,752	2,146,139	2,280,639		
Non-Operating Income	2,664	39,903	54,751	55,000	55,000		
Subtotal	846,414	872,780	1,277,503	2,201,139	2,335,639		
Income Taxes	-	-	-	-	-		
Net Income (Loss)	846,414	872,780	1,277,503	2,201,139	2,335,639		
4A. - Payor Mix as Percent of Total Revenue							
Medicare	83%	82%	84%	81%	81%		
Medicaid	1%	1%	1%	1%	1%		
Blue Cross	4%	4%	3%	3%	3%		
Commerical Insurance	12%	13%	12%	13%	13%		
Self-Pay	0%	0%	0%	1%	1%		
Other (Specify)	0%	0%	0%	0%	0%		
TOTAL REVENUE	100%	100%	100%	100%	100%	0%	0%
4B. Payor Mix as Percent of Total Visits							
Medicare	77%	76%	78.4%	78.4%	78.4%		
Medicaid	2%	1%	1.3%	1.3%	1.3%		
Blue Cross	6%	6%	1.9%	1.9%	1.9%		
Commerical Insurance	16%	16%	18.4%	18.4%	18.4%		
Self-Pay	0%	0%	0%	0%	0%		
Other (Specify)	0%	0%	0%	0%	0%		
TOTAL REVENUE	100%	100%	100%	100%	100%	0%	0%

Table 4	Two Most Current Actual Years		Projected Years - ending with first year at full Utilization				
CY or FY (circle)	2015	2016	2017	2018	2019	2020	2021
1. Revenue							
Gross Patient Service Revenue				1,344,377	1,384,749		
Allowance for Bad Debt				6,224	6,410		
Contractual Allowance				59,625	61,416		
Charity Care				4,668	4,808		
Net Patient Services Revenue				1,273,860	1,312,114		
Other Operating Revenue (Specify)				-	-		
Net Operating Revenue				1,273,860	1,312,114		
2. Expenses							
Salaries, Wages and Professional Fees (including fringe benefits)				394,957	488,065		
Contractual Services							
Interest on Current Debt							
Interest on Project Debt							
Current Depreciation				-	-		
Project Depreciation							
Current Amortization							
Project Amortization					-		
Supplies							
Other Expenses Medical Supplies, Mileage				32,252	33,222		
Total Operating Expenses				427,209	521,287		
3. Income							
Income from Operation	-	-	-	846,651	790,827		
Non-Operating Income							
Subtotal				846,651	790,827		
Income Taxes				-	-		
Net Income (Loss)				846,651	790,827		
4A. - Payor Mix as Percent of Total Revenue							
Medicare				81%	81%		
Medicaid				1%	1%		
Blue Cross				3%	3%		
Commerical Insurance				13%	13%		
Self-Pay				1%	1%		
Other (Specify)							
TOTAL REVENUE				100%	100%	0%	0%
4B. Payor Mix as Percent of Total Visits							
Medicare				78.4%	78.4%		
Medicaid				1.3%	1.3%		
Blue Cross				1.9%	1.9%		
Commerical Insurance				18.4%	18.4%		
Self-Pay							
Other (Specify)							
TOTAL REVENUE				100.0%	100.0%	0.0%	0.0%

Table 5 Staffing Information

For 2019

Position Title	Current No. of FTEs		Change in FTEs (+/-)		Average Salary		Total Salary Expense	
	Agency Staff	Contract Staff	Agency Staff	Contract Staff	Agency Staff	Contract Staff	Agency Staff	Contract Staff
Administrative Personnel	63				$ 40.00		$ 5,241,600	
Registered Nurse	40.12	3	1.84		$ 39.29	$ 66.33	$ 3,429,589	$ 413,899
Licensed Practical Nurse	4				$ 28.39		$ 236,201	
Physical Therapist	35.37	2	2		$ 39.00	$ 67.00	$ 3,032,013	$ 278,720
Occupational Therapist	10.66		0.4		$ 42.57	$ 67.00	$ 979,068	
Speech Therapist	2.29		0.1		$ 42.33	$ 67.00	$ 210,784	
Home Healh Aide	5.075		0.12		$ 15.37		$ 166,092	
Medical Social Worker	1.52		0.04		$ 32.39		$ 105,268	
Physical Therapist Asst	5.00				$ 32.25		$ 335,629	
						Benefits	$ 2,747,249	
						TOTAL	$ 16,483,494	$ 692,619

Benefits are calculated on a percentage of Salaries (20% to 22%) and include health insurance, retirement, long-term and short-term disability, tuition reimbursement, Workers' Comp and Unememployment.

Visiting Staff with the exception of LPN and Physical Therapy Assistant, are paid by the visit.
Therefore, a productivity standard is determined on what qualifies as full time status.
FTEs for RN, PT, OT and ST are calculated on 230 working days x 6 visits per day = 1,380 per year
Medical Social Worker FTE is calculated on 230 working days x 4 visits per day = 920 visits per year.
Home Health Aide FTE is calculated on 230 working days x 8 visits per day = 1,840 visits per year

PTO is calculated 0n 7 Holidays & 24 vacation days = 31 days. 31 days x 8 hours per day = 248 Hours

Exhibit 2

Charity Care Assessment and Medicaid Determination Policy

ADVENTIST HOME HEALTH
FINANCE POLICY

Effective Date: 2/92 Policy No: 3.1040
Comments: Section:
Reviewed: Approval:
Revised: 2/00, 5/01, 2/02, 9/02, 10/02, 5/04, 5/06, 6/10, 8/10, 6/11, 6/15, 4/17

CHARITY CARE ASSESSMENT AND MEDICAID DETERMINATION POLICY

PURPOSE

To provide a systematic and equitable mechanism and to define guidelines for accepting charity patients who do not have medical insurance or the ability to pay.

POLICY

It is the intention of Adventist Home Health (AHH) to make available to all patients (or their guarantors) regardless of race, creed, gender, age, sexual orientation, national origin or financial status who are uninsured, underinsured, have experienced a catastrophic event and lack adequate resources to pay for services have the highest quality of medical care possible within the resources available. If there is no medical insurance for reimbursement, the patient (or the patient's guarantor) is responsible for payment. However, cases arise whereby the patient or guarantor does not have the ability to pay AHH for services rendered and may apply for charity care, a sliding fee scale or time payments.

AHH will make a determination of probable eligibility for medical assistance, charity care, and reduced fees and communicate that determination to the patient within two business days of the submission of an application for charity care, medical assistance or both.

Printed public notification regarding the AHH charity care and sliding fee scale policies will be made annually in newspapers in AHH service areas. The notification will also be posted in the AHH business offices and website.

AHH will supply the patient and the patient's family with the AHH charity care policy and review the arrangements for payment and/or the provision of charity care for services.

Eligibility Determination Process

1. The patient's charity eligibility must be determined by AHH, not by the patient or referral source. A patient's signed declaration of his inability to pay his medical bills cannot be considered proof of indigence.

2. If the patient already filed for Community Medicaid while in an AHC hospital and has completed the charity care process, AHH will accept the patient as Medicaid pending. The Reimbursement Department will track the patient's progress in obtaining Medicaid. No AHH charity form will be required.

3. AHH will take into account a patient's total resources which can include, but are not limited to, an analysis of disposable income and current expenses.
   AHH must determine that no source other than the patient would be legally responsible for the patient's medical bill (guarantor).

4. Charity Care will be provided according to the Federal Poverty Guidelines as described in this policy (see attached).

5. If a patient does not qualify for Charity Care under the Federal Poverty Guidelines, but has extraordinary expenses, such as high medical bills, Charity Care may be approved. Director of Finance must approve Charity Care in these cases.

6. If the patient qualifies for Medicaid, but has not completed all documentation, the patient will be deemed provisionally eligible for charity and the Social Worker will track and follow up with the patient. The progress of the Medicaid application will be communicated to the Reimbursement Department. The Reimbursement Department will research assets through AHC financial services. If it is found that the patient has assets, the Reimbursement Department will proceed with billing for services pended.

7. If the patient is deemed not eligible for Medicaid or charity care because their household income exceeds the charity care threshold, they likely will be eligible for a sliding scale fee or a payment schedule.

Adventist HealthCare
Home Care Services

CHARITY FINANCIAL HARDSHIP APPLICATION

I have requested Charity Care for services I will receive or have received from Adventist Home Health. I understand that if I do not fill this form out truthfully, this request will automatically be denied. If my request for Charity Care is approved based on incorrect information, I will be responsible for paying for all services provided by Adventist Home Health.

Please describe why charity services should be granted. (to be completed by Medical Social Worker)

_____

_____

_____

_____

Patient Name: _____ DOB: _____ SS# _____
Spouse Name: _____ DOB: _____ SS# _____

MONTHLY INCOME

Monthly Household Income:	Gross	$ _____	Net	$ _____
Other Monthly Income:	Gross	$ _____	Net	$ _____
Total Monthly Income:	Gross	$ _____	Net	$ _____

MONTHLY EXPENSES

Rent/Mortgage:	_____	Cable:	_____
Other Medical Expenses:	_____	Furniture/Appliance Payment:	_____
Medical Insurance:	_____	Clothing Expenses:	_____
Life Insurance:	_____	Educational Expenses:	_____
Car Payment:	_____	Charitable Donations (church, etc):	_____
Car Insurance:	_____	Subscriptions/Magazines:	_____
Groceries:	_____	Other Expenses:	_____
Utilities:	_____	Telephone:	_____
Other Assets:	_____		

Credit Card 1 Name	_____	Balance	_____	Number	_____
Credit Card 2 Name	_____	Balance	_____	Number	_____
Credit Card 3 Name	_____	Balance	_____	Number	_____

(Please use the back of this form if you need additional space to list other expenses)

Total Monthly Expenses: $

Please attach W2s, tax returns, and returns, recent pay stubs, and/or bank statements, etc.
If you have additional information that may be helpful in our decision, please attach to this form.

Recommendation: _____

MSW Signature:_____ Date:_____

CHARITY CARE AGREEMENT

Patient Name _____ Discharge Date _____

Adventist Home Health (AHH) to make available to all patients (or their guarantors) regardless of race, creed, gender, age, sexual orientation, national origin or financial status who are uninsured, underinsured, have experienced a catastrophic event and lack adequate resources to pay for services have the highest quality of medical care possible within the resources available. If there is no medical insurance for reimbursement, the patient (or the patient's guarantor) is responsible for payment. However, cases arise whereby the patient or guarantor does not have the ability to pay AHH for services rendered and may apply for charity care, a sliding fee scale or time payments.

The funding for uncompensated care is limited.

Our short-term goal is to provide services to educate you about your health care needs and how best for you to manage those needs in a home setting. If you are unable to manage your treatment plan alone, you will be required to authorize someone to do this on your behalf.

Patient Acknowledgement:

I understand and agree that in order for AHH to provide home health services, I am responsible for:

1. Learning to manage my care independently or authorizing someone to learn on my behalf.

2. Providing accurate financial information (on an on-going basis) to assist in determining my eligibility for community resources and Charity Care. **Should my financial information prove inaccurate, my care will be billed retroactive for all services provided and for future care.**

3. Completing initial application processes for available community resources.

4. Continuing to follow up with community resources in a timely manner.

5. Agreeing to release information on Medicaid application to AHH.

6. Charity Care will not cover third party liability cases. If litigation is involved, I will be billed retroactive for the services that were provided for free and will be billed for all future services.

I accept responsibility for compliance with the above stated requirements and acknowledge that failure to comply could result in discharge from AHH. If I do not comply and AHH continues to support my care, this in no way affects the right of AHH to discharge me in the event of a subsequent failure on my part to comply with the terms of this agreement.

Date of Authorization	Signature of Patient
Witness/Relationship	Legal Representative if patient is unable to sign/Relationship to Patient
If patient signs by making an "X"	Witness/Relationship

Adventist HealthCare
Home Care Services

NOTICE OF AVAILIBILITY OF UNCOMPENSATED SERVICES

Adventist Home Health will make available a reasonable amount of health care without charge to persons eligible under Community Charity guidelines. Uncompensated services are available to patients whose family income does not exceed the limits designed by the Income Poverty Guidelines established by the Community Charity services. The current income requirements are the following.

If your income is not more than twice these amounts, you may qualify for uncompensated services.

2017 Poverty Guidelines

Family Unit Size	Income Guideline	Annual Income	Uncompensated Care Amount	Patient Responsibility Amount
1	100%	$12,060	200% ALLOWANCE	0%
2	100%	$16,240	200% ALLOWANCE	0%
3	100%	$20,420	200% ALLOWANCE	0%
4	100%	$24,600	200% ALLOWANCE	0%
5	100%	$28,780	200% ALLOWANCE	0%
6	100%	$32,960	200% ALLOWANCE	0%
7	100%	$37,140	200% ALLOWANCE	0%
8	100%	$41,320	200% ALLOWANCE	0%

If you feel you may be eligible for uncompensated services and wish to request them, please discuss with AHH Pre-Admission Nurse or call AHH 1-888-678-8969. A written determination of your eligibility will be made within thirty working days of your request.

Revised April 2017

Adventist HealthCare
Home Care Services

ANNUAL INCOME THRESHOLDS BY SLIDING FEE DISCOUNT PAY CLASS AND PERCENT POVERTY

Poverty Level	225%	250%	275%	300%	Above 300%
Familiy Size	20% Pay	40% Pay	60% Pay	80% Pay	100% Pay
1	$36,180 - $39,195	$39,126 - $42,210	$42,211 - $45,225	$45,226 - $48,640	$48,641+
2	$48,720 - $52,780	$52,781 - $56,840	$56,841 - $60,900	$60,901 - $64,960	$64,961+
3	$61,260 - $66,365	$66,366 - $71,470	$71,471 - $76,575	$76,576 - $81,680	$81,681+
4	$73,800 - $79,950	$79,951 - $86,100	$86,101 - $92,250	$92,251 - $98,400	$98,400+
5	$86,340 - $93,535	$93,536 - $100,730	$100,731 - $107,925	$107,926 - $115,120	$115,121+
6	$98,880 - $107,120	$107,121 - $115,360	$115,361 - $123,600	$123,601 - $131,840	$131,841+
7	$111,420 - $120,705	$120,706 - $129,990	$129,991 - $139,275	$139,276 - $148,560	$148,561+
8	$123,960 - $134,290	$134,291 - $144,620	$144,621 - $154,950	$154,951 - $165,280	$165,281+
For each additional person, add	$13,585	$14,630	$15,675	$16,720	$16,720+

Based on 2017 Poverty Guidelines

Exhibit 3

Audited Financial Statements

Adventist HealthCare, Inc. and Controlled Entities

Financial Statements and
Supplementary Information

December 31, 2014 and 2013

BAKER TILLY

Candor. Insight. Results.

Adventist HealthCare, Inc. and Controlled Entities

Table of Contents
December 31, 2014 and 2013

formerly
PARENTEBEARD

Baker Tilly Virchow Krause, LLP
46 Public Sq, Ste 400
Wilkes-Barre, PA 18701-2609
tel 570 820 0100
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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, 2014 and 2013, 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, 2014 and 2013, 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 42 to 46 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 22, 2015

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 62,058,533	$ 58,692,102
Short-term investments	133,618,264	128,642,187
Assets whose use is limited	3,020,970	3,950,514
Patient accounts receivable, net of estimated allowance for doubtful collections of $17,921,000 in 2014 and $24,227,000 in 2013	107,266,506	127,698,502
Other receivables, net of estimated allowance for doubtful collections of $2,249,000 in 2014 and $2,288,000 in 2013	12,549,788	12,781,149
Inventories	10,995,868	12,172,222
Prepaid expenses and other current assets	5,577,430	6,251,940
Total current assets	335,087,359	350,188,616
Property and Equipment, Net	402,281,664	392,164,649
Assets Whose Use is Limited		
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks	6,215,093	7,045,353
Professional liability trust fund	12,839,326	8,835,811
Deferred compensation fund	164,057	164,057
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisition	2,926,446	2,978,828
Investments and Investments in Unconsolidated Subsidiaries	12,763,053	9,926,599
Land Held for Healthcare Development	91,424,979	84,805,542
Deferred Financing Costs, Net	2,331,699	2,622,135
Intangible Assets, Net	5,181,259	5,408,550
Deposits and Other Noncurrent Assets	8,275,733	7,448,871
Total assets	$ 879,490,668	$ 871,589,011

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2014 and 2013

	2014	2013
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 72,471,001	$ 83,688,817
Accrued compensation and related items	37,197,704	31,922,897
Interest payable	2,307,800	2,222,769
Due to third party payors	20,586,941	21,919,784
Estimated self-insured professional liability	1,241,937	1,202,986
Current maturities of long-term obligations	27,909,209	22,925,596
Long-term debt subject to short-term remarketing and repayment arrangements	-	41,985,000
Total current liabilities	161,714,592	205,867,849
Construction Payable	191,718	116,254
Long-Term Obligations, Net		
Bonds payable	235,844,029	221,015,919
Notes payable	47,513,025	18,916,729
Capital lease obligations	8,549,107	16,348,680
Derivative Financial Instruments	21,507,539	16,103,581
Deferred Compensation	164,057	164,057
Other Liabilities	10,340,982	12,310,883
Estimated Self-Insured Professional Liability	10,384,286	8,121,925
Total liabilities	496,209,335	498,965,877
Net Assets		
Unrestricted	376,750,164	365,618,832
Temporarily restricted	6,189,748	6,662,881
Permanently restricted	341,421	341,421
Total net assets	383,281,333	372,623,134
Total liabilities and net assets	$ 879,490,668	$ 871,589,011

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Operations
Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted Revenues		
Net patient service revenue	$ 710,744,656	$ 664,929,799
Provision for doubtful collections	(53,039,754)	(43,172,646)
Net patient service revenue less provision for doubtful collections	657,704,902	621,757,153
Other revenue	37,603,474	37,990,928
Total unrestricted revenues	695,308,376	659,748,081
Expenses		
Salaries and wages	299,221,113	277,034,762
Employee benefits	57,912,606	58,644,334
Contract labor	29,965,160	29,565,999
Medical supplies	94,139,488	93,404,087
General and administrative	116,564,071	121,185,271
Building and maintenance	36,816,635	35,047,777
Insurance	5,426,155	5,147,729
Interest	9,627,275	8,365,613
Depreciation and amortization	33,269,001	31,059,309
Total expenses	682,941,504	659,454,881
Income from operations	12,366,872	293,200
Other Income (Expense)		
Investment income	2,989,552	2,786,060
Loss on extinguishment of debt	(222,350)	(707,292)
Other (expense) income	(459,366)	1,673,660
Total other income	2,307,836	3,752,428
Revenues in excess of expenses from continuing operations	14,674,708	4,045,628
Change in net unrealized gains and losses on investments other than trading securities	1,035,338	(2,896,072)
Change in net unrealized (loss) gain on derivative financial instruments	(6,250,362)	8,450,548
Net assets released from restriction for purchase of property and equipment	1,769,609	3,243,024
Other unrestricted net asset activity	462,026	(82,046)
Increase in unrestricted net assets from continuing operations	11,691,319	12,761,082
Loss from discontinued operations	(559,987)	(472,701)
Increase in unrestricted net assets	$ 11,131,332	$ 12,288,381

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted Net Assets		
Revenues in excess of expenses from continuing operations	$ 14,674,708	$ 4,045,628
Change in net unrealized gains and losses on investments other than trading securities	1,035,338	(2,896,072)
Change in net unrealized (loss) gain on derivative financial instruments	(6,250,362)	8,450,548
Net assets released from restriction for purchase of property and equipment	1,769,609	3,243,024
Other unrestricted net asset activity	462,026	(82,046)
Increase in unrestricted net assets from continuing operations	11,691,319	12,761,082
Loss from discontinued operations	(559,987)	(472,701)
Increase in unrestricted net assets	11,131,332	12,288,381
Temporarily Restricted Net Assets		
Restricted gifts and donations	5,113,109	6,132,245
Net assets released from restriction for purchase of property and equipment	(1,769,609)	(3,243,024)
Net assets released from restriction used for operations	(3,693,269)	(4,290,355)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	(145,231)	237,254
Change in discount of pledges receivable and provision for doubtful pledges	15,802	(146,325)
Donor restricted investment income	6,065	31,901
Decrease in temporarily restricted net assets	(473,133)	(1,278,304)
Increase in net assets	10,658,199	11,010,077
Net Assets, Beginning	372,623,134	361,613,057
Net Assets, Ending	$ 383,281,333	$ 372,623,134

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Increase in net assets	$ 10,658,199	$ 11,010,077
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for doubtful collections	54,542,419	47,796,874
Depreciation and amortization	38,262,588	36,092,319
Loss on extinguishment of debt	222,350	707,292
Restricted contributions and grants	(1,689,716)	(2,246,168)
Earnings recognized from unconsolidated subsidiaries and affiliates	(3,783,663)	(2,695,156)
Amortization of physician income guarantees	11,454	94,483
Gain on sale of interest in unconsolidated subsidiaries	-	(1,855,239)
Net realized loss on investments other than trading securities	191,350	903,233
Change in net unrealized gains and losses on investments other than trading securities	(1,035,338)	2,896,072
Change in net unrealized loss (gain) on derivative financial instruments	6,250,362	(8,450,548)
Change in value of beneficial interest in trusts and charitable gift annuity	145,231	(237,254)
Change in discount on pledges receivable and provision for doubtful pledges	(15,802)	146,325
Changes in assets and liabilities:		
Patient accounts receivable, net	(34,110,423)	(36,543,251)
Other receivables, net	288,989	(3,389,526)
Inventories, prepaid expenses and other current assets	1,850,864	(2,336,100)
Accounts payable and accrued expenses	(14,838,484)	6,203,378
Accrued compensation and related items	5,274,807	1,056,157
Interest payable	85,031	(820,719)
Estimated self-insured professional liability	2,301,312	2,059,485
Due to third party payors	(1,332,843)	(4,954,161)
Other noncurrent assets and liabilities	(3,353,189)	1,378,995
Net cash provided by operating activities	59,925,498	46,816,568

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Investing Activities		
Purchase of property and equipment	$ (43,512,659)	$ (34,507,464)
Payments to physicians under income guarantees	(86,423)	(16,667)
(Increase) decrease in investments and investments in unconsolidated subsidiaries	(4,589,159)	25,381,710
Net additions to land held for healthcare development	(6,619,437)	(7,502,447)
Proceeds from sale of interest in unconsolidated subsidiaries	-	2,003,649
Distributions from investments in unconsolidated subsidiaries	1,595,629	262,586
(Incease) decrease in trustee held funds and restricted cash	(2,382,679)	1,013,310
Net cash used in investing activities	(55,594,728)	(13,365,323)
Cash Flows From Financing Activities		
Payment of financing costs	(505,808)	(191,318)
Proceeds from issuance of bonds	25,000,000	25,174,100
Repayments on long-term obligations, net	(27,148,247)	(21,953,605)
Proceeds from restricted contributions and grants	1,689,716	2,246,168
Net cash (used in) provided by financing activities	(964,339)	5,275,345
Net increase in cash and cash equivalents	3,366,431	38,726,590
Cash and Cash Equivalents, Beginning	58,692,102	19,965,512
Cash and Cash Equivalents, Ending	$ 62,058,533	$ 58,692,102
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 11,887,573	$ 11,591,903
Supplemental Disclosure of Noncash Investing and Financing Activities		
Capital lease obligation incurred for equipment	$ 771,693	$ 9,306,779
Construction payable for property and equipment	$ 191,718	$ 116,254
Long-term debt refinanced	$ 50,330,000	$ 15,623,500

See notes to consolidated financial statements

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 Adventist Hospital ("SGAH") is a 312-bed acute care hospital located in Rockville, Maryland.

Washington Adventist Hospital ("WAH") is a 252-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. See Note 2 for further details.

Adventist Behavioral Health Services ("ABH") is comprised of two separate facilities located in Maryland. ABH - Rockville is a 107-bed psychiatric hospital with 82 residential treatment rooms and 32 group home beds for adolescents. ABH - 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 Rehabilitation Hospital of Maryland, Inc. ("ARHM") operates one inpatient hospital with two sites in Maryland, as well as two outpatient locations. ARHM - Rockville is a 55-bed rehabilitation facility and ARHM - Takoma Park is a 32-bed rehabilitation facility.

The Support Center is comprised of the corporate office that provides corporate and centralized shared service functions that benefit the entire AHC system. The Support Center is comprised of the following units: Adventist Choice Nursing ("ACN"), Adventist Home Assistance ("AHA") and the AHC benefit business unit. ACN provides skilled nursing care to individual patients and other healthcare entities not affiliated with AHC. 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 Reginald S. 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 Health Services, Inc. (AHHS) is a nonstock membership corporation organized to provide home health services in Maryland.

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 further provide necessary 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 three 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. Adventist HealthCare Urgent Care Centers, Inc. ("UCC") provides treatment of a variety of non-life threatening illnesses and injuries. AHC's first center, located in Rockville, Maryland, opened in March 2015.

The Foundations operating division is comprised of Washington Adventist Hospital Foundation, Inc., Shady Grove Adventist Hospital Foundation, Inc., Hackettstown Community Hospital Foundation, Inc., and Adventist Behavioral Health Foundation, Inc. (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 2014 and 2013 include the accounts of AHC, the controlling parent, SGAH, WAH, HRMC, ABH, ARHM, the Support Center, the Lourie Center, AHHS, CIS, LWS, CCPL, UCC 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 22, 2015, 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 to unregulated services.

In April 2014, Adventist Healthcare entered into a Global Budget Revenue Agreement with the HSCRC for Shady Grove Adventist Hospital, Washington Adventist Hospital and Shady Grove 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 at July 1, 2014.

The HSCRC has placed into its methodology a rate system which, among other things, causes SGAH 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 overcharges of $2,229,013 and undercharges of $1,195,648 as of December 31, 2014 and 2013, 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 ARHM and ABH 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 ARHM and ABH-Eastern Shore met the conditions for exemption during 2014 and 2013. ABH-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 42% and 67% at December 31, 2014 and 2013, respectively. In addition, the Corporation's self-pay account writeoffs, net of recoveries, decreased from $49,368,811 in 2013 to $48,391,876 in 2014 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 2014.

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 2014 or 2013.

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 and $284,784 in 2014 and 2013, respectively. Accumulated amortization of intangible assets was $2,840,297 and $2,567,571 as of December 31, 2014 and 2013, respectively.

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 $573,894 and $603,359 in 2014 and 2013, respectively. Amortization for HRMC was $37,142 and $37,783 in 2014 and 2013, respectively and is included in loss from discontinued operations in the consolidated statements of operations. Accumulated amortization of deferred financing costs was $4,363,485 and $3,789,591 at December 31, 2014 and 2013, 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, 2014 and 2013 could differ from actual settlements based on the results of cost report audits.

For certain Corporation subsidiaries, services provided on behalf of Medicare and Medicaid beneficiaries are ultimately reimbursed at cost. For cost reimbursement programs, statements of reimbursable costs are filed with the applicable program that compute the difference between reimbursable cost and interim payments, in order to determine a final settlement for services rendered to patients covered under these programs. Contractual 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 (expense) income.

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 2014 and 2013 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, 2014	$ 244,786,365	$ 71,536,438	$ 432,811,713	$ 45,255,118	$ 794,389,634
December 31, 2013	$ 214,375,408	$ 37,749,363	$ 424,058,547	$ 74,326,328	$ 750,509,646

Patient service revenues (net of contractual allowances and discounts) for HRMC were $83,644,978 in 2014 and $85,579,847 in 2013. 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 2014 or 2013.

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, 2011 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 $20,256,000 in 2014 and $22,016,000 in 2013. In accordance with the reimbursement methodology set forth by the HSCRC, the Corporation received cash payments from the state wide uncompensated care pool which totaled $3,521,834 and $1,433,374 for 2014 and 2013, respectively. The funds were received by the Corporation because charity care was provided in excess of the statewide average and are included in net patient service revenue in the accompanying consolidated statements of operations.

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 2013 have been reclassified to conform to the 2014 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 supercedes the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry-specific guidance. Under the requirements of ASU No. 2014-09, 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 and services. The Corporation will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2016; early application is not permitted. The Corporation has not yet determined the impact the adoption of ASU No. 2014-19 will have 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 sale of HRMC. The sale of HRMC is pending state regulatory review which could span eighteen to twenty-four months. The net carrying value of property and equipment related to HRMC as of December 31, 2014 and 2013 was $40,793,525 and $42,952,842, respectively, and consists of the following:

	2014	2013
Land and improvements	$ 2,318,692	$ 2,275,448
Building and improvements	60,262,202	59,471,110
Office furniture and equipment	57,553,335	56,717,819
Computer software and hardware	5,684,739	5,004,371
Equipment under capital leases	19,332	19,332
Total	125,838,300	123,488,080
Less accumulated depreciation and amortization	(86,679,485)	(82,300,834)
	39,158,815	41,187,246
Construction in progress	1,634,710	1,765,596
	$ 40,793,525	$ 42,952,842

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

	2014	2013
Total unrestricted revenues	$ 88,812,604	$ 88,338,366
Total expenses	90,387,497	89,259,233
Other non-operating income	1,014,906	448,166
Revenues less than expenses	(559,987)	(472,701)

4. Investments

Short-Term Investments

The Corporation's short-term investments at December 31, 2014 and 2013 are comprised of the following:

	2014	2013
Cash and cash equivalents	$ 12,693,052	$ 10,343,585
Marketable certificates of deposit	489,531	741,462
CBAM Intrepid Fund Ltd.	-	9,534,675
CBAM Resolute Fund Ltd.	32,512,162	20,618,514
U.S. government securities, mortgage-backed securities	87,923,519	87,403,951
Total	$ 133,618,264	$ 128,642,187

Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2014 and 2013 is set forth in the following tables:

	2014	2013
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks:		
Cash and cash equivalents	$ 1,863,335	$ 1,957,555
U.S. government securities,		
U.S. treasury notes	6,130,791	7,835,326
Total	7,994,126	9,792,881
Less funds held for current liabilities	1,779,033	2,747,528
Noncurrent portion of assets held under trust indentures and capital lease purchase financing facilities	$ 6,215,093	$ 7,045,353
Professional liability trust fund:		
Cash and cash equivalents	$ 824,414	$ 3,009,063
Mutual funds:		
Equity - balanced	9,268,424	6,186,090
Fixed income - multi-sector	3,988,425	843,644
Total	14,081,263	10,038,797
Less funds held for current liabilities	1,241,937	1,202,986
Noncurrent portion of professional liability trust fund	$ 12,839,326	$ 8,835,811
Deferred compensation fund:		
Mutual funds,		
Equity - growth	$ 164,057	$ 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, 2014 and 2013 is as follows:

	2014	2013
Debt service reserve fund	$ 5,858,205	$ 5,868,995
Principal and interest funds	2,090,230	2,904,428
Lease facility escrow funds	45,691	1,019,458
Total	$ 7,994,126	$ 9,792,881

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 2014 and 2013:

	2014	2013
Investment income:		
Interest and dividends, net	$ 3,984,179	$ 4,060,643
Interest on trustee held funds	62,766	55,008
Net realized losses on sale of investments	(231,555)	(903,233)
Total	$ 3,815,390	$ 3,212,418
Other changes in unrestricted net assets:		
Change in net unrealized gains and losses on investments other than trading securities	$ 1,035,338	$ (2,896,072)

Investment income for HRMC was $825,838 and $426,358 in 2014 and 2013, 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 $40,206 and $376,774, interest on trustee held funds of $29,221 and $18,155, and interest and dividends, net of $836,823 and $784,977 in 2014 and 2013, 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:

	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				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
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

	2013				
	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	$ 15,412,901	$ 15,412,901	$ 15,412,901	$ -	$ -
Marketable certificates of deposit	741,462	741,462	-	741,462	-
Mutual funds:					
Fixed income – multi-sector	843,644	843,644	843,644	-	-
Equity - growth	212,848	212,848	212,848	-	-
Equity - balanced	6,186,090	6,186,090	6,186,090	-	-
CBAM Intrepid Fund Ltd.	9,534,675	9,534,675	-	9,534,675	-
CBAM Resolute Fund Ltd.	20,618,514	20,618,514	-	20,618,514	-
U.S. government securities:					
U.S. treasury notes	7,835,326	7,835,326	-	7,835,326	-
Mortgage backed securities	88,139,586	88,139,586	-	88,139,586	-
Corporate bonds and other debt securities:					
Other	67,925	67,925	-	67,925	-
Beneficial interest in trusts	1,713,042	1,713,042	-	-	1,713,042
	$ 151,306,013	$ 151,306,013	$ 22,655,483	$ 126,937,488	$ 1,713,042

	2013				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Liabilities:					
Derivative financial instruments	$ 16,103,581	$ 16,103,581	$ -	$ 16,103,581	$ -
Disclosed at Fair Value					
Cash and cash equivalents	$ 58,692,102	$ 58,692,102	$ 58,692,102	$ -	$ -
Pledges receivable	3,185,497	3,100,002	-	-	3,100,002
Long-term debt, excluding capital leases (Note 10):					
Fixed rate revenue bonds	72,828,500	76,894,793	-	76,894,793	-
Variable rate revenue bonds	181,990,000	181,990,000	-	181,990,000	-
Note payable	8,750,000	8,750,000	-	-	8,750,000
Secured lines of credit	32,500,000	32,500,000	-	-	32,500,000

The following table presents the fair value measurements for beneficial interest in trusts that have unobservable inputs at December 31, 2014 and 2013:

Balance, January 1, 2013	$ 1,506,265
Increase in value, included in changes in temporarily restricted net assets	206,777
Balance, December 31, 2013	1,713,042
Decrease in value, included in changes in temporarily restricted net assets	(145,231)
Balance, December 31, 2014	$ 1,567,811

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:

	2014	2013
Short-term investments (Note 4)	$ 133,618,264	$ 128,642,187
Assets whose use is limited (Note 4):		
Current portion	3,020,970	3,950,514
Under trust indentures, held by trustees	6,215,093	7,045,353
Professional liability trust fund	12,839,326	8,835,811
Deferred compensation fund	164,057	164,057
Investments held by foundations	979,643	955,049
Beneficial interest in trusts	1,567,811	1,713,042
Total	$ 158,405,164	$ 151,306,013

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, 2014 and 2013.

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") and the CBAM Intrepid Fund, Ltd. (collectively, the "Funds"). These funds are valued based on the net asset value per share of the funds 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 Funds, there are no unfunded purchase commitments or restrictions on the sale of the investments. During 2014, the CBAM Intrepid Fund, Ltd. was liquidated. The Corporation has no plans to sell the Resolute Fund or a portion of the amounts currently owned. 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, 2014.

The following represents the investment strategies of the Funds and the Corporation's investments measured at fair value at December 31:

Fund	Investment Strategy	2014	2013
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.	$ 32,512,162	$ 20,618,514
CBAM Intrepid Fund, Ltd	To reshape expected distribution of long-term global equity returns by implementing an active combination of three strategies: trend, income and structure. The objective of the fund is to capture a significant proportion of upside equity returns while avoiding a significant proportion of downside equity returns thus reducing the volatility of returns. The trend strategy is designed to provide directional exposure to equity risk premium. The income strategy will utilize actively-managed option-based investment structures designed to harness systemic risk premiums in global markets. The structure strategy is designed to capture returns from lower probability events across global equity and equity volatility markets.	-	9,534,675
		$ 32,512,162	$ 30,153,189

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, 2014 and 2013 consist of the following:

	2014	2013
Land and improvements	$ 16,428,548	$ 16,754,017
Buildings and improvements	471,321,373	462,359,205
Office furniture and equipment	230,876,788	216,520,642
Computer software and hardware	122,314,968	105,257,358
Equipment under capital leases	23,054,720	23,016,022
Total	863,996,397	823,907,244
Less accumulated depreciation and amortization	(488,168,772)	(451,063,074)
Total	375,827,625	372,844,170
Construction in progress	26,454,039	19,320,479
	$ 402,281,664	$ 392,164,649

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 2014 and 2013, the Corporation incurred interest expense of approximately $12,274,000 and $11,168,000, respectively, of which approximately $1,351,000 was capitalized in 2014 and $1,415,000 in 2013. HRMC incurred interest expense of approximately $1,296,000 in 2014 and $1,387,000 in 2013 which is included in loss from discontinued operations in the accompanying consolidated statements of operations. There were no amounts capitalized for HRMC in 2014 and 2013. Investment earnings of approximately $17,000 and $26,500 were offset against capitalized interest in 2014 and 2013, respectively.

Depreciation expense, including amortization of equipment under capital leases, was $37,415,968 in 2014 and $35,549,319 in 2013. Depreciation expense, including amortization of equipment under capital leases, for HRMC was $4,956,445 in 2014 and $4,995,227 in 2013 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, 2014 and 2013 was $17,058,245 and $15,782,485, respectively.

Construction in progress as of December 31, 2014 consists primarily of major renovation and expansion projects of clinical facilities. Purchase commitments related to these and other miscellaneous projects were approximately $4,503,000 at December 31, 2014. 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, 2014 and 2013:

	2014	2013
Investment in healthcare entities	$ 8,927,379	$ 8,439,678
Investment in Premier	2,967,923	779,155
Investments held by foundations and other	867,751	707,766
Total	$ 12,763,053	$ 9,926,599

Investment in Healthcare Entities

The Corporation recognized earnings of $1,018,286 and $1,037,529 during 2014 and 2013, 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. The Corporation has a 50% ownership interest in 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 Adventist Hospital. 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 has a 20% ownership in RHI.

Summarized financial information related to these entities is presented below:

	2014	2013
Net revenue	$ 43,471,323	$ 24,504,023
Revenues in excess of expenses	8,250,255	60,095
Total assets	71,086,079	41,306,378
Total liabilities	47,353,280	21,594,521

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 and recognized earnings of $1,657,627. 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 Corporation recognized a gain of $1,855,239 on the sale of the 78,946 units in 2013 which is included in other (expense) income in the accompanying consolidated statements of operations.

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. During 2014, the Corporation recognized a gain of $1,882,535 based on the market value of the units available for exchange. The gain is included in other revenue in the accompanying consolidated statements of operations. The Corporation recognized earnings of $799,979 related to distributions which 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 $53,235,412 and $48,804,074 at December 31, 2014 and 2013, 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. The Sale Agreement also includes the sale of 10.7 acres owned by Cabin Branch Commons, LLC ("Cabin Branch") and the total purchase price of $28,250,000 will be adjusted at the closing pursuant to certain costs outlined in the Sale Agreement and allocated amongst the sellers. The Corporation, along with Cabin Branch, is collectively responsible for the completion of certain infrastructure improvements to the property prior to the Closing. The acreage noted in the Sale Agreement is based on approximate amounts which will be finalized at the closing. Total costs capitalized relate to the parcel of land to be sold by the Corporation and improvements were $23,475,000 and $21,612,000 at December 31, 2014 and 2013, respectively.

Land - Silver Spring, Maryland

In July 2006, the Corporation purchased a parcel of land near the Calverton-White Oak area of Silver Spring for approximately $11,000,000. The Corporation plans to build a replacement hospital for Washington Adventist Hospital. The cost of the land will continue to be reported as land held for healthcare development until such time as the Maryland Health Care Commission approves the Corporation's plan for constructing the new facility. As of December 31, 2014 and 2013, the Corporation had total costs capitalized related to this land and land improvements of $35,190,353 and $33,544,921, respectively.

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, 2014 and 2013. 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, 2014 and 2013.

Land – Laurel, Maryland

In 2014, the Corporation entered into purchase agreement with an unrelated third party to buy land located in Laurel, Maryland. The total purchase price of the land is $1,950,000. As of December 31, 2014, the Corporation has paid $75,000 in deposits and has not closed on the purchase. An urgent care facility will be constructed on the land. The deposits are reflected in deposits and other noncurrent assets in the accompanying consolidated balance sheets.

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% (1.66% at December 31, 2014). There were no borrowings outstanding under this line of credit as of December 31, 2014 or 2013.

10. Long Term Obligations

Long term obligations as of December 31, 2014 and 2013 are comprised of the following:

	2014	2013
Fixed rate revenue bonds	$ 96,335,919	$ 72,828,500
Variable rate revenue bonds	150,010,000	181,990,000
Secured lines of credit	28,000,000	32,500,000
Note payable	28,750,000	8,750,000
Capital lease purchase financing facilities	1,886,526	4,756,014
Other long term liabilities	14,832,925	20,367,410
Total obligations	319,815,370	321,191,924
Less current maturities	27,909,209	22,925,596
Less long-term debt subject to short-term remarketing and repayment agreements	-	41,985,000
Noncurrent portion of long term obligations, net	$ 291,906,161	$ 256,281,328

Fixed Rate Revenue Bonds

Fixed rate revenue bonds consist of the Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds, Series 2003A, Adventist HealthCare, Inc. with a par amount of $22,925,000 and the 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 $25,000,000. The Series 2003A bear interest at fixed coupon rates ranging from 5.00% to 5.75%. The Series 2011A bear interest at fixed coupon rates ranging from 5.00% to 6.25%. The Series 2014A bears interest at a fixed coupon rate of 3.56%.

In June 2013, the Series 2003A bonds were refunded in conjunction with the issuance of the Series 2013 fixed rate revenue bonds, bearing interest at a rate of 3.21%. The Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds, Series 2013, Adventist HealthCare, Inc. have a par amount of $15,623,500. As a result of this refunding, a loss on extinguishment of debt was recognized in 2013 for approximately $707,000 and is comprised of the remaining unamortized deferred financing costs and bond discount related to the Series 2003A bonds as well as the premium paid on the repayment of the Series 2003A.

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

	2014	2013
Series 2011A, Adventist HealthCare, Inc.	$ 57,205,000	$ 57,205,000
Series 2013, Adventist HealthCare, Inc.	14,250,919	15,623,500
Series 2014A, Adventist HealthCare, Inc.	24,880,000	-
Total	$ 96,335,919	$ 72,828,500

The above bond issues are subject to trust indentures which impose various covenants on, SGAH, WAH, HRMC, ABH, ARHM, 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 ending December 31, 2014 and 2013. Debt service reserve funds are required on the Series 2011A bonds and were required related to the Series 2003A prior to refunding.

Variable Rate Revenue Bonds

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

	2014	2013
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.	46,680,000	52,005,000
Maryland Health and Higher Educational Facilities Authority Revenue Refunding Bonds,		
Series 2004B, Adventist HealthCare, Inc.	-	26,985,000
Series 2014B, Adventist HealthCare, Inc.	25,330,000	-
Maryland Health and Higher Educational Facilities Authority Taxable Revenue Bonds,		
Series 2013B, Adventist HealthCare, Inc.	-	25,000,000
Total	$ 150,010,000	$ 181,990,000

The Series 2005A Bonds bear interest at a variable rate based on the SIFMA index and reset weekly. At December 31, 2014, the tax-exempt rate on the 2005A bonds was .037%. 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 ending December 31, 2014 and 2013.

The payment of principal and interest on the 2004B bonds was secured by a separate irrevocable direct-pay letter of credit with an expiration date in December 2014. As such, the entire outstanding balance of the 2004B bonds is shown as a component of long-term debt subject to short-term remarketing and repayment agreements in the accompanying consolidated balance sheet at December 31, 2013. 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% (2.46% at December 31, 2014). As a result of this refunding, a loss on extinguishment of debt was recognized in 2014 for approximately $222,000, and is 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 with an expiration date in January 2017. 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 2013, the interest rate was reset for two years through September 2015. The interest rate for the current two year period is 67% of one month LIBOR plus a spread of 1.77%. (1.77% at December 31, 2014).

In December 2013, the Corporation issued Series 2013B taxable revenue bonds in the amount of $25,000,000 in order to fund certain capital expenditures. In February 2014, the Series 2013B bonds were converted from taxable revenue bonds to tax-exempt revenue bonds and are now referred to as the Series 2014A bonds and bear interest at a fixed rate of 3.56%.

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 Shady Grove Adventist Hospital, Adventist Behavioral Health, Adventist Rehabilitation Hospital of Maryland, Washington Adventist Hospital, and Hackettstown Community Hospital.

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% (2.16% at December 31, 2014). The amortization on the line extends to December 31, 2017, however the line is up for renewal at January 15, 2016. The balance on the working capital line was $15,000,000 and $17,500,000 at December 31, 2014 and 2013, respectively.

- $16,000,000 line of credit that bears interest at LIBOR plus 2.00% (2.16% at December 31, 2014) and expires on January 15, 2017. The amortization on the line extends to June 30, 2018. The balance on the line of credit was $13,000,000 and $15,000,000 at December 31, 2014 and 2013, 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.

Note 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, 2014). 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 $3,750,000 at December 31, 2014 and $8,750,000 at December 31, 2013. This note expired and 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% (2.61% as of December 31, 2014). The amortization on the note extends to December 18, 2034, however, the note matures on December 18, 2024. As of December 31, 2014, the balance was $25,000,000.

Capital Lease Purchase Financing Facilities

As of December 31, 2014, 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 $1,886,526 and $4,756,014 at December 31, 2014 and 2013, respectively.

The Corporation had an additional facility that was established in October 2008 for $8,000,000 and beared interest at a rate of 3.85% and was repaid during 2013.

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, 2014 are as follows:

Years ending December 31:	
2015	$ 27,909,209
2016	22,131,717
2017	20,411,833
2018	16,561,904
2019	11,594,303
Thereafter	221,206,404
Total	$ 319,815,370

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 $4,407,064 in 2014 and $4,536,085 in 2013. For 2014 and 2013, $2,701,077 and $2,682,465, 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 2014 and 2013 are reported as a component of other (expense) income in the accompanying consolidated statements of operations, which is related to the swap agreement that does not qualifies for hedge accounting.

At December 31, 2014 and 2013, the Corporation's derivative financial instruments and related fair values are as follows:

	2014	2013
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	$ (3,960,691)	$ (4,764,505)
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	(17,546,848)	(11,339,076)
Total	$ (21,507,539)	$ (16,103,581)

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 $94,622 and $500,129 were recognized as of December 31, 2014 and 2013, 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 $803,817 in 2014 and $2,412,445 in 2013.

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, 2014 and 2013, accumulated amortization of $107,891 and $89,909, 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 $17,620,242 in 2014 and $16,006,602 in 2013. Rental expense for operating leases of HRMC was $2,181,328 in 2014 and $1,998,424 in 2013 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:	
2015	$ 15,827,654
2016	15,480,297
2017	14,627,171
2018	13,853,131
2019	13,369,954
Thereafter	85,383,076
Total	$ 158,541,283

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 2020. Rental income was $4,536,895 in 2014 and $3,851,382 in 2013, 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:	
2015	$ 4,649,833
2016	3,919,555
2017	3,039,818
2018	2,378,369
2019	1,907,648
Thereafter	6,734,976
Total	$ 22,630,199

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 also will contribute a total of 2% of eligible employees' compensation, plus a matching employer contribution equal to 50% of employee contributions 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 $7,555,312 in 2014 and $8,183,463 in 2013. Retirement plan expense for HRMC was $646,853 in 2014 and $666,071 in 2013 which is included in loss from discontinued operations in the consolidated statements of operations.

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 $5,462,878 in 2014 and $7,533,379 in 2013.

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, 2014, management determined that the fully-funded professional liability reserve reported at December 31, 2014 and 2013 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 $11,626,223 and $9,324,911 at December 31, 2014 and 2013, respectively. The discount rate used in determining these liabilities was 2.5% at both December 31, 2014 and 2013. 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, 2014 and 2013, concentrations of gross receivables from third-party payors and others are as follows:

	2014	2013
Medicare	20 %	19 %
Medicaid	13	12
Other third party payers	44	37
Self-pay and others	23	32
	100 %	100 %

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

	2014	2013
Medicare	31 %	29 %
Medicaid	9	5
Other third party payers	54	57
Self-pay and others	6	9
	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:

	2014	2013
Hospital acute and ambulatory services	$ 531,992,119	$ 524,569,366
Home care services	15,292,795	15,114,246
Other health care services	126,102,183	105,945,631
Other, including general and administrative	8,724,286	13,121,785
Fundraising	830,121	703,853
Total	$ 682,941,504	$ 659,454,881

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 $90,387,497 in 2014 and $89,259,233 in 2013.

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2014

Assets	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health Services	Adventist Rehabilitation Hospital of Maryland	Support Center	Eliminating Entries	Total Combined Obligated Group	Lourie Center	Adventist Home Health Services	Clinical Integration Services, Inc.	Other Health Services	Adventist HealthCare Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Current Assets															
Cash and cash equivalents	$ 111,865,070	$ (5,780,692)	$ 38,379,126	$ (6,153,277)	$ 8,854,419	$ (35,684,460)	$ -	$ 111,480,186	$ (666,116)	$ 3,147,112	$ (52,848,880)	$ (518,868)	$ 1,465,099	$ -	$ 62,058,533
Short term investments	-	-	-	-	-	133,618,264	-	133,618,264	-	-	-	-	-	-	133,618,264
Assets whose use is limited	-	-	-	-	-	3,020,970	-	3,020,970	-	-	-	-	-	-	3,020,970
allowance															
allowance for doubtful collections of $17,921,000	47,451,324	30,419,434	8,393,320	7,611,605	6,274,213	463,556	-	100,613,452	-	2,755,739	3,897,319	(4)	-	-	107,266,506
Other receivables, net of estimated allowance for doubtful collections of $2,249,000	2,459,347	4,020,237	773,390	697,723	91,648	1,939,949	(238,642)	9,743,652	1,109,898	(5,719)	27,230	615,503	1,059,224	-	12,549,788
Due from third party payors	-	-	-	2,504,193	924,782	-	(3,428,975)	-	-	-	-	493	-	(493)	-
Due from affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	5,352,906	3,533,318	1,771,972	84,592	78,532	-	-	10,821,320	-	-	-	174,548	-	-	10,995,868
Prepaid expenses and other current assets	770,285	768,418	314,462	199,572	110,946	2,962,677	-	5,126,360	-	50,450	138,402	261,784	434	-	5,577,430
Total current assets	167,898,932	32,960,715	49,632,270	4,944,408	16,334,540	106,320,956	(3,667,617)	374,424,204	443,782	5,947,582	(48,785,929)	533,456	2,524,757	(493)	335,087,359
Property and Equipment, Net	183,029,061	33,950,262	40,793,525	11,245,584	8,842,094	121,386,958	-	399,247,484	1,682,053	423,678	390,855	537,594	-	-	402,281,664
Assets Whose Use is Limited															
Under trust indenture and capital lease purchase financing facilities, held by trustees and banks	843,581	867,089	2,788,505	492,089	445,223	778,606	-	6,215,093	-	-	-	-	-	-	6,215,093
Professional liability trust fund	-	-	-	-	-	12,839,326	-	12,839,326	-	-	-	-	-	-	12,839,326
Deferred compensation fund	-	164,057	-	-	-	-	-	164,057	-	-	-	-	-	-	164,057
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisition	330,905	-	1,484,292	-	210,884	-	-	2,026,081	528,279	-	-	-	372,086	-	2,926,446
Investments and Investments in Unconsolidated Subsidiaries	2,946,268	-	1,342,168	-	-	7,606,866	-	11,895,302	-	-	-	-	867,751	-	12,763,053
Land Held for Healthcare Development	-	24,219,579	-	-	-	67,205,400	-	91,424,979	-	-	-	-	-	-	91,424,979
Deferred Financing Costs, Net	693,087	417,923	426,095	75,982	63,309	655,303	-	2,331,699	-	-	-	-	-	-	2,331,699
Intangible Assets, Net	1,324,452	-	867,660	1,756,587	942,124	38,408	-	4,929,231	-	175,280	-	76,748	-	-	5,181,259
Deposits and Other Noncurrent Assets	2,743,110	31,351	2,336,515	26,674	32,000	1,056,482	-	6,226,132	5,054	30,828	6,887	109,799	1,897,033	-	8,275,733
Total assets	$ 359,809,396	$ 92,610,976	$ 99,671,030	$ 18,541,324	$ 26,870,174	$ 317,888,305	$ (3,667,617)	$ 911,723,588	$ 2,659,168	$ 6,577,368	$ (48,388,187)	$ 1,257,597	$ 5,661,627	$ (493)	$ 879,490,668

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2014

Liabilities and Net Assets	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health Services	Adventist Rehabilitation Hospital of Maryland	Support Center	Eliminating Entries	Total Combined Obligated Group	Lourie Center	Adventist Home Health 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	$ 24,716,217	$ 14,393,559	$ 6,343,947	$ 2,408,573	$ 721,481	$ 20,616,567	$ -	$ 69,200,344	$ 79,594	$ 662,809	$ 1,519,214	$ 976,234	$ 32,806	$ -	$ 72,471,001
Accrued compensation and related items	12,307,642	8,737,353	3,218,034	2,286,131	2,128,924	6,262,018	(238,642)	34,701,460	510,094	1,197,002	559,815	229,333	-	-	37,197,704
Interest payable	-	691	-	821	-	2,306,288	-	2,307,800	-	-	-	-	-	-	2,307,800
Due to third party payors	13,296,133	8,001,574	2,718,702	-	-	-	(3,428,975)	20,587,434	-	-	-	-	-	(493)	20,586,941
Estimated self-insured professional liability	-	-	-	-	-	1,241,937	-	1,241,937	-	-	-	-	-	-	1,241,937
Current maturities of long-term obligations	9,778,494	5,994,385	48,196	764,688	-	11,323,446	-	27,909,209	-	-	-	-	-	-	27,909,209
Long-term debt subject to short-term remarketing and repayment arrangements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	60,098,486	37,127,562	12,328,879	5,460,213	2,850,405	41,750,256	(3,667,617)	155,948,184	589,688	1,859,811	2,079,029	1,205,567	32,806	(493)	161,714,592
Construction Payable	-	-	191,718	-	-	-	-	191,718	-	-	-	-	-	-	191,718
Long-Term Obligations, Net															
Bonds payable	3,642,000	33,482,029	-	-	-	198,720,000	-	235,844,029	-	-	-	-	-	-	235,844,029
Notes payable	10,500,000	-	-	166,729	-	36,846,296	-	47,513,025	-	-	-	-	-	-	47,513,025
Capital lease obligation	160,711	83,481	-	-	-	8,304,915	-	8,549,107	-	-	-	-	-	-	8,549,107
Internal debt	114,087,672	37,354,785	32,229,053	5,809,634	4,347,856	(193,829,000)	-	-	-	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	21,507,539	-	21,507,539	-	-	-	-	-	-	21,507,539
Deferred Compensation	-	164,057	-	-	-	-	-	164,057	-	-	-	-	-	-	164,057
Other Liabilities	3,170,906	1,158,698	1,076,128	-	166,740	4,708,934	-	10,281,406	-	-	-	-	59,576	-	10,340,982
Estimated Self Insured Professional Liability	-	-	-	-	-	10,384,286	-	10,384,286	-	-	-	-	-	-	10,384,286
Total liabilities	191,659,775	109,370,612	45,825,778	11,436,576	7,365,001	128,393,226	(3,667,617)	490,383,351	589,688	1,859,811	2,079,029	1,205,567	92,382	(493)	496,209,335
Net Assets (Deficit)															
Unrestricted	167,844,174	(17,306,491)	52,477,511	7,104,748	19,532,399	189,340,870	-	418,993,211	1,555,624	4,717,557	(50,467,216)	52,030	1,898,958	-	376,750,164
Temporarily restricted	305,447	546,855	1,367,741	-	(27,226)	154,209	-	2,347,026	172,435	-	-	-	3,670,287	-	6,189,748
Permanently restricted	-	-	-	-	-	-	-	-	341,421	-	-	-	-	-	341,421
Total net assets (deficit)	168,149,621	(16,759,636)	53,845,252	7,104,748	19,505,173	189,495,079	-	421,340,237	2,069,480	4,717,557	(50,467,216)	52,030	5,569,245	-	383,281,333
Total liabilities and net assets	$ 359,809,396	$ 92,610,976	$ 99,671,030	$ 18,541,324	$ 26,870,174	$ 317,888,305	$ (3,667,617)	$ 911,723,588	$ 2,659,168	$ 6,577,368	$ (48,388,187)	$ 1,257,597	$ 5,661,627	$ (493)	$ 879,490,668

Adventist Healthcare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2014

	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Adventist Behavioral Health Services	Adventist Rehabilitation Hospital of Maryland	Support Center	Eliminating Entries	Total Combined Obligated Group	Lourie Center	Adventist Home Health Services	Clinical Integration Services, Inc.	Other Health Services	Adventist HealthCare Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Unrestricted Revenues															
Net patient service revenue	$ 356,134,862	$ 232,438,766	$ 83,644,978	$ 46,064,549	$ 33,003,864	$ 4,762,694	$ (83,813,456)	$ 672,236,257	$ 565,068	$ 15,810,827	$ 22,132,504	$ -	$ -	$ -	$ 710,744,656
Provision for doubtful collections	(22,132,751)	(22,528,943)	(1,502,665)	(4,044,166)	(1,759,900)	(34,368)	1,502,665	(50,500,128)	(328,559)	(97,389)	(1,666,571)	(447,107)	-	-	(53,039,754)
Net patient service revenue less provision for doubtful collections	334,002,111	209,909,823	82,142,313	42,020,383	31,243,964	4,728,326	(82,310,791)	621,736,129	236,509	15,713,438	20,465,933	(447,107)	-	-	657,704,902
Other revenue	9,401,415	4,926,598	6,670,291	6,435,175	2,535,163	4,966,809	(9,504,961)	25,430,490	7,457,673	43,024	122,905	7,038,820	3,078,950	(5,568,388)	37,603,474
Total unrestricted revenues	343,403,526	214,836,421	88,812,604	48,455,558	33,779,127	9,695,135	(91,815,752)	647,166,619	7,694,182	15,756,462	20,588,838	6,591,713	3,078,950	(5,568,388)	695,308,376
Operating Expenses															
Salaries and wages	120,895,664	80,898,053	37,732,460	23,401,285	21,171,197	14,447,969	(37,732,460)	260,814,168	4,415,026	10,253,287	21,454,220	2,284,412	-	-	299,221,113
Employee benefits	25,317,499	16,404,681	8,918,501	5,298,063	4,381,268	2,577,148	(8,918,501)	53,978,659	894,878	1,983,478	613,961	441,630	-	-	57,912,606
Contract labor	12,085,274	14,399,573	2,681,030	1,137,091	990,294	(455,397)	(2,761,096)	28,076,769	542,458	89,616	489,941	766,782	-	(406)	29,965,160
Medical supplies	52,790,155	35,407,824	12,980,774	1,867,310	1,427,317	(39,197)	(13,047,884)	91,386,299	34,778	251,294	1,184,861	1,297,200	-	(14,944)	94,139,488
General and administrative	40,540,168	26,846,165	8,787,083	3,751,217	3,532,169	41,777,649	(9,762,887)	115,471,564	996,343	811,926	7,539,937	952,691	3,364,895	(12,573,285)	116,564,071
Building and maintenance	23,705,315	8,535,981	5,321,962	3,182,683	1,278,098	488,378	(7,202,130)	35,310,287	293,683	609,804	46,778	579,110	-	(23,027)	36,816,635
Insurance	2,464,723	1,707,869	632,446	233,335	128,265	61,437	(632,446)	4,595,629	12,884	87,571	713,280	16,791	-	-	5,426,155
Interest	5,578,666	2,536,990	1,296,380	268,532	185,778	1,057,309	(1,296,380)	9,627,275	-	-	-	-	-	-	9,627,275
Depreciation and amortization	14,933,094	5,657,319	4,993,587	1,026,625	674,370	10,306,235	(4,993,587)	32,597,643	122,810	132,751	322,200	93,597	-	-	33,269,001
IT depreciation	4,525,323	2,931,899	1,294,397	240,044	397,976	(9,437,673)	(1,294,397)	(1,342,431)	-	32,724	-	15,310	-	1,294,397	-
Allocation: IT services	16,029,192	9,995,337	3,495,766	1,511,005	1,693,195	(33,295,076)	(3,495,766)	(4,066,347)	-	459,805	-	110,776	-	3,495,766	-
AHC management fees	7,389,528	5,388,043	2,253,111	1,463,384	1,116,923	(18,764,495)	(2,253,111)	(3,406,617)	158,982	580,945	265,857	147,722	-	2,253,111	-
Total expenses	326,254,601	210,709,734	90,387,497	43,380,574	36,976,850	8,724,287	(93,390,645)	623,042,898	7,471,842	15,293,201	32,631,035	6,706,021	3,364,895	(5,568,388)	682,941,504
Income (loss) from operations	17,148,925	4,126,687	(1,574,893)	5,074,984	(3,197,723)	970,848	1,574,893	24,123,721	222,340	463,261	(12,042,197)	(114,308)	(285,945)	-	12,366,872
Other Income (Expense)															
Investment income (loss)	2,031,034	(968,820)	825,838	(110,890)	133,006	1,796,615	(825,838)	2,880,945	6,568	61,730	-	-	40,309	-	2,989,552
Loss on extinguishment of debt	(147,664)	(74,686)	-	-	-	-	-	(222,350)	-	-	-	-	-	-	(222,350)
Other income (expense)	(705,329)	(457,241)	189,068	(39,238)	(29,343)	771,785	(189,068)	(459,366)	-	-	-	-	-	-	(459,366)
Total other income (expense)	1,178,041	(1,500,747)	1,014,906	(150,128)	103,663	2,568,400	(1,014,906)	2,199,229	6,568	61,730	-	-	40,309	-	2,307,836
Revenue and gains in excess of (less than) expenses from continuing operations	18,326,966	2,625,940	(559,987)	4,924,856	(3,094,060)	3,539,248	559,987	26,322,950	228,908	524,991	(12,042,197)	(114,308)	(245,636)	-	14,674,708
Change in net unrealized gains and losses on investments other than trading securities	164,606	(1,517)	50,799	(994)	10,470	946,887	-	1,170,251	2,513	5,169	(1)	(132,341)	(10,253)	-	1,035,338
Change in net unrealized gain on derivative financial instrument	-	-	-	-	-	(6,250,362)	-	(6,250,362)	-	-	-		-	-	(6,250,362)
Transfer from (to) unconsolidated subsidiary	-	-	-	-	-	249,154	-	249,154	-	-	-	(243,409)	-	(5,745)	-
Net assets released from restriction for purchase of property and equipment	1,024,241	711,928	-	12,250	21,190	-	-	1,769,609	-	-	-	-	-	-	1,769,609
Other unrestricted net asset activity	-	-	-	-	-	247,283	-	247,283	-	-	-	208,998	-	5,745	462,026
Increase (decrease) in unrestricted net assets from continuing operations	19,515,813	3,336,351	(509,188)	4,936,112	(3,062,400)	(1,267,790)	559,987	23,508,885	231,421	530,160	(12,042,198)	(281,060)	(255,889)	-	11,691,319
Loss from discontinued operations	-	-	-	-	-	-	(559,987)	(559,987)	-	-	-	-	-	-	(559,987)
Increase (decrease) in unrestricted net assets	$ 19,515,813	$ 3,336,351	$ (509,188)	$ 4,936,112	$ (3,062,400)	$ (1,267,790)	$ -	$ 22,948,898	$ 231,421	$ 530,160	$ (12,042,198)	$ (281,060)	$ (255,889)	$ -	$ 11,131,332

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Balance Sheet
December 31, 2014

	Shady Grove Adventist Hospital Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Hackettstown Community Hospital Foundation, Inc.	Adventist Behavioral Health Foundation, Inc.	Eliminating Entries	Combined Adventist HealthCare, Inc. Foundations
Assets						
Current Assets						
Cash and cash equivalents	$ 170,374	$ 1,077,375	$ 133,084	$ 84,266	$ -	$ 1,465,099
Current portion pledges receivable, less allowance for doubtful pledges of $71,000	845,777	140,612	41,982	23,848	-	1,052,219
Other receivables	-	-	7,005	-	-	7,005
Prepaid expenses and other current assets	-	-	434	-	-	434
Total current assets	1,016,151	1,217,987	182,505	108,114	-	2,524,757
Cash and Cash Equivalents Held for Capital Acquisitions	-	196,792	-	175,294	-	372,086
Investments	862,035	5,716	-	-	-	867,751
Beneficial Interest in Trusts	111,892	805,415	-	-	-	917,307
Noncurrent Portion of Pledges Receivable	908,833	70,893	-	-	-	979,726
Total assets	$ 2,898,911	$ 2,296,803	$ 182,505	$ 283,408	$ -	$ 5,661,627
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	$ 22,787	$ -	$ 10,019	$ -	$ -	$ 32,806
Liability to Charitable Gift Annuitants	59,576	-	-	-	-	59,576
Total liabilities	82,363	-	10,019	-	-	92,382
Net Assets						
Unrestricted	1,515,760	274,115	46,711	62,372	-	1,898,958
Temporarily restricted	1,300,788	2,022,688	125,775	221,036	-	3,670,287
Total net assets	2,816,548	2,296,803	172,486	283,408	-	5,569,245
Total liabilities and net assets	$ 2,898,911	$ 2,296,803	$ 182,505	$ 283,408	$ -	$ 5,661,627

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Statement of Operations
Year Ended December 31, 2014

	Shady Grove Adventist Hospital Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Hackettstown Adventist Hospital Foundation, Inc.	Adventist Behavioral Health Foundation Inc.	Eliminating Entries	Combined Adventist HealthCare, Inc. Foundations
Changes in Unrestricted Net Assets						
Unrestricted Revenues, Gains, And Other Support						
Contributions, net	212,513	251,302	$ 58,793	-	$ -	$ 522,608
Investment income	39,985	-	77	247	-	40,309
Net assets released from restrictions	1,460,837	554,647	495,904	44,954	-	2,556,342
Total unrestricted revenues, gains, and other support	1,713,335	805,949	554,774	45,201	-	3,119,259
Expenses						
General administrative expenses	201,093	201,170	132,269	4,483	-	539,015
In-kind gifts expended	132,140	158,966	-	-	-	291,106
Total expenses before transfers to the hospitals	333,233	360,136	132,269	4,483	-	830,121
Transfers to the hospitals	1,338,883	759,659	395,761	40,471	-	2,534,774
Total expenses	1,672,116	1,119,795	528,030	44,954	-	3,364,895
Revenues (less than) in excess of expenses	41,219	(313,846)	26,744	247	-	(245,636)
Change in net unrealized gains on investments other than trading securities	(10,253)	-	-	-	-	(10,253)
(Decrease) increase in unrestricted net assets	30,966	(313,846)	26,744	247	-	(255,889)
Unrestricted net assets, beginning	1,484,794	587,961	19,967	62,125	-	2,154,847
Unrestricted net assets, ending	$ 1,515,760	$ 274,115	$ 46,711	$ 62,372	$ -	$ 1,898,958
Changes in Temporarily Restricted Net Assets						
Contributions, net	$ 762,867	$ 603,865	$ 459,353	$ 89,115	$ -	$ 1,915,200
Net assets released from restrictions	(1,460,837)	(554,647)	(495,904)	(44,954)	-	(2,556,342)
Change in value of beneficial interest in trusts	-	(24,024)	-	-	-	(24,024)
Change in discount of pledges receivable and provision for doubtful pledges	24,320	(8,518)	-	-	-	15,802
Investment income and unrealized gain on investments	6,065	-	-	-	-	6,065
(Decrease) increase in temporarily restricted net assets	(667,585)	16,676	(36,551)	44,161	-	(643,299)
Temporarily restricted net assets, beginning	1,968,373	2,006,012	162,326	176,875	-	4,313,586
Temporarily restricted net assets, ending	$ 1,300,788	$ 2,022,688	$ 125,775	$ 221,036	$ -	$ 3,670,287

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

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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

Adventist HealthCare, Inc. and Controlled Entities

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

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2015 and 2014

	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

Adventist HealthCare, Inc. and Controlled Entities

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

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

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

See notes to consolidated financial statements

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

Exhibit 4

Patient Care Policy

ADVENTIST HOME HEALTH
PATIENT CARE POLICY

Effective Date: 07/00
Comments:
Reviewed:
Revised: 06/01, 05/02, 08/04, 12/04, 06/05, 05/07, 02/09, 09/09, 6/13

Policy No: 8.1030
Section:
Approval:

ADMISSION CRITERIA

PURPOSE

Defined criteria enable Adventist Home Health (AHH) to identify patients appropriate for home care services. Defined process allows for systematic approaches to care.

POLICY

A. AHH has an admission process that facilitates the delivery of appropriate and effective care or services.

B. Adventist Home Health provides home care services based on the reasonable expectation that the patient's medical, nursing, and rehabilitative care needs can be adequately met by the visiting staff in the patient's place of residence. Established criteria and a systematic process will be used to determine whether a patient would be a suitable candidate for home care. The criteria, as defined below, should be used as an evaluative tool, with the ultimate decision for acceptance being the responsibility of the Branch Manager(s) or designee. Adventist Home Health does not discriminate on the basis of race, color, sex, national origin, age, religion, or handicapping condition. Patients served are newborn through adult geriatric.

This statement is in accordance with the provisions of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and Regulations of the U.S. Department of Health and Human Services issued pursuant to these statutes at Title 45 Code of Federal Parts 80, 84, and 91.

C. Maternal Child/Pediatrics: The following services are provided through the maternal child/pediatrics program at AHH:

1. Maternal Child
   Antepartum
   Postpartum
   Mother baby couplet care
   Lactation Services

2. Pediatric: Nursing and therapy rehabilitative services (PT, OT, SLP) are provided through AHH. Pediatric patients served include newborn and until the age of 18 years.

All referrals to the Maternal/Child Pediatric program shall be reviewed by the Manager of Peds/MCH or designee prior to provisional acceptance.

PROCEDURE

Patients will be accepted for care based upon an evaluation considering the following criteria:

A. The patient meets the Medicare criteria for homecare:
- homebound
- requires intermittent/part-time care
- requires skilled services that can be safely met in the home
- care is reasonable and necessary
- services are ordered by a physician

B. Adventist Home Health has available and qualified staff (either direct or through contract), resources, and clinical competence to meet the medical, nursing, rehabilitative, and medical social needs that interfere with the patient's ability to recover medically.

C. The patient is under the care of a current licensed physician who agrees to sign the plan of treatment and be the physician of reference for services provided in the home.

D. The plan of care is such that the care is realistic and can be followed in the home.

E. The patient resides in jurisdiction served by this agency.

F. The home or place of residence is physically conducive to home care services and allows safe access for the provider.

G. There is evidence of an able and willing caregiver to participate with the patient in goal attainment as appropriate.

H. The patient and/or caregiver agrees to the rights and responsibilities associated with goal attainment.

I. Criteria Not Met

1. During Intake Processing

If the patient does not meet the above admission criteria, the following actions may be taken by the Intake Staff:

a. The Team Supervisor, Branch Manager and/or Care Transition Manager will be consulted to develop alternate service options which could best meet the needs of the individual patient.

b. Notify the patient/caregiver, physician that the patient does not meet AHH admission criteria that services will not be provided by AHH. The referral source will also be notified when appropriate.

c. Convey recommendations for alternate service options with all involved parties.

2. After Release to Clinical:

When patients are not admitted to the Agency after the referral has been released to the Clinical Team, the following actions may be taken by the Clinical Team:

a. Verbally notify the patient and the patient's attending physician that the Agency will not admit the patient and the reason for not admitting patient. Documentation of verbal notification to both parties must be included in the patient's chart, as well as documenting reason for non-admission.

b. If the patient is at risk for physical injury unless the patient receives immediate treatment, the clinician will call an ambulance to transport the patient to the emergency room. Documentation of the patient's acceptance or refusal of transport by ambulance must be included in the patient's chart.

c. If the patient is not at risk for immediate physical injury, the clinician will direct the patient to contact their attending physician for alternate care options. Document the patient instructions in the patient chart.

J. Patient Not Found

In the event the referred patient can not be located or there is no answer by telephone or at the door, the clinician will make attempts with alternate contacts to locate the patient and assess the need for care. The clinician will keep the team supervisor and the ordering physician informed of the status of locating the patient.

K. Authorization for Care

It is the responsibility of the Care Transition staff to verify benefits and obtain authorization for initial home care services. AHH will accept patients who are pursuing litigation or patients who meet criteria for litigation into home care only in the event that the contracted payor establishes itself as the primary guarantor for said services. An authorized representative will be required to sign a non-recoupment agreement. Payors may pursue reimbursement from liable third

party. In the event that such guarantees cannot be made, AHH reserves the right to refuse referral from any payor for whom the agency must assume full risk. Patient may be accepted into Home Care if patient satisfies requirement as personal guarantor.

If there are to be any changes in the cost of services assumed by the patient or guarantor, the Agency will provide, in writing, notice of such changes at least 30 days prior to effect of change or when made aware of the change. If other vendors are involved in services (i.e. DME, home infusion), it is the responsibility of the other vendor to inform the patient or guarantor of the financial liability for their services.

As a component of the admission process, it is the responsibility of the admitting clinician to review the insurance information (verify type of insurance, cards, numbers) with the patient, guarantor, or designee. Any variation in insurance information is to be reviewed with the Team Supervisor, Branch Manager or designee. The costs for care to be assumed by the client/family and/or caregiver are to be clearly defined on the Assignment of Benefits/Consent form.

L. Responsibility for Provision of Care

Once a patient has been evaluated, accepted as a patient, and consents to services by AHH, AHH assumes professional and ethical responsibility for providing care within our ability, mission and applicable law and regulations. When indications for care contradict the recommendations of an external or internal utilization review process, AHH will assist patient/caregiver in finding services with another provider.

M. Homebound Requirement

1. Medicare Patients

a. Medicare patients must meet the Medicare Guidelines.

b. Services upon home evaluation visit may be interrupted upon identification that the patient does not meet Medicare homebound criteria:

- The patient is offered a Home Health Advance Beneficiary Notice (HHABN) allowing the patient to select their option of choice.

- If the patient does not elect to continue services under one of the other HHABN choices, the visiting staff member does not need to complete a comprehensive assessment or to collect, encode or transmit OASIS data.

- Staff will notify the supervisor immediately of the patient's ineligibility.

ADVENTIST HOME HEALTH
PATIENT CARE POLICY

Effective Date: 09/78
Comments:
Reviewed:
Revised: 06/01, 12/01, 05/02, 08/04, 12/04, 05/05, 06/07, 02/09, 6/13

Policy No: 8.1040
Section:
Approval:

ADMISSION TO SERVICES - HOME EVALUATION/ASSESSMENT VISIT

PURPOSE

To define the purpose of the initial home evaluation visit (HEV) and describe the process and time-frame for the assessment and admission of patients to Adventist Home Health (AHH).

The purpose of the initial home evaluation visit is:

- to assess the physical condition of the patient
- assess the feasibility of providing the care in the patient's home
- to develop a plan of care in collaboration with the patient, in accordance with the identified needs and within the physician's orders.

POLICY

A. The initial home evaluation visit includes a comprehensive assessment performed by a Registered Nurse or by a Physical Therapist or Speech Language Therapist if nursing is not ordered. The initial home evaluation visit (at which time the comprehensive assessment is completed) must be held either within 48 hours of a completed referral, within 48 hours of the patient's return home, or as indicated by the physician start of care order.

B. For any delay in the start of care beyond the required time frames as stated above, the physician and patient (as appropriate) will be notified. Documentation of the notifications will be included in the clinical record.

   i. Upon the physician's notification and agreement, the patient or caregiver is contacted to obtain consent and give the projected start date. The case is referred to another agency when there is not mutual agreement with the physician and/or patient or caregiver.

C. Initial home evaluation visits are made seven days a week or on the day of referral as necessary.

D. In all cases, the date of the initial billable visit is the date of the start of care.

E. A Registered Nurse is required to make the initial evaluation visit except in those circumstances where the physician has ordered only physical therapy or speech therapy services. The assigned therapist will perform the initial evaluation visit for therapy only services.

F. For Medicare patients, if the initial assessment indicates that the patient is not eligible for the Medicare home health care benefit, i.e., the patient is not homebound, has no skilled need, etc. and AHH does not admit the patient, then there is no indication for AHH to conduct a comprehensive assessment or to collect, encode, or transmit OASIS data to the State.

PROCEDURE

A. The assigned staff member will call the patient either the day before or the day of the home evaluation visit to make initial contact and to schedule a visit time.

B. The comprehensive assessment will be completed at the initial home evaluation visit.

C. The visiting staff will determine the appropriateness for home care during the home evaluation. If it is questioned as to the patient's appropriateness for home care, the issue is discussed with the staff member's Team Supervisor. After discussion with Team Supervisor and physician, either the patient is informed of the agency's limitations in providing care and the patient is admitted with this knowledge, or a referral is made for alternative services and the physician and referral source are informed of the new referral.

D. The visiting staff, in collaboration with physician, initiates a plan of care involving the patient and family. Goals are developed in collaboration with the patient based on the patient's clinical care needs and rehabilitative potential.

E. The patient is given a Patient Orientation to Homecare Folder at the time of the home evaluation. Its contents are discussed on that visit and reinforced on subsequent visits as appropriate.

F. Additional services (i.e. therapy services) ordered at the time of referral or during the course of case care will be initiated in a timely manner in accordance with physician orders. The patient's needs are taken into consideration when the start date is determined. For any delay in the start of care, the physician and patient (as appropriate) will be notified and appropriate orders and documentation will be noted.

G. Upon the physician's notification and agreement the patient or caregiver is contacted to obtain a consent and give the projected start date. The case is referred to another agency when there is not mutual agreement with the physician and/or patient or caregiver (as referenced in the Admission Criteria Policy).

H. A comprehensive reassessment of the patient's status shall be done a minimum of every 60 days and ongoing as indicated by changes in the patient's condition.

2. Medical Assistance, private insurance and HMOs including but not limited to Medicare HMOs.

   a. The Care Transition Coordinator will communicate knowledge that a patient is not homebound to the Insurance Coordination Department.

   b. The Care Transition Coordinator or Insurance Coordinator will report the homebound status to the payor for approval.

   c. The payor's approval or refusal will be documented in the clinical record and communicated to the Care Transition Coordinator.

   d. The visiting staff will review the Insurance Coordinator documentation for related comments to the homebound status as appropriate.

   e. When there is no notation of patient's homebound status on the insurance form, the visiting staff will complete the evaluation visit. The visiting staff will report the visit findings (including homebound status) within 24 hours to the Insurance Coordination Department.

   f. If the patient is identified as not meeting home care criteria on the first visit visiting staff should notify Insurance Coordination Department and Team Supervisor.

   g. Supervisory approval is required to withhold scheduled visits to non-Medicare patients for reasons of homebound status.

ADVENTIST HOME HEALTH
PATIENT CARE POLICY

Effective Date: 5/01
Comments:
Reviewed:
Revised: 5/02, 8/04, 4/05, 6/07, 6/11

Policy No: 8.1180
Section:
Approval:

DISCHARGE, DISCONTINUATION AND TRANSFER OF SERVICES CRITERIA

PURPOSE

Adventist Home Health (the "Agency") may not admit or continue services to patients under the circumstances described below and/or at the sole discretion of the Agency.

POLICY

All patients will be evaluated to determine appropriateness for admission and/or continued service at regular intervals.

PROCEDURE

A. All team members assess the patient's discharge planning needs upon admission and at a minimum every 60 days thereafter. The information is documented in the clinical record and communicated to the Case Manager along with a projected discharge date if possible. The patient/caregiver and physician participate in discharge planning.

B. The agency may decline to admit or continue services to patients under any of the following circumstances or at its sole discretion:

1. The goals of the patient's plan of care have been attained or are no longer attainable.
2. Threats of violence or actual violence.
3. The patient's home environment will not support the provision of home health services.
4. The patient can not care for him/herself in between visits from Agency personnel and no reliable paid or voluntary primary caregiver is available to meet all of the needs of the patient between visits by Agency staff.
5. The patient is unavailable for two (2) consecutive scheduled visits from Agency staff members and had not contacted the Agency to let staff know of the need for a change in schedule.
6. The patient or the patient's legally authorized representative terminates services by the Agency or refuses care.

7. The Agency lacks the resources to meet the patient's needs.

8. The patient and/or primary caregiver is noncompliant or has a history of noncompliance in cooperating to attain the objectives of home care.

9. The patient and/or primary caregiver(s) refuse(s) to sign an agreement, if offered at the Agency's discretion, with the Agency that is intended to help ensure compliance with the patient's plan or care.

10. No signed orders from appropriately licensed practitioners are in effect upon which to base services in violation of applicable criteria.

11. There is illegal activity in the patient's home.

12. Agency staff members are subject to sexual harassment or verbal abuse when they provide services to the patient.

13. The Agency can not provide appropriate staffing.

14. The patient moves to a location outside of the geographic service area of the Agency.

15. The patient is admitted to a hospital or other institution.

16. Agency staff members are subject to racial discrimination when they provide services to the patient.

17. The patient or his/her legally authorized representative chooses another provider.

18. The patient fails to meet or continue to meet criteria for eligibility for services established by the patient's payor sources.

19. The agency has not been/will not be compensated for care provided.

20. In the event of a natural disaster when the patient's health and safety is at risk.

21. A caregiver has been prepared and is capable of assuming responsibility for care.

22. The Agency is closing or will no longer provide a particular service needed by patients.

C. When patients are not admitted to the Agency after an assessment visit because they do not meet one (1) or more of the criteria listed in the Procedure Section – Paragraph B, above, Agency staff may take the following action:

1. Verbally notify the patient's attending physician that the Agency will not admit the patient. Documentation of verbal notification to both patients and attending physicians must be included in the patient's chart.

2. If the patient is at risk for physical injury unless the patient receives immediate treatment, the clinician will call an ambulance to transport the patient to the emergency room. The clinician will document the patient's acceptance or refusal of transport by ambulance. If the patient accepts transport by ambulance, the clinician will notify the emergency room that the Agency will not readmit the patient until the patient has received appropriate care and will document notification in the patient's chart.

3. If the patient is not at risk for immediate physical injury, the clinician will provide the names, addresses, and telephone numbers of three (3) alternate sources of care and document that he/she has done so in the patient's chart.

D. When patients already admitted to the Agency meet one (1) or more of the criteria listed in Procedure Section – Paragraph B, above, the Agency may take the following action:

1. Hold a case conference with the interdisciplinary team, after a MSW evaluation is completed, to determine whether to discontinue services. If it is determined to discontinue services, the case conference team will determine whether immediate termination is warranted or what constitutes a reasonable notice period, taking into account facts and circumstances relevant to individual patients and applicable state and/or federal requirements. Community and agency referrals are initiated as appropriate, i.e. APS. The results of this case conference will be documented in the patient's chart. In appropriate circumstances such as violence or threatened violence and admission to an institutional provider, services may be discontinued immediately.

2. If a decision is made to terminate services, staff will verbally notify non-institutionalized patients and their physicians of the date and time of termination of services and reason(s) for termination. These verbal communications shall be documented in the patient's chart. When patients who are admitted to hospitals or other institutions are discharged, the Agency will notify the discharge planning staff at the hospital or other institution that the patient can not be readmitted to the Agency.

3. Verbal notification to non-institutionalized patients will be immediately followed by written notice that shall include the date and time of termination of services, a referral to another home health agency or other type of provider, the fact that the patient's physician has been notified of termination and, if appropriate, notice that the Agency will send an ambulance at the Agency's expense, if necessary, to transport the patient to the hospital. Written notice will also include any additional information that may be required by state and/or federal requirements. A copy of this written notice shall be placed in the patient's chart.

4. Notice to non-institutionalized patients will be hand-delivered to their homes or sent by overnight delivery service. It is desirable, but not necessary, to obtain the patient's or primary caregiver's signature upon receipt. A copy of proof of delivery, if the signature of the patient or primary caregiver is not obtained, shall be placed in the patient's chart.

E. Agency personnel shall provide appropriate patient information when the patient is discharged to other providers/sources of care. Documentation of communication of such relevant information shall be included in the patient's chart.

F. Appropriate discharge summaries as required by law, regulation and Agency policy shall also be included in the patient's chart and provided to patients' physicians as required. The records of discharged patients are completed no later than 30 days after the date of discharge.

The discharge summary and any other Agency documents are to be completed for each discipline involved in the patient's care/service within 24 hours of the discharge of the discipline.

G. Each discipline (SN, PT, OT and/or SLP) that provides care completes the discharge summary at the time that discipline is discharged. Documentation will include:

1. date of discharge
2. the reason for discharge
3. status of problems identified throughout the course of care and resolution of identified problems
4. the overall medical and health status of the patient
5. the summary of the care/service provided
6. any instructions and/or referrals provided to the patient

H. The Case Manager will complete a comprehensive discharge assessment. Other primary disciplines complete a discipline discharge at the end of their service. The Case Manager will include in the summary a description of any dependent services provided for the patient.

I. The team supervisor reviews the discharged medical record and provides follow-up to ensure completeness. The medical records clerk sends a copy of the discharge summary to the physician upon request.

Exhibit 5

Proposed Patient Charges

Adventist HealthCare
Home Care Services

2017 FEE SCHEDULE

Per Visit

Skilled Nursing	**$ 200**
Physical Therapy	**$ 220**
Occupational Therapy	**$ 220**
Speech Therapy	**$ 220**
Medical Social Worker	**$ 360**
Home Health Aide	**$ 100**

Exhibit 6

Letters of Support

MICHAEL J. HOUGH
Legislative District 4
Frederick and Carroll Counties

Judicial Proceedings Committee

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Annapolis Office
James Senate Office Building
11 Bladen Street, Room 403
Annapolis, Maryland 21401
410-841-3704 · 301-858-3704
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Michael.Hough@senate.state.md.us

District Office
3510 Worthington Boulevard, Suite 310
Frederick, Maryland 21704
301-874-3068

April 25, 2017

Mr. Keith Ballenger
Vice President
12041 Bournefield Way
Adventist Home Care Services
Silver Spring, MD 20904

Dear Mr. Ballenger,

I am writing in support of Adventist Home Care's request for a Certificate of Need (CON) to serve patients in Frederick County.

Adventist Home Care has a reputation of providing essential quality services to patients in seven Maryland counties, including neighboring Montgomery County, since 1973. Adventist Health Care would help our aging population acces such services as nursing care, physical therapy, occupational therapy, speech therapy, social work, dietician, home health aide and chaplaincy.

I am aware that CMS has recognized Adventist Home Care as a 5-Star rated home care agency and that they have been recognized as a Home Care Elite agency. Adventist Home care would be a welcome addition to the services offered to Fredrick County residents.

I fully support your CON application and looks forward to working with you in the future.

Sincerely,

Senator Michael Hough
Frederick & Carroll Counties

RONALD N. YOUNG
Legislative District 3
Frederick County

Education, Health, and
Environmental Affairs Committee

The Senate of Maryland
ANNAPOLIS, MARYLAND 21401

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800-492-7122 *Ext.* 3575
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Ronald.Young@senate.state.md.us

District Office
253 East Church Street, Suite 100
Frederick, Maryland 21701
301-662-8520
Fax 301-662-8521

April 27, 2017

Mr. Keith Ballenger
Vice President
12041 Bournefield Way
Adventist Home Care Services
Silver Spring, MD 20904

Dear Mr. Ballenger:

I ask for your support of Adventist Home Care's Certificate of Need (CON) request to serve Frederick county. In joining Frederick, Adventist would become the only Center for Medicare and Medicaid Services (CMS) 5-Star Rated home care agency in the county. As the second largest city in Maryland, Adventist Home Care services are much needed and long overdue.

Since 1973, Adventist Home Care has been providing high quality services to patients across Maryland. In complement to the existing services within Frederick county, Adventist presence would be a tremendous asset for Frederick's aging population. In addition, it would allow Frederick residents greater access to essential services of nursing care, physical therapy, occupational therapy, speech therapy, social work, and home health aides.

I ask that you approve Adventist Home Care's CON application.

Sincerely,

Ronald N. Young

Senator Ron Young
District 3 - Frederick

Frederick County Government
Bud Otis, County Council President

April 21, 2017

Mr. Keith Ballenger
Vice President
12041 Bournefield Way
Adventist Home Care Services
Silver Spring, MD 20904

Dear Mr. Ballenger:

I am writing in support of Adventist Home Care's request for a Certificate of Need (CON) to serve patients in Frederick County.

I am aware that Adventist Home Care has been providing excellent services to patients in a number of Maryland counties, including neighboring Montgomery County, since 1973, and that services include nursing care, physical therapy, occupational therapy, speech therapy, social work, dietician, home health aide and chaplaincy.

Furthermore, I'm aware that since CMS began publicly reporting quality outcomes in July of 2015 Adventist Home Health has been designated as a 5-Star rated home care agency and also has been designated as Home Care Elite the past five years.

Frederick County has been served by other home care agencies that have provided services to our residents for many years. However, we will always welcome other agencies who can provide top-notch, quality care to our aging population.

Again, I support your CON application and look forward to welcoming you to Frederick County.

Sincerely,

Bud Otis
President

Winchester Hall • 12 East Church Street, Frederick, MD 21701 • 301-600-1100 • Fax 301-600-1849
www.FrederickCountyMD.gov

Exhibit 7

Affirmations

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

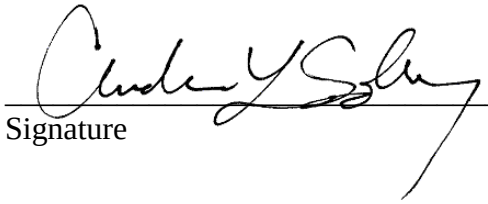
Judabeth Berman

Signature

4/26/2017

Date

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.



Signature

5/01//2017

Date