YALE-NEW HAVEN HEALTH SERVICES CORPORATION

(d/b/a Yale New Haven Health System and Subsidiaries)

Consolidated Financial Statements and
Supplementary Information

September 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

YALE-NEW HAVEN HEALTH SERVICES CORPORATION
(d/b/a Yale New Haven Health System and Subsidiaries)

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees

Yale-New Haven Health Services Corporation
d/b/a Yale New Haven Health System and Subsidiaries:

We have audited the accompanying consolidated financial statements of Yale-New Haven Health Services Corporation, d/b/a Yale New Haven Health System and Subsidiaries, which comprise the consolidated balance sheet as of September 30, 2015, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 2015 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yale-New Haven Health Services Corporation as of September 30, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

The accompanying consolidated financial statements of Yale-New Haven Health Services Corporation as of September 30, 2014 and for the year then ended were audited by other auditors whose report thereon dated December 23, 2014, expressed an unmodified opinion on those consolidated financial statements.

Our audit was performed for the purpose of forming an opinion on the 2015 consolidated financial statements as a whole. The accompanying consolidating balance sheet and consolidating statement of operations and changes in net assets are presented for purposes of additional analysis and are 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 statement as a whole.

KPMG LLP

December 23, 2015

YALE-NEW HAVEN HEALTH SERVICES CORPORATION
(d/b/a Yale New Haven Health System and Subsidiaries)

Consolidated Balance Sheets

September 30, 2015 and 2014

(In thousands)

Assets		**2015**	**2014**
Current assets:			
Cash and cash equivalents	$	194,946	161,059
Short-term investments		1,160,670	1,040,882
Accounts receivable for services to patients, less allowance for uncollectible accounts of approximately $313,860 in 2015, and $272,684 in 2014		405,694	368,342
Professional liabilities insurance recoveries receivable – current portion		32,170	35,271
Other current assets		91,540	72,812
Amounts on deposit with trustee in debt service fund		5,465	4,641
Total current assets		1,890,485	1,683,007
Assets limited as to use		206,319	233,550
Long-term investments		420,800	394,904
Deferred financing costs, less accumulated amortization		10,494	10,993
Professional liabilities insurance recoveries receivable – noncurrent		85,394	86,652
Goodwill		114,308	114,352
Other assets		211,155	188,102
Property, plant, and equipment, net		1,388,747	1,455,574
Construction in progress		157,101	66,043
		1,545,848	1,521,617
Total assets	$	4,484,803	4,233,177

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets		2015	2014
Current liabilities:			
Accounts payable and accrued expenses	$	499,883	451,030
Current portion of long-term debt		16,881	19,493
Current portion of capital lease obligation		2,050	2,963
Professional liabilities – current portion		32,170	35,271
Other current liabilities		92,866	58,800
Total current liabilities		643,850	567,557
Long-term debt, net of current portion		906,150	917,111
Long-term capital lease obligations, net of current portion		107,159	70,998
Accrued pension and postretirement benefit obligations		339,901	321,442
Professional liabilities – noncurrent		148,303	173,806
Other long-term liabilities		304,801	271,261
Deferred revenue		42,720	44,378
Total liabilities		2,492,884	2,366,553
Net assets:			
Unrestricted		1,750,995	1,644,056
Temporarily restricted		147,568	141,712
Permanently restricted		93,356	80,856
Total net assets, including noncontrolling interest		1,991,919	1,866,624
Commitments and contingencies			
Total liabilities and net assets	$	4,484,803	4,233,177

YALE-NEW HAVEN HEALTH SERVICES CORPORATION
(d/b/a Yale New Haven Health System and Subsidiaries)

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2015 and 2014

(In thousands)

	2015	2014
Operating revenue:		
Net patient service revenue	$ 3,574,213	3,411,435
Less provision for bad debts, net	(81,528)	(123,743)
Net patient service revenue, less provision for bad debts, net	3,492,685	3,287,692
Other revenue	109,595	106,994
Total operating revenue	3,602,280	3,394,686
Operating expenses:		
Salaries and benefits	1,858,472	1,744,137
Supplies and other	1,344,217	1,251,717
Depreciation and amortization	185,944	192,072
Insurance	29,803	9,731
Interest	24,188	26,917
Total operating expenses	3,442,624	3,224,574
Income from operations	159,656	170,112
Nonoperating gains (losses), net:		
Income from investments, donations, and other, net	14,113	84,024
Change in fair value of swap, including counterparty payments	(29,678)	(17,204)
Loss on refunding of long-term debt	—	(32,631)
Excess of revenue over expenses	144,091	204,301
Other changes in unrestricted net assets:		
Other changes in net assets	(382)	(215)
Net assets released from restrictions for purchases of fixed assets	7,342	3,947
Pension and postretirement related changes other than net periodic benefit cost	(44,112)	(75,259)
Increase in unrestricted net assets	106,939	132,774

(Continued)

YALE-NEW HAVEN HEALTH SERVICES CORPORATION
(d/b/a Yale New Haven Health System and Subsidiaries)

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2015 and 2014

(In thousands)

	2015	2014
Temporarily restricted net assets:		
Income from investments	2,234	1,389
Net realized and unrealized gains on investments	1,335	13,172
Bequests and contributions	30,336	20,859
Net assets released from restrictions for purchases of fixed assets	(5,950)	(3,947)
Net assets released from restrictions for operations	(21,196)	(13,178)
Net assets released from restrictions for clinical programs	(1,477)	(5,882)
Other changes in net assets	574	741
Increase in temporarily restricted net assets	5,856	13,154
Permanently restricted net assets:		
Bequests and contributions	15,175	5,372
Net assets released from restrictions for purchases of fixed assets	(1,392)	—
Net realized and unrealized losses on investments	(1)	46
Change in beneficial interest in perpetual trusts	(1,282)	5,259
Increase in permanently restricted net assets	12,500	10,677
Increase in net assets	125,295	156,605
Net assets at beginning of year	1,866,624	1,710,019
Net assets at end of year	$ 1,991,919	1,866,624

See accompanying notes to consolidated financial statements.

YALE-NEW HAVEN HEALTH SERVICES CORPORATION
(d/b/a Yale New Haven Health System and Subsidiaries)

Consolidated Statements of Cash Flows

Years ended September 30, 2015 and 2014

(In thousands)

		2015	2014
Operating activities:			
Increase in net assets	$	125,295	156,605
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation		185,944	192,072
Net realized and change in net unrealized gains and losses on investments		(27,967)	(101,335)
Change in fair value of interest rate swap agreements		5,566	1,455
Loss on refunding of long-term debt		—	32,631
Amortization of long-term debt premium		(2,807)	(1,758)
Provisions for bad debts, net		81,538	123,743
Amortization of deferred financing costs		499	(413)
Change in perpetual trusts		1,302	(6,212)
Bequests and contributions, net of pledges		(45,511)	(26,231)
Pension and postretirement related changes other than net periodic benefit cost		44,112	75,259
Changes in operating assets and liabilities:			
Accounts receivable, net		(118,890)	(157,111)
Other assets		(41,737)	(53,367)
Accounts payable and accrued expenses		48,853	(23,070)
Professional insurance recoveries and liabilities		(24,245)	754
Other liabilities		34,729	45,572
Net cash provided by operating activities		266,681	258,594
Investing activities:			
Net acquisitions of property, plant, and equipment		(169,932)	(115,888)
Capitalized interest		—	190
Net purchases of investments		(218,679)	(190,238)
Net sales of investments		100,962	10,765
Amounts deposited with trustee in debt service fund		(824)	2,535
Assets limited as to use		25,929	(52,867)
Net cash used in investing activities		(262,544)	(345,503)
Financing activities:			
Proceeds from issuance of long-term debt		—	619,183
Proceeds from notes payable		8,345	—
Payments of long-term debt		(14,927)	(490,610)
Payments on bank line of credit payable		—	(25,000)
Payments of notes payable		(4,185)	(3,213)
Payments on capital lease obligations		(4,995)	(2,645)
Cost of issuance of long-term debt		—	(6,825)
Bequests and contributions, net of pledges		45,512	26,231
Net cash provided by financing activities		29,750	117,121
Net increase in cash and cash equivalents		33,887	30,212
Cash and cash equivalents at beginning of year		161,059	130,847
Cash and cash equivalents at end of year	$	194,946	161,059

See accompanying notes to consolidated financial statements.

(1) Organization and Significant Accounting Policies

Yale-New Haven Health Services Corporation (Y-NHHSC), formed in 1983, was incorporated under the Connecticut Nonstock Corporation Act to coordinate the activities of the members of the Yale-New Haven Health Services Corporation, d/b/a Yale New Haven Health System and Subsidiaries (collectively, the System), and is an integrated regional health care delivery system. The System currently includes the following entities:

Y-NHHSC is the parent company of Yale-New Haven Hospital and Subsidiaries (Y-NHH), Bridgeport Hospital and Subsidiaries (BH), Greenwich Health Care Service, Inc. (GHCS), Northeast Medical Group, Inc. (NEMG), and Y-NHH-MSO, Inc. (MSO).

Y-NHHSC is the sole member of Yale-New Haven Hospital, Inc. Y-NHH and its subsidiaries operate autonomously with a separate board, management, and medical staff. Y-NHHSC must approve the strategic plans, operating budgets, capital budgets and board appointments of Y-NHH. Y-NHH is the parent of:

Yale-New Haven Care Continuum Corporation (YNHCCC), a Connecticut nonstock corporation, is a wholly owned subsidiary of Y-NHH. YNHCCC provides long-term care for those unable to live independently and short-term rehabilitation for patients who have experienced elective surgery, an injury or a traumatic major illness. Its services include respite care for family members and caregivers, recovery for victims of strokes, orthopedic recovery services, medications and diagnostic services (such as radiological services).

Yale-New Haven Ambulatory Services Corporation and Subsidiaries (ASC), a Connecticut nonstock, taxable corporation, is a wholly owned subsidiary of Y-NHH, and is 51% owner of Shoreline Surgery Center, LLC (SSC) and SSC II, LLC.

York Enterprises, Inc. and Subsidiaries (York) is a Connecticut corporation formed for the purpose of initiating or acquiring business entities. Currently, York has two subsidiaries: Medical Center Pharmacy and Home Care, Inc. (MCP) and Medical Center Realty, Inc. (MCR). MCP is a Connecticut stock, for-profit company, which operated a retail pharmacy with multiple locations until February 2011. MCR is a Connecticut stock, for-profit company, which owns or holds leases on the System's affiliated commercial space. York is the sole shareholder of MCP and MCR.

Caritas Insurance Company, Ltd. (Caritas) is a Vermont-domiciled, captive insurance company licensed under Chapter 141 of Title 8 of the Vermont Statutes Annotated. Caritas is a tax-exempt supporting organization having Y-NHH as its sole shareholder. Caritas provides excess professional liability coverage and general liability coverage. Prior to the 2012 acquisition of the stock of Caritas by Y-NHH from the Hospital of Saint Raphael (HSR), Caritas was a wholly owned subsidiary of HSR. Caritas was dissolved on December 15, 2014 and the insurance liabilities were transferred to Medical Centre Insurance Company, Ltd (see note 10).

Lukan Indemnity Company, Ltd. (Lukan) is a Bermuda-domiciled captive insurance company that provides primary professional liability coverage. Prior to the 2012 acquisition of the stock of Lukan by Y-NHH from HSR, Lukan was a wholly owned subsidiary of HSR. Lukan was dissolved on March 31, 2015 and the insurance liabilities were transferred to Medical Centre Insurance Company, Ltd (see note 10).

Y-NHHSC is the sole member of Bridgeport Hospital. BH and its subsidiaries operate autonomously with a separate board management, and medical staff. Y-NHHSC must approve the strategic plans, operating budgets, capital budgets and board appointments of BH. BH is the sole member of the following not-for-profit, nonstock corporations:

Bridgeport Hospital Foundation, Inc. (the Foundation) solicits contributions for the benefit of BH and all other tax-exempt health care organizations associated with BH.

Southern Connecticut Health System Properties, Inc. (Properties) is a real estate holding company, which sold primarily all of its assets to BH during 1998.

NEMG is a tax-exempt medical foundation that provides physician-related services to Bridgeport, Greenwich, and Yale-New Haven Hospitals and their surrounding communities. NEMG operates autonomously with a separate board, management, and medical staff. Y-NHHSC must approve the strategic plans, operating budgets, capital budgets, and board appointments of NEMG.

Concurrent with the issuance of the Connecticut Health and Educational Facilities Authority (CHEFA) Revenue Bonds, Yale-New Haven Health Obligated Group Issue, Series A, B, C, D and E dated May 20, 2014, six members of the System were combined to form an Obligated Group. The Obligated Group comprises of Y-NHHSC, Y-NHH, YNHCCC, BH, the Foundation and NEMG. The members of the Obligated Group have adopted certain governance provisions in their certificates of incorporation and by-laws pursuant to which Y-NHHSC retains the authority to directly take certain actions on behalf of each Obligated Group member without the approval of the board of trustees of the applicable Obligated Group member, including the incurrence of indebtedness on behalf of each Obligated Group member, the management and control of the liquid assets of each, and the appointment of the president and chief executive officer of each Obligated Group member. GHCS and its subsidiaries are part of the System, but they are not members of the Obligated Group.

GHCS is the parent corporation of a group of wholly owned subsidiaries, including Greenwich Hospital, The Perryridge Corporation Greenwich Health Care Services, Inc. (GHSI), the Greenwich Hospital Endowment Fund, Inc., and Greenwich Ambulatory Surgery Center, LLC (GASC). GHCS and its subsidiaries are Section 501(c)(3) not-for-profit organizations, and are exempt from federal income taxes under Section 501(a) of the Code. Greenwich Hospital, a nonstock Connecticut corporation, is a wholly owned subsidiary of GHCS (the sole member), providing health care services to the lower Fairfield County and Westchester County, New York communities. GHCS and its subsidiaries have continued to operate autonomously with a separate board, management and medical staff. Y-NHHSC must approve the strategic plans, operating budgets, capital budgets and board appointments of GHCS. GHCS dissolved its wholly owned subsidiary, Greenwich Health Services, Inc., a Connecticut business corporation during fiscal 2015. The activity and eliminations for Greenwich Pathology Associates, LLC, Greenwich Clinical Pathology Associates, LLC, Greenwich Fertility and IVF center, P.C., Occupational Health of New Jersey and Occupational Health of New York are now reported as part of Greenwich Hospital.

Y-NHHSC must approve the strategic plans, operating budgets, capital budgets, any transfer of assets, and Board of Director appointments of GHCS and its subsidiaries.

MSO, a for-profit stock corporation, was formed to manage physician practices and provide third-party administration services on certain managed care contracts. The capital stock of MSO consists of 20,000 shares of common stock, par value of one one-hundredth of a dollar per share. The Board of Directors of MSO is appointed by Y-NHHSC, the sole shareholder, who controls MSO's operations.

(a) Acquisition

On June 1, 2014, NEMG and Y-NHHSC acquired certain assets of PriMed, LLC (PriMed), a physician practice for approximately $54.2 million. YNHHSC contributed the entire purchase price. PriMed is a multi-specialty group of approximately 120 providers in 36 locations across Fairfield County and New Haven County, Connecticut. PriMed also is the sole member of a gastroenterology surgery center, the Fairfield County Endoscopy Center, and offers a number of ancillary services, such as a sleep laboratory, cardiac diagnostic testing, physical therapy and nutritional counseling. Under the terms of the transaction, NEMG and Y-NHHSC acquired substantially all the assets of PriMed and a 40% interest in the gastroenterology surgery center. Y-NHHSC deposited $5.5 million into escrow to fund the purchase of the remaining 60% membership interest in the gastroenterology surgery center. This purchase was completed in May 2015. Also at acquisition, Y-NHHSC recorded a liability of $5 million for the amounts to be paid to PriMed physicians contingent on their continued service in the three years following the acquisition closing date as per the agreement.

(b) Principles of Consolidation

The accompanying consolidated financial statements present the accounts and transactions of the System and its subsidiaries. All significant intercompany revenue and expenses and inter-company balance sheet accounts have been eliminated in consolidation.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated collectibles for accounts receivable for services to patients, and liabilities, including estimated net settlements with third-party payors and professional liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the reporting period. Actual results could differ from those estimates.

During the years ended September 30, 2015 and 2014 the System recorded a favorable change in estimate of approximately $29.8 million and $11.9 million, respectively. Included in the change are amounts related to third-party payor settlements.

(Continued)

(d) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose, and appreciation on permanently restricted net assets. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity. The System is a partial beneficiary to various perpetual trust agreements. Assets recorded under these agreements are recognized at fair value. The investment income generated from the trusts is unrestricted, and the assets are classified as permanently restricted by the donor.

Certain restricted funds investments are pooled with certain unrestricted investments to facilitate their management. Investment income is allocated to both restricted and unrestricted funds participating in the investment pool on pro rata basis based on the market value of the fund. The Board of Trustees approves spending for certain pooled funds based on the spending policy. Realized gains and losses from the sale of securities are computed using the average cost method and the first-in, first-out method.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions receivable to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recognized as revenue, and is classified as either unrestricted or temporarily restricted in accordance with donor-imposed restrictions, if any, on the contributions.

(e) Capital Campaign and Pledges Receivable

Contributions and pledges receivable, included in other current assets and other assets in the accompanying consolidated balance sheets at September 30, 2015 and 2014, are expected to be received as follows (in thousands):

	September 30 2015	September 30 2014
Less than one year	$ 4,379	5,164
One to five years	3,415	4,298
Thereafter	60	—
	7,854	9,462
Less unamortized discount on contributions receivable (0.01% to 4.2%)	(232)	(208)
	7,622	9,254
Allowance for uncollectible contributions	(229)	(277)
Contributions receivable, net	$ 7,393	8,977

Excluded from contributions receivable are certain items, primarily letters of intent, which are not legally binding and gifts conditional on events that have not yet occurred.

(f) Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All 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.

(g) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with original maturities of three months or less when purchased, which are not classified as assets limited as to use, and which are not maintained in the short-term or long-term investment portfolios.

Cash and cash equivalents are maintained with domestic financial institutions with deposits which exceed federally insured limits. It is the System's policy to monitor the financial strength of these institutions.

(h) Accounts Receivable

Patient accounts receivable result from the health care services provided by the System. Additions to the allowance for uncollectible accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for uncollectible accounts.

The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage, and other collection indicators. Management periodically assesses the adequacy of this allowance based upon historical collection and write-off experience by payor category. The results of these reviews are used to modify, as necessary, the provision for bad debts and to establish appropriate allowances for uncollectible patient accounts receivable. After satisfaction of amounts due from insurance, The System follows established guidelines for placing certain patient balances with collection agencies, subject to certain restrictions on collection efforts as determined by the System policy. See note 2 for additional information relative to third-party payor programs.

Net patient accounts receivable has been adjusted to the estimated amounts expected to be collected. These estimated amounts are subject to further adjustments upon review by third-party payors. Such receivables do not bear interest.

(i) Loan Receivable

On September 2014, Y-NHH entered into a term loan agreement as part of a transaction with a health care provider more fully described in note 11. The term loan agreement has a term that coincides with an agreement for Y-NHH to lease an Inpatient Rehabilitation Unit (IRU). The term of the IRU Lease Agreement is five years and provides Y-NHH with two five-year renewal options at the end of each term.

The term loan bears interest of 6.5% annually that is payable monthly. The loan is collateralized by certain property owned by a subsidiary of the health care provider.

(j) Investments

The System has designated its investment portfolio as trading. Investment income or loss (including realized gains and losses on investments, interest, and dividends) and the change in net unrealized gains and losses are included in the excess of revenue over expenses unless the income or loss is restricted by donor or law.

Investments in equity securities with readily determinable fair values and investments in debt securities are measured at fair value (quoted market prices) in the accompanying consolidated balance sheets.

Certain alternative investments (nontraditional, not-readily-marketable assets) are structured such that the System holds limited partnership interests or pooled units and are accounted for utilizing net asset value per unit for measurement of the units' fair value. Individual investment holdings within the alternative investments may, in turn, include investments in both nonmarketable and market-traded securities. Fund of funds investments are primarily based on financial data supplied by the underlying investee funds. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. The investments may indirectly expose the System to securities lending, short sales of securities, and trading in futures and forwards contracts, options, swap contracts and other derivative products. While these financial instruments may contain varying degrees of risk, the System's risk with respect to such transactions is limited to its capital balance in each investment. The financial statements of the investees are audited annually by independent auditors. Future funding commitments for alternative investments aggregated approximately $6.4 million at September 30, 2015.

The System maintains the Yale New Haven Health System Investment Trust (the Trust), a unitized Delaware Investment Trust created to pool assets for investment by the Health System nonprofit entities. The Trust is comprised of two pools: the Long-Term Investment Pool (L-TIP) and the Intermediate-Term Investment Pool (I-TIP). Governance of the Trust is performed by the Yale New Haven Health System Investment Committee.

Under the terms of the investment management agreement with the Trust, withdrawals of investments in the L-TIP can be made annually by each Hospital on July 1. Amounts withdrawn are subject to a schedule that allows larger withdrawals with longer notice periods. As of September 30, 2015, each Hospital can withdrawal 100% of its investment in the L-TIP on July 1, 2016. Withdrawals of investments in the I-TIP in any amount can be made quarterly with 30 days advance notice.

The Trust has entered into an agreement with Yale University (the University). The University's investment office (the Investment Management Agreement) which allows the University to manage a portion of the Trust's investments as part of the University's Endowment Pool (the Pool). The Trust transferred approximately $50.0 million and $100.0 million to the University in exchange for units in the Pool for years ended September 30, 2015 and 2014, respectively. The Trust's interest in the Pool is reported at fair value based on the net asset value per units held. The Pool invests in domestic equity, foreign equity, absolute return, private equity, real assets, fixed income, and cash.

Under the terms of the investment management agreement with the University, withdrawals of the Trust's investment in the Pool can be made annually by the Trust on July 1. For withdrawals of amounts less than $150.0 million, or 75% of the Trust's investment in the Pool, $100.0 million, or 50% of the Trust's investment in the Pool, and $50.0 million, or 25% of the Trust's investment in the Pool, the advance notice period is set to a maximum of 180 days, 90 days, and 30 days, respectively, prior to the University's fiscal year ending June 30. For withdrawals greater than $150.0 million or more than 75% of the Trust's investment in the Pool, the advance notice period is set to a maximum of 270 days prior to the University's fiscal year end of June 30.

In March 2006, Y-NHH entered into an arrangement with the University, whereby the University will manage certain Board-designated assets of Y-NHH. These Board-designated assets are commingled in the University's endowment pool. As of September 30, 2015 and 2014, the carrying value of assets managed by the University under this agreement was approximately $10.6 million and $10.4 million, respectively. Because of the limitations on their use, the assets are separately classified from assets invested under the Investment Management Agreement.

In 2011, the investment management agreement between the Trust and the University was modified to allow the Trust to obtain a cash advance, up to a maximum of $75 million, on a monthly basis. For these advances, interest of U.S. Prime rate, plus 2% will be paid by the Trust. Repayments on the advances are made by the Trust by way of redemptions of a sufficient number of Trust's units in the Endowment using the June 30th unit valuation. No advances have been requested or taken by the Trust.

Short-term investments represent those securities that are available for the System's operations, and can be converted to cash within one year.

(k) Inventories

Inventories (included in other current assets) are stated at the lower of cost or market. The System values its inventories using the first-in, first-out method, with the exception of Y-NHH's pharmacy inventories, which are valued at average cost.

(l) Assets Limited as to Use

Assets so classified represent assets held by trustees under indenture agreements, beneficial interest in perpetual trusts. Amounts required to meet current liabilities are reported as current assets. These funds consist primarily of U.S. government securities, equities, debt securities, mutual funds and money market funds.

(m) Perpetual Trusts

The System is the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts, which are measured based on the fair value of the assets held by the trust, are recognized as assets and contribution revenue at the dates the trusts are established. Beneficial interest in perpetual trusts is recorded as permanently restricted net assets and is adjusted for any changes in the fair value of the trusts. Income distributions received from the trusts are recorded as temporarily restricted contributions when received.

(n) Interest Rate Swap Agreements

The System utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. Interest rate swap agreements are reported at fair value. The System is exposed to credit loss in the event of nonperformance by the counterparties to its interest rate swap agreements. The System is also exposed to the risk that the swap receipts may not offset its variable rate debt service. To the extent these variable rate payments do not equal variable interest payments on the bonds, there will be a net loss or net benefit to the System.

(o) Benefits and Insurance

The System is effectively self-insured for medical, dental, hospitalization, and prescription drug benefits provided to employees and has a stop loss arrangement to limit exposure for these self-insured benefits. Y-NHH and Y-NHHSC make annual contributions to the Y-NHHSC Voluntary Employee Beneficiary Association (VEBA) plan to fund medical, dental, hospitalization, group term life insurance and prescription drug benefits. Annually, premiums are set to reflect the estimated cost of benefits. During the years ended September 30, 2015 and 2014, Y-NHH and Y-NHHSC made actuarially determined contributions, net of premium adjustments, to the VEBA plan of approximately $179.7 million and $172.6 million, respectively.

(p) Professional Liability Insurance

The System is effectively self-insured for workers' compensation claims. The System has a stop loss arrangement to limit exposure for workers' compensation claims. Estimated amounts are accrued for claims, including claims incurred but not reported (IBNR). At September 30, 2015 and 2014, the estimated discounted liabilities for self-insured workers' compensation claims and IBNR aggregated approximately $31.4 million and $29.4 million, respectively, discounted at 2.0% and 2.5%, respectively, and are included in other long-term liabilities in the accompanying consolidated balance sheets.

The System records the actuarially determined liabilities for IBNR professional and general liabilities (see note 10).

(q) Property, Plant and Equipment

Property, plant and equipment purchased are carried at cost, and those acquired by gifts and bequests are carried at fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in income from operations. Depreciation of property, plant and equipment is computed by the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives, ranging from 3 to 50 years. The cost of additions and improvements are capitalized, and expenditures for repairs and maintenance, including the cost of replacing minor items not considered substantial enhancements, are expensed as incurred.

Leases are classified as capital leases or operating leases in accordance with the terms of the underlying lease agreements. Lease payments under operating leases are charged directly to rental expense, and are included in supplies and other expenses in the accompanying consolidated statements of operations.

(r) Goodwill

Goodwill is not amortized but instead tested at least annually for impairment or more frequently when events or changes in circumstances indicate that the assets might be impaired. This impairment test is performed at the reporting unit level. The System evaluates goodwill at the entity level as management has determined that the System's operation comprise a single reporting entity. Goodwill is considered to be impaired if the carrying value of the reporting unit, including goodwill, exceeds the reporting unit's fair value. Reporting unit fair value is estimated using both income (discounted cash flows) and market approaches.

The discounted cash flow approach requires the use of assumptions and judgments, including estimates of future cash flows and the selection of discount rates. The market approach relies on comparisons to publicly traded stocks or to sales of similar companies. The System has determined that no goodwill impairment exists at September 30, 2015 or 2014.

(s) Deferred Revenue

Deferred revenue includes amounts which have been received that relate to future years. Amounts will be reduced as revenue is earned.

(t) Derivative Contracts

In the normal course of business, the System procures fuel and has entered into forward delivery agreements and commodity contracts. Substantially all of the System's contracts to procure fuel are designated as, and qualify as, normal purchases; accordingly, such contracts are not accounted for as derivative contracts.

(u) Excess of Revenue Over Expenses

In the accompanying consolidated statements of operations and changes in net assets, excess of revenue over expenses is the performance indicator. Peripheral or incidental transactions are included in excess of revenue over expenses. Those gains and losses deemed by management to be closely related to ongoing operations are included in other revenue; other gains and losses are classified as nonoperating.

Contributions of, or restricted to, property, plant and equipment, and pension and other postretirement related changes other than net periodic benefit cost are excluded from the performance indicator, but are included in the change in net assets.

(v) Income Taxes

Most entities within the System are not-for-profit corporations as described in Section 501(c)(3) of the Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Provisions for income taxes and deferred taxes, which are not material to the consolidated financial statements, have been made for the taxable entities listed above under the description of the System.

There are certain transactions that could be deemed “Unrelated Business Income” and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not that the position will be sustainable based on the merits of the position. It is management’s estimation that there are no material tax liabilities that need to be recorded.

(w) Operating Expenses

Y-NHH records amounts received from the University, area hospitals, and other local health care providers for costs incurred on behalf of those organizations as reductions to expenses. These costs consist mainly of salaries and benefits. For the years ended September 30, 2015 and 2014, Y-NHH recorded approximately $55.0 million and $60.5 million, respectively, as reductions to expenses.

(x) Deferred Financing Costs

The System capitalizes costs incurred in connection with the issuance of long-term debt, and amortizes these costs over the life of the respective obligations using the effective interest method (note 8). The accumulated amortization of deferred financing costs was approximately $1.1 million and $0.6 million for September 30, 2015 and 2014, respectively. See note 8 for additional information relative to debt-related matters.

(y) Impairment of Assets

The System reviews property, plant, and equipment, and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such impairment indicators are present, the System recognizes a loss on the basis of whether these amounts are fully recoverable. There was no impairment recognized in 2015 and 2014.

(z) Reclassifications

Certain reclassifications have been made to the year ended September 30, 2014, balances previously reported in the consolidated financial statements in order to conform with the year ended September 30, 2015, presentation.

(aa) New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Reporting entities will be required to disclose the amount of investments measured at net asset value (or its equivalent) using the practical expedient to reconcile total investments in the fair value hierarchy to total investments measured at fair value. ASU 2015-07 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The effective date for all other entities is fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. Management has adopted and applied ASU 2015-07 retrospectively to all periods presented.

In April, 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 is intended to simplify the presentation of debt issuance costs, requiring them to be presented as a direct reduction from the carrying value of the related debt liability. This guidance is effective for fiscal years beginning after December 15, 2015 and management is currently evaluating the effect of this guidance on its consolidated financial statements.

(2) Accounts Receivable for Services to Patients and Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. The difference is accounted for as allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service, discounted charges, and per diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program and is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to 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, reviews, and investigation.

Third-party payor receivables included in other receivables were $5.0 million and $8.0 million at September 30, 2015 and 2014, respectively. Third-party payor liabilities included in other current liabilities were $76.2 million and $47.4 million at September 30, 2015 and 2014, respectively. Third-party payor liabilities include in other long-term liabilities were $70.5 million and $76.9 million at September 30, 2015 and 2014, respectively.

The System has established estimates, based on information presently available, of amounts due to or from Medicare, Medicaid, and third-party payors for adjustments to current and prior year payment rates, based on System-specific data. Such amounts are included in the accompanying consolidated balance sheets. Additionally, certain payors' payment rates for various years have been appealed by the System. If the appeals are successful, additional income applicable to those years might be realized.

Revenue from Medicare and Medicaid programs accounted for approximately 29% and 11%, respectively, of the System's consolidated net patient service revenue for the years ended September 30, 2015, and approximately 32% and 11%, respectively, of the System's consolidated net patient service revenue for the years ended September 30, 2014. Inpatient discharges relating to Medicare and Medicaid programs accounted for approximately 36% and 27%, respectively for the year ended September 30, 2015 and 37% and 27%, respectively, for the year ended September 30, 2014. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term.

The System believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing, except as disclosed in note 11. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the System. Cost reports for the System's hospitals, which serve as the basis for final settlement with government payors have been settled by final settlement for various years ranging through 2012 for Medicare and through 2013 for Medicaid. Other years remain open for settlement.

The significant concentrations of accounts receivable for services to patients include 36% from Medicare, 16% from Medicaid, and 48% from nongovernmental payors at September 30, 2015 and 37% from Medicare, 13% from Medicaid, and 50% from nongovernmental payors at September 30, 2014.

Patient service revenue for the years ended September 30, 2015 and 2014, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, is as follows:

		2015	2014
		(In thousands)	
Third-party	$	3,465,982	3,276,256
Self-pay		108,231	135,179
Total all payors	$	3,574,213	3,411,435

Deductibles and copayments under third-party payment programs within the third-party payor amount above are the patient's responsibility and the System considers these amounts in its determination of the provision for bad debts based on collection experience. Accounts receivable are also reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

The System's allowance for doubtful accounts totaled approximately $313.9 million and $272.7 million at September 30, 2015 and 2014, respectively. The allowance for doubtful accounts for self-pay patients was approximately 66.0% and 81.8% of self-pay accounts receivable as of September 30, 2015 and 2014, respectively. Substantially all write-offs are related to self-pay patients.

(3) Uncompensated Care and Community Benefit Expense

The System's commitment to community service is evidenced by services provided to the poor and benefits provided to the broader community. Services provided to the poor include services provided to persons who cannot afford health care because of inadequate resources, and/or who are uninsured or underinsured.

The System makes available free care programs for qualifying patients. In accordance with the established policies of the System, during the registration, billing, and collection process, a patient's eligibility for free care funds is determined. For patients who were determined by the System to have the ability to pay but did not, the uncollected amounts are the provision for bad debts. For patients who do not avail themselves of any free care program, and whose ability to pay cannot be determined by the System, care given but not paid for is classified as charity care. During the year ended September 30, 2014, the System amended it Charity Care policy. Based upon the policy change, the System experienced increased charity care write offs during the years ended September 30, 2015 and 2014.

Together, charity care and provision for bad debts represent uncompensated care. The estimated cost of total uncompensated care is approximately $154.7 million and $184.9 million for the years ended September 30, 2015 and 2014, respectively. The estimated cost of uncompensated care is based on the ratio of cost to charges, as determined by claims activity.

The estimated cost of charity care provided was $108.4 million and $115.8 million for the years ended September 30, 2015 and 2014, respectively. The estimated cost of charity care is based on the ratio of cost to charges. The allocation between bad debt and charity care is determined based on management's analysis on the previous 12 months of hospital data. This analysis calculates the actual percentage of accounts written off or designated as bad debt versus charity care while taking into account the total costs incurred by the System for each account analyzed.

For the years ended September 30, 2015 and 2014, provision for bad debts, at charges, was $81.5 million and $123.7 million, respectively. For the years ended September 30, 2015 and 2014, provision for bad debt at cost was approximately $46.3 million and $69.1 million, respectively. The provision for bad debts is multiplied by the ratio of cost to charges for purposes of inclusion in the total uncompensated care amount identified above.

The Connecticut Disproportionate Share Hospital Program (CDSHP) was established to provide funds to hospitals for the provision of uncompensated care and is funded, in part, by an assessment on hospital net patient service revenue. During the years ended September 30, 2015 and 2014, the System received $14.6 million and $42.2 million, respectively, in CDSHP distributions, of which approximately

$10.4 million and $27.8 million was related to charity care. The System made payments into the CDSHP of $122.4 million and $102.5 million for the years ended September 30, 2015 and 2014, respectively, for the assessment.

The State of Connecticut implemented changes to the hospital funding levels for the CDSHP in their fiscal 2016 biennium budget. As a result of these budget changes, the funding for this program was reduced effective July 1, 2015. The reduction in funding was approximately $13.2 million for the period July 1, 2015 to September 30, 2015 and the funding has been eliminated for the state fiscal year 2016 in the amount of $52.8 million.

Additionally, the System provides benefits for the broader community which includes services provided to other needy populations that may not qualify as poor but need special services and support. Benefits include the cost of health promotion and education of the general community, interns and residents, health screenings and medical research. The benefits are provided through the community health centers, some of which service non-English speaking residents, disabled children and various community support groups. The System voluntarily assists with the direct funding of several City of New Haven programs, including an economic development program and a youth initiative program.

In addition to the quantifiable services defined above, the System provides additional benefits to the community through its advocacy of community service by employees. The System's employees serve numerous organizations through board representation, membership in associations and other related activities. The System also solicits the assistance of other health care professionals to provide their services at no charge through participation in various community seminars and training programs.

(4) Investments and Assets Limited as to Use

The composition of investments, including investments held by the Trust, amounts on deposit with trustee in debt service fund, and assets limited as to use is set forth in the following table (in thousands):

	September 30 2015	September 30 2014
Money market funds	$ 130,047	212,529
U.S. equity securities	104,792	97,735
International equity securities[a]	105,476	116,635
Fixed income:		
U.S. government	417,835	301,674
International government[b]	97,707	86,160
Corporate bonds	4,945	27,097
Mortgage backed securities	—	24
Commodities	1,595	2,716
Hedge funds:		
Absolute return[c]	21,909	22,310
Long/short equity[d]	6,936	2,460
Private equity	7,489	8,272
Real estate[e]	8,278	11,285
Interest in Yale University endowment pool[f]	855,264	752,731
Perpetual trusts[g]	30,981	32,349
Total	$ 1,793,254	1,673,977

[a] Investments with external international equity and bond managers that are domiciled in the United States. Investment managers may invest in American or Global Depository Receipts (ADR, GDR) or in direct foreign securities.

[b] Investments with external commodities futures manager.

[c] Investment with external multi-strategy fund of funds manager investing in publicly traded equity and credit holdings which may be long or short positions.

[d] Investment with an external long-short equity fund of funds manager with underlying portfolio investments consisting of publicly traded equity positions.

(e) Investments with external direct real estate managers and fund of funds managers. Investment vehicles include both closed end Real Estate Investment Trusts (REITs) and limited partnerships.

(f) Yale University Endowment Pool maintains a diversified investment portfolio, through the use of external investment managers operating in a variety of investment vehicles, including separate accounts, limited partnerships, and commingled funds. The pool combines an orientation to equity investments with an allocation to nontraditional asset classes such as an absolute return, private equity, and real assets.

(g) Investments consist of several domestic and international equity and fixed income mutual funds, REITs, commodities and money market funds. There is also an investment in a hedge fund of funds.

(5) Property, Plant and Equipment

Property, plant and equipment is as follows (in thousands):

		September 30	
		2015	**2014**
Land, buildings and improvements	$	1,617,826	1,562,723
Equipment		1,264,862	1,267,165
Assets recorded under capital leases		57,345	70,262
		2,940,033	2,900,150
Less accumulated depreciation and amortization		1,551,286	1,444,576
Property, plant, and equipment, net		1,388,747	1,455,574
Construction in progress (note 8 (n))		157,101	66,043
	$	1,545,848	1,521,617

(6) Endowment

The System's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor- imposed restrictions.

The System has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment related to the System's beneficial interest in perpetual trusts made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the System and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the System; and (7) the investment and spending policies of the System.

Changes in endowment net assets for the year ended September 30, 2015, are as follows (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	$ 47,947	73,543	80,856	202,346
Investment returns:				
Investment (loss) income	(865)	151	—	(714)
Net appreciation (realized and unrealized)	452	3,278	(1)	3,729
Total investment returns	(413)	3,429	(1)	3,015
Appropriation of endowment assets for expenditure	(2,820)	(7,826)	(1,392)	(12,038)
Other changes:				
Contributions	—	6,130	15,175	21,305
Change in value of beneficial interest trusts	—	—	(1,282)	(1,282)
Endowment net assets at end of year	$ 44,714	75,276	93,356	213,346

Changes in endowment net assets for the year ended September 30, 2014, are as follows (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	$	43,893	71,899	70,179	185,971
Investment returns:					
Investment (loss) income		(554)	688	—	134
Net appreciation (realized and unrealized)		7,156	10,677	46	17,879
Total investment returns		6,602	11,365	46	18,013
Appropriation of endowment assets for expenditure		(2,548)	(10,942)	—	(13,490)
Other changes:					
Contributions		—	1,221	5,373	6,594
Change in value of beneficial interest trusts		—		5,258	5,258
Endowment net assets at end of year	$	47,947	73,543	80,856	202,346

		September 30	
		2015	2014
		(In thousands)	
The portion of perpetual endowment funds subject to a time restriction under CUPMIFA:			
Without purpose restrictions	$	8,666	8,357
With purpose restrictions		66,610	65,186
Total endowment funds classified as temporarily restricted net assets	$	75,276	73,543

(a) Return Objectives and Risk Parameters

The System has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under these policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that over time provide a rate of return that meets the spending policy objectives adjusted for inflation. Actual returns in any given year may vary from this amount.

(b) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) The System targets a diversified asset allocation that place greater emphasis on equity-based investments to achieve its long-term rate of return objectives within prudent risk constraints.

(c) Spending Policy and How the Investment Objectives Relate to Spending Policy

BH and Y-NHH have a policy of appropriating for distribution each year based on a combination of the weighted average of the prior year spending adjusted for inflation and the amount that would have been spent using a predetermined percentage (5.25% for Y-NHH and 5.0% for BH) of the current market value of the endowment fund. In establishing this policy, BH and Y-NHH have considered the long-term expected return on its endowment.

GHCS has a policy of appropriating funds for distribution each year based on the greater of $800,000 or 5% of the average market value of its investments for the prior 12 quarters. In establishing this policy, GHCS considered the long-term expected return on its endowment.

From time to time, the fair value of assets associated with permanently restricted endowment funds may fall below the level determined under Connecticut UPMIFA.

(7) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes (in thousands):

		September 30 2015	September 30 2014
Specific hospital operations, teaching, research, indigent and free care, and training	$	125,467	123,058
Plant improvement and expansion		22,101	18,654
	$	147,568	141,712

Permanently restricted net assets of approximately $93.4 million and $80.9 million at September 30, 2015 and 2014, respectively, consist of donor restricted endowment principal and beneficial interests in perpetual trusts. The income generated from permanently restricted funds is expendable for purposes designated by donors, including research, free care, health care, and other services.

(8) Debt

A summary of long-term debt and capital lease obligations is as follows (in thousands):

	September 30 2015	September 30 2014
Revenue bonds financed with the State of Connecticut Health and Educational Facilities Authority (CHEFA):		
Tax-exempt		
Series C (Greenwich Hospital) maturing July 1, 2026 (variable interest rates with an average rate of approximately 3.22% for fiscal 2015) (a)	$ 35,105	37,710
Series D (BH), maturing July 1, 2025, fixed interest ranging from 2.00% to 5.00% (b)	29,780	32,110
Series E (BH), 3.47% effective interest rate (c)	34,982	35,971
Series N (Y-NHH), 4.27% effective interest rate (d)	44,815	44,815
Series O (Y-NHH), 2.84% effective interest rate (d)	50,000	50,000
Series A (Y-NHH), 3.77% effective interest rate (e)	102,300	102,300
Series B (Y-NHH), 2.30% effective interest rate (e)	168,275	168,275
Series C (Y-NHH), 3.11% effective interest rate (f)	77,235	83,625
Series D (Y-NHH), 3.68% effective interest rate (f)	108,275	108,275
Series E (Y-NHH), 3.47% effective interest rate (c)	43,728	44,963
Series 2013 taxable bonds (Y-NHH), 4.13% effective rate (g)	132,000	132,000
Series 2014 taxable bonds (Y-NHH), 4.37% effective rate (j)	50,725	50,725
Loans payable:		
Note payable (Y-NHH), 5.4% effective interest rate (i)	8,309	—
Term loan – November 2010 (BH), 3.22% fixed interest rate (j)	3,674	4,317
Term loan June, 2012 (BH), 1.66% fixed interest rate (k)	1,977	3,082
Note payable (BH), 6.9% fixed interest rate (l)	2,101	6,250
Capital lease obligation at an imputed interest of 6.0% – November 2010, (Y-NHH) (m)	48,853	50,682
Capital lease obligation (BH) (n)	60,774	20,207
Capital lease obligations (York), at varying rates of imputed interest of 6.25%, collateralized by leased equipment	—	3,119
	1,002,908	978,426
Add premium	29,332	32,139
Less current portion	(18,931)	(22,456)
	$ 1,013,309	988,109

a) On May 6, 2008, CHEFA issued $53.6 million of its Revenue Bonds on behalf of GH, Series C, consisting of variable rate demand bonds. The proceeds were utilized for the refunding of outstanding revenue bonds. Principal amounts related to the Series C revenue bonds mature annually each July 1 through fiscal 2026. The Series C bonds are required to be supported by a letter of credit, which has been executed with Bank of America. The letter of credit is scheduled to expire in May 2018.

b) In May 2012, the BH Series D tax-exempt revenue bonds were issued through CHEFA under a Master Trust Indenture for approximately $36.4 million, with coupons ranging from 2.0% to 5.0%, and a final maturity of July 2025. The proceeds, including a premium of approximately $4.1 million, were held in an escrow account and used for the retirement of the outstanding tax-exempt revenue bonds and to pay for certain bond issuance costs of approximately $0.8 million. The bond premium is being amortized using the effective interest method and is included in interest expense in the accompanying consolidated statement of operations and changes in net assets.

c) In June 2014, the Obligated Group issued Series E revenue bonds totaling approximately $80.9 million. The Series E revenue bonds were issued as fixed rate bonds with an effective interest rate of 3.47%. The proceeds included a premium of approximately $10.1 million. The proceeds were used to finance costs for the installation of machinery and equipment and various renovations and improvements to the infrastructures at BH and Y-NHH. The premium is being amortized and included in capitalized interest. Upon completion of these projects, the bond premium will be amortized as interest expense in the accompanying consolidated statement of operations and changes in net assets.

d) In January 2013, Y-NHH issued Series N and Series O revenue bonds totaling approximately $100.0 million. The Series N revenue bonds were issued as fixed rate bonds with an effective interest rate of 4.27%. The Series O revenue bonds were issued as VRDBs with an effective interest rate of 2.84% at September 30, 2013. The proceeds, including a premium of approximately $5.2 million for the Series N revenue bonds, were used to refinance a line of credit. The bond premium is being amortized as interest expense in the accompanying consolidated statements of operations and changes in net assets.

e) In June 2014, the Obligated Group issued Series A revenue bonds totaling approximately $102.3 million and Series B revenue bonds totaling approximately $168.3 million. The Series A revenue bonds were issued as fixed rate bonds with an effective interest rate of 3.77%. The Series B revenue bonds were issued as floating rate notes with an effective interest rate of 2.30%. The proceeds from the Series A revenue bonds, including a premium of approximately $14.8 million, and the proceeds from the Series B revenue bonds, were used to defease certain Y-NHH revenue bonds. The bond premium is being amortized as interest expense using the effective interest method in the consolidated statements of operations and changes in net assets.

f) In June 2014, the Obligated Group issued Series C revenue bonds totaling approximately $83.6 million and Series D revenue bonds totaling approximately $108.3 million. The Series C revenue bonds were issued as VRDBs with an effective interest rate of 3.11%. The proceeds from the Series C issuance were used to refund certain Y-NHH revenue bonds. The Series D revenue bonds were issued as VRDBs with an effective interest rate of 3.68%. The proceeds from the Series D issuance were used to refund certain Y-NHH revenue bonds.

(Continued)

As a result of the above transactions, Y-NHH incurred a loss on extinguishment of debt totaling approximately $32.6 million during the fiscal year ended September 30, 2014.

g) In January 2013, Y-NHH issued Series 2013 taxable bonds totaling approximately $132.0 million. The Series 2013 taxable bonds were issued as fixed rate bonds with an effective interest rate of 4.13%. The proceeds were used to finance and refinance the costs of certain projects and activities in furtherance of Y-NHH's tax exempt purpose, including the refinancing of certain existing indebtedness.

h) In June 2014, the Obligated Group issued Series 2014 taxable bonds totaling approximately $50.7 million. The Series 2014 taxable bonds were issued as fixed rate bonds with an effective interest rate of 4.37%. The proceeds were used to finance the costs of certain projects and activities in furtherance of the System's tax-exempt purpose.

i) In connection with the May 2015 purchase of a parcel of real estate, Y-NHH assumed a note payable with an effective interest rate of 5.46%. The note payable has a term of three years and matures in May 2017.

j) In November 2010, BH obtained a $6.6 million term loan from the CHEFA. The proceeds of the loan are to be used for the purchase and installation of energy savings equipment and various renovations and improvements to the infrastructure of BH. The loan is to be paid in monthly installments over ten years at a fixed interest rate of 3.22%.

k) In June 2012, BH obtained a $5.5 million term loan from CHEFA. The loan is to be paid in monthly installments over five years at a fixed rate of 1.66% with the proceeds to be used for medical and cafeteria equipment. The loan is secured by the equipment purchased with the proceeds of the loan.

l) In December 2012, in connection with the purchase of a radiology practice, BH entered into a note payable with the seller in the amount of $15.1 million. The note is to be repaid in monthly installments over five years.

m) Y-NHH entered into a contract to lease space in a building adjacent to Y-NHH. Y-NHH's rental obligation commenced in December 2009. This capital lease has a term of 20 years from the commencement date with the option to extend the lease for four successive terms of ten years. Rental payments increase by 5% every five years. Y-NHH is also subject to additional rent for its share of expenses, as defined in the contract. Y-NHH has the option to purchase the property at the end of the fifth, tenth, or twentieth year or at the end of each of the first three ten-year extension periods.

n) BH entered into an arrangement with a developer to construct a 120,000 square foot medical office building and adjacent garage in Fairfield County, CT. The arrangement contains provisions for BH to begin leasing the property for a 25-year period beginning in April 2016. Management has evaluated the terms of the arrangement and will be recording the project as a capital lease. Upon completion, the total estimated capital lease obligation will approximate $102.0 million. At September 30, 2015 and 2014, construction costs totaled approximately $60.8 million and $20.2 million, respectively, and are included in construction in process in the accompanying consolidated balance sheet.

Required monthly payments on the revenue bonds by the System to a trustee are in amounts sufficient to provide for the payments of principal, interest, and sinking fund installments, as well as required payments to certain reserve funds held by the trustee, in accordance with the terms of the agreements, and certain other annual costs of CHEFA.

Arbitrage rules apply to tax-exempt debt issued after August 31, 1986. The rules require that, in specified circumstances, earnings from the investment of tax-exempt bond proceeds which exceed the yield on the bonds must be remitted to the Federal government.

The GH Series C, Y-NHH Series C, Y-NHH Series D and Y-NHH Series O VRDBs are required to be supported by letter of credit facilities (LOCs) which have been executed with three financial institutions. These LOCs are scheduled to expire on May 7, 2018, December 31, 2017, June 23, 2017, and February 14, 2018, respectively.

The Hospitals maintain the bank letters of credit to ensure the availability of funds to purchase any bonds tendered by bondholders that the remarketing agents are unable to remarket to new bondholders. Draws related to such tenders under the letters of credit will become Bank Bonds. As Bank Bonds, they can still be remarketed by the remarketing agents. If not remarketed successfully as Bank Bonds, the Hospitals will have the opportunity to refinance them, depending upon which bond series, during a period of from 90 to 367 days from initial draw date. If the Bank Bonds are not refunded and remain outstanding exceeding such period from initial draw date, GH will be required to make monthly payments over three years and Y-NHH will be required to make quarterly payments over five years. There were no draws under the letters of credit as of September 30, 2015.

The terms of the various financing arrangements between CHEFA and the System, the financial institutions providing the LOCs and the System, and the bank and the System provide for financial covenants regarding the System’s debt service coverage ratio, liquidity ratio, and debt to capitalization ratio, among others.

Assets recorded under the capital lease obligations totaled approximately $118.1 million and $90.4 million as of September 30, 2015 and 2014, respectively. Accumulated depreciation for the capital lease obligations totaled approximately $10.1 million and $19.3 million at September 30, 2015 and 2014, respectively.

Capitalized interest at September 30, 2015 and 2014 totaled approximately $30.9 million and $29.9 million, respectively.

For the years ended September 30, 2015 and 2014, the System paid approximately $23.4 million and $25.5 million, respectively, for interest related to long-term debt and capital lease obligations.

Scheduled principal payments on all long-term debt, including capital lease obligations, are as follows (in thousands):

		Debt		Capital lease obligations
Year ending September 30:				
2016	$	16,472		8,633
2017		25,897		13,052
2018		15,829		13,052
2019		17,601		13,053
2020		18,290		13,235
Thereafter		799,193		177,133
	$	893,282		238,158
Less interest				(128,949)
			$	109,209

The following table summarizes the System's interest rate swap agreements (in thousands):

Swap type	Expiration date	System receives	System pays		Notional amount at September 30 2015	2014
Series O – fixed to floating	July 1, 2053	67% of LIBOR	2.84%	$	50,000	50,000
Series B – fixed to floating	July 1, 2049	67% of LIBOR	2.31%		100,965	100,965
Series B – fixed to floating	July 1, 2049	LIBOR	2.29%		67,310	67,310
Series C – fixed to floating (Y-NHH)	July 1, 2025	LIBOR	3.11%		51,592	55,861
Series D – fixed to floating	July 1, 2036	LIBOR	3.68%		44,505	44,505
Series C – fixed to floating (Greenwich Hospital)	July 1, 2026	LIBOR	3.10%		24,000	25,700
				$	338,372	344,341

The swap agreements fix the interest rate at a level viewed as desirable by the System. Such agreements expose the System to credit risk in the event of nonperformance by the counterparties, some of which is collateralized. At September 30, 2015 and 2014, the fair value of the swap agreements based on current interest rates was approximately $54.7 million and $36.1 million, respectively, representing a payable to the counterparties (recorded in other long-term liabilities).

For the Y-NHH Series O swap, there was an unfavorable change in fair value of $0.7 million and $0.6 million for the years ended September 30, 2015 and 2014, respectively, which was recorded in excess of revenue over expenses. No collateral was required under the Series O swap agreement for the years ended September 30, 2015 and 2014.

In June 2014, Y-NHHSC, on behalf of the Obligated Group, entered into LIBOR swap rate locks with two counter parties (the Series B swaps). For the Series B swaps, there was an unfavorable change in fair value of approximately $13.2 million and $7.1 for the years ended September 30, 2015 and 2014, respectively, which was recorded in excess of revenue over expenses. No collateral was required under the Series B swap agreements for the years ended September 30, 2015 and 2014.

For the Y-NHH Series C swap, there was a favorable change in fair value of approximately $0.5 million and $1.0 million, respectively, for the years ended September 30, 2015 and 2014 which was recorded in excess of revenue over expenses. No collateral was required under the Y- NHH Series C swap agreement for the years ended September 30, 2015 and 2014.

For the Y-NHH Series D swap, there was an unfavorable change in fair value of approximately $4.2 million and $2.2 million for the years ended September 30, 2015 and 2014, respectively, which was recorded in excess of revenue over expenses. No collateral was required under the Series D swap agreement for the years ended September 30, 2015 and 2014.

In connection with its Series C revenue bonds, GH entered into an interest rate swap agreement (the GH swap) with a financial institution. Under the terms of the GH swap, GH will receive variable interest payments and pay fixed interest payments on a notional value of approximately $24.0 million.

For the GH swap, there was a favorable change in fair value of approximately $0.3 million for the years ended September 30, 2015 and 2014 which was recorded in excess of revenue over expenses. The terms of the swap agreement have not required GH to collateralize funds to be held by the financial institution as of September 30, 2015 and 2014.

(9) Pensions and Postretirement Benefits

The System has qualified and nonqualified defined benefit pension plans covering substantially all employees and executives. The benefits provided are based on age, years of service, and compensation. The System's policy is to fund the pension benefits with at least the minimum amounts required by the Employee Retirement Income Security Act of 1974.

The System also sponsors contributory 403(b) plans and 401(k) plans covering substantially all employees. Employer contributions for certain 403(b), made to a matching 401(a) plan, and 401(k) plans are determined based on employee contributions and years of service. The System contributed approximately $62.0 million and $51.3 million for the years ended September 30, 2015 and 2014, respectively. Amounts due to the defined contribution plans amounted to $28.7 million and $21.7 million at September 30, 2015 and 2014, respectively, and is included in accrued expenses in the accompanying balance sheets.

Y-NHH maintains a Section 457 Nonqualified deferred compensation plan. Contributions are made on a pre-tax basis. The balances recorded at September 30, 2015 and 2014 in other assets and other long-term liabilities were approximately $34.4 million and $32.5 million, respectively.

On June 30, 2006, BH froze its defined benefit plan. On October 1, 2006, BH instituted a defined contribution plan.

Effective as of December 31, 2006, GH amended its defined benefit pension plan to freeze benefits for employees who were under age 50 with less than five years of service. Effective January 1, 2007, GH began providing a matching contribution and a length of service contribution, in addition to its incentive contribution, for its defined contribution plan for all employees no longer accruing benefits under the defined benefit plan. Employees who were age 50 or older with five years of service continue to accumulate benefits under the defined benefit plan, and do not participate in the defined contribution plan.

Effective September 30, 2013, the Y-NHH qualified defined benefit pension plan and the 401(a) plan were amended to reduce the percentage of compensation contributed by Y-NHH to the qualified defined benefit pension plan and to increase the percentage of compensation contributed by Y-NHH to the 401(a) plan for the plan years commencing after December 1, 2013.

Y-NHH and GH also provide certain health care and life insurance benefits upon retirement to substantially all their employees. Y-NHH's and GH's policy is to fund these annual costs as they are incurred from the general assets of Y-NHH and GH. The estimated cost of these postretirement benefits is actuarially determined and accrued over the employees' service periods.

Included in unrestricted net assets at September 30, 2015 and 2014 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service credit of approximately $20.4 million and $22.4 million, respectively, and unrecognized actuarial losses of approximately $350.1 million and $308.0 million, respectively. The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending September 30, 2016 are approximately $2.0 million and $17.5 million, respectively.

The following table sets forth the change in benefit obligations, change in the plans' assets, and the reconciliation of underfunded status of the System's defined benefit plans as of September 30, 2015 and 2014 (in thousands):

	Defined benefit pension plans		Postretirement benefits plan	
	2015	**2014**	**2015**	**2014**
Change in benefit obligation:				
Benefit obligation at prior measurement date	$ 908,910	804,718	78,136	67,904
Service cost	23,106	24,830	3,789	3,617
Interest cost	37,775	38,108	3,393	3,270
Plan amendments	—	—	—	(577)
Actuarial (gain) loss	(5,176)	79,636	(14,067)	5,413
Benefits paid	(42,326)	(38,382)	(1,670)	(1,491)
Benefit obligation at current measurement date	922,289	908,910	69,581	78,136
Change in plans' assets:				
Fair value of assets at prior measurement date	663,472	605,715	—	—
Actual return on plans' assets	(28,974)	45,364	—	—
Employer contributions	57,663	50,775	1,670	1,491
Benefits paid	(42,326)	(38,382)	(1,670)	(1,491)
Fair value of plans' assets at current measurement date	649,835	663,472	—	—
Accrued benefit cost	$ (272,454)	(245,438)	(69,581)	(78,136)

The actuarial loss in 2015 primarily relates to changes in the discount rate and mortality table used to measure the benefit obligation and the actuarial gain in 2014 primarily relates to changes in the discount rate.

The accrued benefit cost included in the consolidated balance sheets includes the following (in thousands):

		Accrued pension and postretirement obligations		Fair value of plans' assets	
		2015	**2014**	**2015**	**2014**
Y-NHH and Subsidiaries – accrued pension and postretirement obligations	$	(230,944)	(233,609)	340,669	347,238
Bridgeport Hospital – accrued pension and postretirement obligations		(68,304)	(58,281)	142,986	145,156
Greenwich Hospital – accrued pension and postretirement obligations		(42,787)	(31,684)	166,180	171,078
	$	(342,035)	(323,574)	649,835	663,472

Benefit Obligation and Assumptions

The projected benefit obligation, accumulated benefit obligation, and fair value of the plans' assets were as follows (in thousands):

		September 30	
		2015	**2014**
Projected benefit obligation	$	(922,289)	(908,910)
Accumulated benefit obligation		(919,111)	(829,877)
Fair value of plans' assets		649,835	663,472

As of September 30, 2015 and 2014, the underfunded status of the qualified defined benefit pension plans was approximately $222.2 million and $197.6 million, respectively, and that of the nonqualified defined benefit pension plan was approximately $50.2 million and $47.9 million, respectively. Additionally, there are assets limited as to use of approximately $78.8 million and $77.9 million, which are available to satisfy the obligations of the nonqualified defined benefit pension plan at September 30, 2015 and 2014, respectively.

The net periodic benefit cost for the years ended September 30, 2015 and 2014 is as follows (in thousands):

	Defined benefit pension plans		Postretirement benefits plan	
	2015	**2014**	**2015**	**2014**
Service cost	$ 23,106	24,830	3,789	3,617
Interest cost	37,775	38,108	3,392	3,270
Expected return on plan assets	(50,700)	(46,357)	—	—
Amortization of prior service cost	(1,951)	(2,029)	(37)	86
Recognized net actuarial loss	18,306	12,147	—	—
Net periodic benefit cost	$ 26,536	26,699	7,144	6,973

Weighted average assumptions used to determine benefit obligations at September 30, 2015 and 2014 are as follows:

	Defined benefit pension plans		Postretirement benefits plan	
	2015	**2014**	**2015**	**2014**
Discount rate for determining benefit obligations at year-end, qualified plan	4.3–4.4%	4.2–4.3%	4.5%	4.4%
Discount rate for determining benefit obligations at year-end, nonqualified plan	4.3%	4.4%	—	—
Rate of compensation increase	2.5–4.0%	2.5–5.0%	—	—

Weighted average assumptions used to determine net periodic benefit cost for the years ended September 30, 2015 and 2014 are as follows:

	Defined benefit pension plans		Postretirement benefits plan	
	2015	**2014**	**2015**	**2014**
Discount rate for determining net periodic benefit cost at year-end, qualified plan	4.2–4.3%	4.8–4.9%	4.4%	4.9%
Discount rate for determining net periodic benefit cost at year-end, nonqualified plan	4.3–4.4%	4.9%	—	—
Expected rate of return on plan assets	6.75–7.75	6.75–7.75	—	—
Rate of compensation increase	2.5–5.0%	3.5–5.0%	—	—

For measurement purposes relating to the postretirement benefits plan, a 4.0% and 5.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for fiscal 2015 and fiscal 2014, respectively. Rates are assumed to decline to 4.5% through fiscal 2016.

Assumed health care cost trend rate assumptions have a significant effect on the amounts reported. A 1% change in the assumed health care cost trend rate would have the following effects (in thousands):

		1% increase	1% decrease
Effect on total of service and interest cost components	$	50	(59)
Effect on postretirement benefit obligations		335	(381)

The asset allocation of the System's pension plans at September 30, 2015 and 2014, on a combined basis, was as follows:

Asset category	Target allocation	Percentage of assets	
	2016	2015	2014
Equity securities	42–46	46%	44%
Debt securities	17–21	22	22
All other assets	33–41	32	34
		100%	100%

Financial assets carried at fair value, as of September 30, 2015, are classified in the following tables (see note 15 for description) (in thousands):

	Investments measured at NAV	Investments classified in the fair value hierarchy Level 1	Total
Money market funds	$ —	30,477	30,477
U.S. equity securities	75,363	68,016	143,379
International equity securities	96,995	58,733	155,728
Fixed income:			
U.S. government	28,183	36,989	65,172
Corporate debt	—	15,921	15,921
International government	10,776	30,504	41,280
Commodities	10,645	—	10,645
Private equity	17,043	—	17,043
Hedge funds:			
Absolute return	29,438	—	29,438
Multi strategy/other	113,206	—	113,206
Long/short equity	10,453	—	10,453
Real estate	17,093	—	17,093
Total investments	$ 409,195	240,640	649,835

(Continued)

Financial assets carried at fair value, as of September 30, 2014, are classified in the following tables (see note 15 for description) (in thousands):

	Investments measured at NAV	Investments classified in the fair value hierarchy Level 1	Total
Money market funds	$ —	21,854	21,854
U.S. equity securities	56,742	87,735	144,477
International equity securities	61,143	77,642	138,785
Fixed income:			
U.S. government	42,800	17,018	59,818
Corporate debt	—	50,530	50,530
International government	9,489	32,038	41,527
Commodities	27,993	—	27,993
Private equity	15,267	—	15,267
Hedge funds:			
Absolute return	30,083	—	30,083
Multi strategy/other	104,755	—	104,755
Long/short equity	5,450	—	5,450
Real estate	19,444	3,489	22,933
Total investments	$ 373,166	290,306	663,472

There are no pension investments that are measured at fair value based on Level 2 and Level 3 inputs at September 30, 2015 or 2014.

The System’s investment strategy for its pension assets balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future pension obligations. The target asset allocation seeks to capture the equity premium granted by the capital markets over the long-term while ensuring security of principal to meet near term expenses and obligations through the fixed income allocation. The allocation of the investment pool to various sectors of the markets is designed to reduce volatility in the portfolio.

The System’s pension portfolios return assumption of 7.75% is based on the targeted weighted- average return of comparative market indices for the asset classes represented in the portfolio and discounted for pension expenses.

The future cash flows of the System relative to retirement benefits are expected to be as follows (in thousands):

	Defined benefit pension plans	Postretirement benefit plan
Estimated benefit payments related to years ending September 30:		
2016	$ 43,852	2,131
2017	46,301	2,399
2018	49,597	2,606
2019	52,417	2,835
2020	56,199	3,073
2021 to 2025	319,889	20,305

The System expects to make contributions of approximately $51.7 million for pension benefits and approximately $2.1 million for postretirement benefits in fiscal 2016.

(10) Professional Liability Insurance

In 1978, Y-NHH and a number of other academic medical centers formed The Medical Centre Insurance Company Ltd. (the Captive) to insure for professional and comprehensive general liability risks. In 1997, the Captive formed MCIC Vermont, Inc. (MCIC) to write direct insurance for the professional and general liability risks of the shareholders. Since 1997, the Captive has acted as a reinsurer for varying levels of per claim limit exposure. MCIC has reinsurance coverage from outside reinsurers for amounts above the per claim limits. Premiums are based on claims made coverage, and are actuarially determined based on actual experience of the System, the Captive, and MCIC.

Y-NHH controls less than 20% of the Class A stock of MCIC; however, for accounting purposes the investment in the insurance companies is recorded on the equity method because of contractual agreements.

The System entities participate in the Y-NHH insurance program as additional insureds. All System entities initially pay premiums to Y-NHHSC. Y-NHHSC generally assumes the responsibility for ensuring that all the System members pay all premiums owed by them to MCIC. Y-NHHSC manages MCIC's operations for all other System members.

MCIC's policy is to establish retrospective-related premiums for its shareholders equivalent to estimated losses and general and administrative expenses, less estimated investment income, so that its results of operations are breakeven each year. The System accrues premiums as incurred.

The estimate for claims-made professional liabilities and the estimate for incidents that have been incurred but not reported aggregated approximately $180.4 million and $179.4 million at September 30, 2015 and 2014, respectively for the System. The undiscounted estimate for incidents that have been incurred but not reported aggregated approximately $69.1 million and $64.0 million for the System at September 30, 2015 and 2014, respectively, and is included in professional insurance liabilities in the accompanying consolidated balance sheets at the actuarially determined present value of approximately $63.0 million and $57.6 million, respectively, based on a discount rate of 2.0% and 2.50% for the years ended September 30, 2015 and 2014, respectively.

The System has recorded related insurance recoveries receivable of approximately $117.6 million and $121.9 million at September 30, 2015 and 2014, respectively, in consideration of the expected insurance recoveries for the total discounted claims-made insurance. The current portion of professional liabilities and the related insurance receivable represents an estimate of expected settlements and insurance recoveries over the next 12 months.

Lukan, the Y-NHH sponsored professional liability program, continues to manage all incidents and claims reported to Lukan prior to the acquisition of HSR, as well as extending professional liability coverage for post-acquisition risks to certain affiliated community clinicians.

Prior to the 2012 acquisition of HSR, Caritas provided excess professional liability and general liability insurance to HSR and their employed clinicians. Caritas continued to manage all incidents and claims reported prior to the acquisition of HSR and are included in the amounts above.

Caritas and Lukan have recorded the undiscounted estimate for claims-made professional liabilities, and the estimate for incidents that have been incurred but not reported aggregated approximately $29.6 million at September 30, 2014, respectively, and are included in professional liabilities in the accompanying consolidated statements of financial position.

In October 2014, Y-NHH disposed of its interest in Caritas and Lukan (the Captives) through a novation agreement with Medical Centre Insurance Company, Ltd (MCIC) for a total price of approximately $40.2 million. The novation agreement assigns and transfers all of the Captives’ past, present and future rights, risks, liabilities and obligations, and transfers substantially all of the assets of the Captives to MCIC. Y-NHH dissolved the Captives in the fiscal year ended September 30, 2015.

The System’s estimates for professional insurance liabilities are based upon complex actuarial calculations which utilize factors such as historical claims experience for the System and related industry factors, trending models, estimates for the payment patterns of future claims and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

(11) Commitments and Contingencies

(a) Leases

The System leases various equipment and properties under several noncancelable operating leases that range in terms. The System is responsible for operating expenses, as defined, during the lease terms. Future minimum lease payments under these leases are as follows (in thousands):

2016	$	43,537
2017		37,894
2018		32,653
2019		30,510
2020		14,611
Thereafter		137,229
	$	296,434

The System incurred rent expense under these leases of approximately $51.3 million and $33.0 million for the years ended September 30, 2015 and 2014, respectively.

(b) Cancer Hospital

Y-NHH has a shared facilities and services agreement with the University in connection with the Cancer Hospital which is recorded as deferred revenue. Deferred revenue, from this agreement, at September 30, 2015 and 2014 was approximately $42.7 million and $44.0 million, respectively.

(c) Inpatient Rehabilitation Unit Agreement

During September 2014, Y-NHH entered into an agreement with another health care provider to provide a framework for implementing programs in a manner that is consistent with the charitable mission of each organization and the communities they serve. Under the terms of the agreement, Y-NHH will utilize beds at the health care provider’s location under a lease arrangement to provide inpatient rehabilitation services to its patients. In addition, Y-NHH will furnish an $8.0 million term loan to the health care provider.

(d) Litigation

Various lawsuits and claims arising in the normal course of operations are pending, or are in progress against the System. Such lawsuits and claims are either specifically covered by insurance as explained in note 10, or are deemed immaterial. While the outcomes of the lawsuits and claims cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the consolidated financial position or changes in net assets of the System.

The System has received requests for information from certain governmental agencies relating to, among other things, patient billings. These requests cover several prior years relating to compliance with certain laws and regulations. Management is cooperating with those governmental agencies in their information requests and ongoing investigations. The ultimate results of those investigations, including the impact on the System, cannot be determined at this time.

(e) Affiliation Agreement

In July 2015, YNHHS entered into an affiliation agreement with Lawrence + Memorial Corporation and Subsidiaries (L+M) and its medical foundation. Under the affiliation agreement, L+M and Westerly Hospital would each continue to operate as separate Hospitals under YNHHS with YNHHS committing to make investments for various clinical specialties, primary care, and other strategic investments. During the regulatory approval process, the Connecticut Office of Health Care Access (OHCA), and the Office of the Attorney General, along with the State of Rhode Island and the Federal Trade Commission will review the proposed transaction. Upon completion of the regulatory review process, and upon receipt of the required regulatory approvals, the proposed transaction will be completed.

(12) Functional Expenses

The System provides general acute health care services to residents within its geographic areas. Net expenses related to providing these services are as follows (in thousands):

		Year ended September 30	
		2015	**2014**
Health care services	$	2,589,819	2,374,449
General and administrative		852,805	850,125
	$	3,442,624	3,224,574

(13) Other Revenue

Other revenue consisted of the following (in thousands):

		Year ended September 30	
		2015	**2014**
Cafeteria and vending	$	14,673	13,676
Contributions		3,406	5,495
Parking income		9,241	7,902
Net assets released from restrictions for operations		21,196	13,178
Net assets released from restrictions for free care		596	613
Net assets released from restrictions for medical research and clinical programs		881	5,269
Grants		20,168	19,533
Rental income		3,304	3,896
Electronic health records incentive payment		3,973	9,231
Foundation distributed income		2,820	2,532
Other		29,337	25,669
	$	109,595	106,994

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2012 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

The System uses a grant accounting model to recognize revenue for the Medicare and Medicaid EHR incentive payments. Under this accounting policy, EHR incentive payment revenue is recognized when the System is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. Medicare EHR incentive payment revenue was approximately $4.0 million and $7.4 million for the years ended September 30, 2015 and 2014, respectively, and Medicaid EHR incentive payment revenue was approximately $1.8 million for the year ended September 30, 2014. EHR incentive payment revenue is included in other revenue in the accompanying consolidated statements of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. Additionally, the System's attestation of compliance with the meaningful use criteria is subject to audit by the federal government.

(14) Non-operating Gains and Losses, Net

Nonoperating gains and losses consisted of the following (in thousands):

	Year ended September 30	
	2015	**2014**
Income from investments, donations and other, net	$ 5,099	3,103
Income attributable to noncontrolling interest	(5,522)	(5,992)
Change in unrealized gains and losses on investments	14,536	86,913
Change in fair value of swap, including counterparty payments	(29,678)	(17,204)
Loss on refunding of long-term debt	—	(32,631)
	$ (15,565)	34,189

Contributions received consisted of the following (in thousands):

		2015	2014
Unrestricted contributions	$	4,360	3,966
Temporarily restricted contributions		28,157	24,185
Permanently restricted contributions		15,176	5,372
Total contributions		47,693	33,523
Less fundraising costs		(9,402)	(9,473)
	$	38,291	24,050

During 2015, the Attorney General approved the transfer of certain philanthropic funds to Y-NHH from the Hospital of Saint Raphael and its Foundation related to Y-NHH's acquisition of the Hospital of Saint Raphael in FY 2012. The funds approved for transfer are included as contributions to temporarily restricted net assets and permanently restricted net assets totaling $8.8 million and $11.5 million, respectively, for the year ended September 30, 2015.

(15) Fair Values of Financial Instruments

In determining fair value, the System utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The System also considers nonperformance risk in the overall assessment of fair value

ASC No. 820-10 establishes a three-tier valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The three levels are defined as follows:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. This established hierarchy assigns the highest priority to Level 1 assets.

Level 2: Observable inputs that are based on data not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs that are used when little or no market data is available. The inputs are assigned the lowest priority.

Financial assets carried at fair value as of September 30, 2015 are classified in the following table by level within the fair value hierarchy as described above (in thousands):

	September 30				
		Investments measured at NAV	Investments classified in the fair value hierarchy Level 1	Level 2	Total
Cash and cash equivalents	$	—	194,946	—	194,946
Money market funds		—	130,047	—	130,047
Private equity		7,489	—	—	7,489
U.S. equity securities		31,174	73,618	—	104,792
International equity securities		47,463	58,013	—	105,476
Fixed income:					
U.S. government		288,508	129,327	—	417,835
Corporate bonds		—	4,945	—	4,945
International government		42,470	55,237	—	97,707
Hedge Funds:					
Absolute return		21,909	—	—	21,909
Long/short equity		6,936	—	—	6,936
Perpetual trusts		32,649	—	—	32,649
Commodities		1,595		—	1,595
Real estate		8,241	37	—	8,278
Interest in Yale University endowment pool		855,264	—	—	855,264
Total investments	$	1,343,698	646,170	—	1,989,868
Liabilities:					
Interest rate swaps	$	—	—	(54,707)	(54,707)

Financial assets carried at fair value as of September 30, 2014 are classified in the following table by level within the fair value hierarchy as described above (in thousands):

	September 30			
	Investments measured at NAV	**Investments classified in the fair value hierarchy**		**Total**
		Level 1	**Level 2**	
Cash and cash equivalents	$ —	161,059	—	161,059
Money market funds	—	212,529	—	212,529
Private equiy	8,272	—	—	8,272
U.S. equity securities	31,816	65,919	—	97,735
International equity securities	44,107	72,528	—	116,635
Fixed income:				
U.S. government	153,973	147,701	—	301,674
Corporate bonds	—	27,097	—	27,097
Mortgage backed securities	—	24		24
International government	34,321	51,839	—	86,160
Hedge Funds:				
Absolute return	22,310	—	—	22,310
Long/short equity	2,460	—	—	2,460
Perpetual trusts	34,296	—	—	34,296
Commodities	2,640	76	—	2,716
Real estate	11,241	44	—	11,285
Interest in Yale University endowment pool	752,731	—	—	752,731
Total investments	$ 1,098,167	738,816	—	1,836,983
Liabilities:				
Interest rate swaps	$ —	—	(36,134)	(36,134)

The amounts reported in the tables as detailed above do not include assets invested in the System's defined benefit pension plan. The beneficial interest in remainder trust listed in the above tables are included in other assets. The interest rate swaps listed above are classified in the accompanying consolidated balance sheets as "other long-term liabilities" at September 30, 2015 and 2014. There are no assets or liabilities that are measured at fair value based on Level 3 inputs at September 30, 2015 or 2014.

The following is a summary of total investments as of September 30, 2015, with restrictions to redeem the investments at the measurement date, any unfunded capital commitments and investment strategies of the investees (in thousands):

Description of investment	Carrying value	Unfunded commitments	Redemption frequency	Notice period	Funds availability
Private equity	$ 7,489	$ 4,150	N/A	N/A	N/A
Global equity	33,887	N/A	30 days	2 years	N/A
Hedge funds:					
Absolute return	11,494	N/A	N/A	N/A	N/A
Long/short equity	6,936	N/A			
Real estate	6,781	2,295	N/A	N/A	N/A
Commodities	82	N/A	N/A	N/A	N/A
	$ 66,669				

The fair value of long-term debt was approximately $934.5 million and $934.3 million at September 30, 2015 and 2014, respectively. The fair value of the capital leases was approximately $112.5 million and $74.7 million at September 30, 2015 and 2014, respectively.

(16) Subsequent Events

Management has evaluated subsequent events through December 23, 2015, which is the date the consolidated financial statements were issued. No other events have occurred that require disclosure or adjustment to the consolidated financial statements.

SUPPLEMENTARY INFORMATION

YALE-NEW HAVEN HEALTH SERVICES CORPORATION
(d/b/a Yale New Haven Health System and Subsidiaries)

Consolidating Balance Sheet

September 30, 2015

(In thousands)

Assets	Yale-New Haven Health Services Corporation	NEMG	Yale-New Haven Hospital and Subsidiaries	Bridgeport Hospital and Subsidiaries	Eliminations	Obligated Group	Greenwich Health Care Services, Inc. and Subsidiaries	Other Non-Obligated Entities	Eliminations	Total
Current assets:										
Cash and cash equivalents	$ 24,322	8,523	103,628	26,867	—	163,340	31,360	2,071	(1,825)	194,946
Short-term investments	10,116		980,087	97,808	—	1,088,011	72,659	—	—	1,160,670
Accounts receivable for services to patients, less allowance for uncollectible accounts	—	16,401	293,352	54,662	—	364,415	41,279	5,017	(5,017)	405,694
Professional liabilities insurance recoveries receivable – current portion	—	—	19,852	6,009	—	25,861	6,309	—	—	32,170
Other current assets	111,267	2,923	110,628	18,059	(147,426)	95,451	13,857	7,569	(25,337)	91,540
Amounts on deposit with trustee in debt service fund	—	—	4,786	679	—	5,465	—	—	—	5,465
Total current assets	145,705	27,847	1,512,333	204,084	(147,426)	1,742,543	165,464	14,657	(32,179)	1,890,485
Assets limited as to use			96,888	1,160		98,048	108,271	—	—	206,319
Long-term investments	11,201	—	289,434	55,382	—	356,017	64,783	—	—	420,800
Deferred financing costs, less accumulated amortization	9,608	—	8,909	1,196	(9,608)	10,105	389	—	—	10,494
Professional liabilities insurance recoveries receivable – noncurrent	—	—	57,025	18,161	—	75,186	10,208	—	—	85,394
Goodwill	52,050	267	44,774	17,217	—	114,308	—	—	—	114,308
Other assets	952,268	2,081	169,842	24,439	(943,369)	205,261	12,522	10,741	(17,369)	211,155
Property, plant, and equipment, net	133,699	5,230	865,507	142,041	—	1,146,477	242,270	6,372	(6,372)	1,388,747
Construction in progress	1,647	55	80,774	69,785	—	152,261	4,840	—	—	157,101
	135,346	5,285	946,281	211,826	—	1,298,738	247,110	6,372	(6,372)	1,545,848
Total assets	$ 1,306,178	35,480	3,125,486	533,465	(1,100,403)	3,900,206	608,747	31,770	(55,920)	4,484,803

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Yale-New Haven Health Services Corporation	NEMG	Yale-New Haven Hospital and Subsidiaries	Bridgeport Hospital and Subsidiaries	Eliminations	Obligated Group	Greenwich Health Care Services, Inc. and Subsidiaries	Other Non-Obligated Entities	Eliminations	Total
Current liabilities:										
Accounts payable and accrued expenses	$ 77,718	28,093	352,360	68,978	(49,033)	478,116	33,068	4,252	(15,553)	499,883
Current portion of long-term debt	7,930	—	8,083	6,123	(7,930)	14,206	2,675	—	—	16,881
Current portion of capital lease obligation	—	—	2,003	47	—	2,050	—	—	—	2,050
Professional liabilities – current portion	—	—	19,852	6,009	—	25,861	6,309	—	—	32,170
Other current liabilities	—	3,256	59,087	15,856	—	78,199	14,667	157	(157)	92,866
Total current liabilities	85,648	31,349	441,385	97,013	(56,963)	598,432	56,719	4,409	(15,710)	643,850
Long-term debt, net of current portion	824,431	—	800,348	73,372	(824,431)	873,720	32,430	—	—	906,150
Long-term capital lease obligations, net of current portion	—	—	46,850	60,309	—	107,159	—	—	—	107,159
Accrued pension and postretirement benefit obligations	8,858	—	228,810	68,304	(8,858)	297,114	42,787	—	—	339,901
Professional liabilities - noncurrent	—	—	96,778	33,706	—	130,484	17,819	—	—	148,303
Other long-term liabilities	231,347	—	246,389	31,334	(210,151)	298,919	18,993	8,950	(22,061)	304,801
Deferred revenue	—	—	42,720	—	—	42,720	—	—	—	42,720
Total liabilities	1,150,284	31,349	1,903,280	364,038	(1,100,403)	2,348,548	168,748	13,359	(37,771)	2,492,884
Net assets:										
Unrestricted	155,894	4,131	1,104,379	111,706	—	1,376,110	374,623	18,411	(18,149)	1,750,995
Temporarily restricted	—	—	70,941	34,845	—	105,786	41,782	—	—	147,568
Permanently restricted	—	—	46,886	22,876	—	69,762	23,594	—	—	93,356
Total net assets	155,894	4,131	1,222,206	169,427	—	1,551,658	439,999	18,411	(18,149)	1,991,919
Total liabilities and net assets	$ 1,306,178	35,480	3,125,486	533,465	(1,100,403)	3,900,206	608,747	31,770	(55,920)	4,484,803

YALE-NEW HAVEN HEALTH SERVICES CORPORATION

(d/b/a Yale New Haven Health System and Subsidiaries)

Consolidating Statement of Operations and Changes in Net Assets

Year ended September 30, 2015

(In thousands)

	Yale New Haven Health Services Corporation and Subsidiaries	**NEMG**	**Yale New Haven Hospital and Subsidiaries**	**Bridgeport Hospital and Subsidiaries**	**Eliminations**	**Obligated Group**	**Greenwich Health Care Services, Inc. and Subsidiaries**	**Other Non-Obligated Entities**	**Eliminations**	**Total**
Operating revenue:										
Net patient service revenue	$ —	179,723	2,540,863	481,491	—	3,202,077	372,136	21,049	(21,049)	3,574,213
Less provision for bad debts, net	—	(3,245)	(50,382)	(15,417)	—	(69,044)	(12,484)	(176)	176	(81,528)
Net patient service revenue, less provision for bad debts	—	176,478	2,490,481	466,074	—	3,133,033	359,652	20,873	(20,873)	3,492,685
Other revenue	437,230	105,528	64,677	35,110	(484,510)	158,035	13,726	6,370	(68,536)	109,595
Total operating revenue	437,230	282,006	2,555,158	501,184	(484,510)	3,291,068	373,378	27,243	(89,409)	3,602,280
Operating expenses:										
Salaries and benefits	235,621	185,498	1,070,626	207,206	5,766	1,704,717	153,755	7,135	(7,135)	1,858,472
Supplies and other expenses	108,957	140,109	1,214,194	198,316	(418,365)	1,243,211	165,581	11,513	(76,088)	1,344,217
Depreciation and amortization	52,877	3,145	120,235	31,204	(41,616)	165,845	25,119	882	(5,902)	185,944
Insurance	32,133	7,185	17,162	6,864	(30,295)	33,049	1,959	153	(5,358)	29,803
Interest	—	—	20,826	3,048	—	23,874	314	130	(130)	24,188
Total operating expenses	429,588	335,937	2,443,043	446,638	(484,510)	3,170,696	346,728	19,813	(94,613)	3,442,624
Income (loss) from operations	7,642	(53,931)	112,115	54,546	—	120,372	26,650	7,430	5,204	159,656
Nonoperating gains (losses), net:										
Income from investments, donations and other, net	11,913	—	21,949	944	—	34,806	(8,040)	(4,206)	(8,447)	14,113
Change in fair value of swap, including counter party payments	—	—	(28,248)	—	—	(28,248)	(1,430)	—	—	(29,678)
Excess (deficiency) of revenue over expenses	19,555	(53,931)	105,816	55,490	—	126,930	17,180	3,224	(3,243)	144,091
Unrestricted net assets:										
Other changes in net assets	—	—	(370)	(16)	—	(386)	4	196	(196)	(382)
Transfer to NEMG	(13,652)	53,931	(12,516)	(27,763)	—	—	—	—	—	—
Net assets released from restrictions for purchases of fixed assets	—	—	4,515	1,242	—	5,757	1,585	—	—	7,342
Pension related changes other than net periodic benefit cost	—	—	(12,372)	(18,998)	—	(31,370)	(12,742)	—	—	(44,112)
Increase (decrease) in unrestricted net assets	5,903	—	85,073	9,955	—	100,931	6,027	3,420	(3,439)	106,939

(Continued)

YALE-NEW HAVEN HEALTH SERVICES CORPORATION
(d/b/a Yale New Haven Health System and Subsidiaries)

Consolidating Statement of Operations and Changes in Net Assets

Year ended September 30, 2015

(In thousands)

	Yale New Haven Health Services Corporation and Subsidiaries	NEMG	Yale New Haven Hospital and Subsidiaries	Bridgeport Hospital and Subsidiaries	Eliminations	Obligated Group	Greenwich Health Care Services, Inc. and Subsidiaries	Other Non-Obligated Entities	Eliminations	Total
Temporarily restricted net assets:										
Income from investments	—	—	298		—	298	1,936	—	—	2,234
Net realized and unrealized gains on investments	—	—	2,651	1,448	—	4,099	(2,764)	—	—	1,335
Bequests and contributions	—	—	17,989	7,377	—	25,366	4,970	—	—	30,336
Net assets released from restrictions for purchases of fixed assets	—	—	(3,123)	(1,242)	—	(4,365)	(1,585)	—	—	(5,950)
Net assets released from restrictions for operations	—	—	(9,854)	(6,559)	—	(16,413)	(4,783)	—	—	(21,196)
Net assets released from restrictions for clinical programs	—	—	(1,477)		—	(1,477)	—	—	—	(1,477)
Other changes in net assets	—	—	139	542	—	681	(107)	—	—	574
Increase (decrease) in temporarily restricted net assets	—	—	6,623	1,566	—	8,189	(2,333)	—	—	5,856
Permanently restricted net assets:										
Bequests and contributions	—	—	13,654	1,133	—	14,787	388	—	—	15,175
Net assets released from restrictions for purchases of fixed assets	—	—	(1,392)		—	(1,392)	—	—	—	(1,392)
Net realized and unrealized on investments	—	—	—		—	—	(1)	—	—	(1)
Changes in beneficial interest in perpetual trusts	—	—	(1,282)	—	—	(1,282)	—	—	—	(1,282)
Increase in permanently restricted net assets	—	—	10,980	1,133	—	12,113	387	—	—	12,500
Increase (decrease) in net assets	5,903	—	102,676	12,654	—	121,233	4,081	3,420	(3,439)	125,295
Net assets at beginning of year	149,991	4,131	1,119,530	156,773	—	1,430,425	435,918	14,991	(14,710)	1,866,624
Net assets at end of year	$ 155,894	4,131	1,222,206	169,427	—	1,551,658	439,999	18,411	(18,149)	1,991,919

See accompanying notes to consolidated financial statements.