CAMC Health System, Inc. and Subsidiaries

Consolidated Financial Statements and
Other Financial Information as of and for the
Years Ended December 31, 2015 and 2014, and
Independent Auditors' Report

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CAMC Health System, Inc.:

We have audited the accompanying consolidated financial statements of CAMC Health System, Inc. and its subsidiaries (the "System"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CAMC Health System, Inc. and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Additional Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other additional financial information listed in the table of contents on pages 37–42 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. This other additional financial information is the responsibility of the System's management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits 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, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

April 27, 2016

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 33,089	$ 18,213
Short-term investments	184,639	237,000
Current portion of assets limited as to use	6,400	5,300
Patient receivables—net of allowances for uncollectible accounts of $13,498 in 2015 and $13,229 in 2014	139,004	115,468
Other receivables	5,422	10,086
Estimated amounts due from third-party payors	10,660	6,988
Inventories	20,652	17,862
Prepaid expenses and other	11,496	11,207
Total current assets	411,362	422,124
ASSETS LIMITED AS TO USE	313,051	346,972
OTHER INVESTMENTS	20,742	20,742
PROPERTY, EQUIPMENT AND INFORMATION SYSTEMS:		
Land	47,953	46,604
Buildings and improvements	464,220	394,784
Equipment and information systems	517,339	495,333
Construction in progress	50,990	68,698
Total property, equipment and information systems	1,080,502	1,005,419
Less accumulated depreciation and amortization	(688,742)	(649,779)
Property, equipment and information systems—net	391,760	355,640
OTHER ASSETS	13,000	14,630
TOTAL	$ 1,149,915	$ 1,160,108

(Continued)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 71,390	$ 56,526
Self-insurance reserves	6,400	5,300
Derivative obligation	28,657	27,233
Accrued payroll and payroll-related expenses	52,140	48,356
Estimated amounts due to third-party payors	8,335	15,565
Current maturities of long-term debt and capital lease obligations	13,212	17,884
Total current liabilities	180,134	170,864
LONG-TERM LIABILITIES:		
Long-term debt and capital lease obligations—less current maturities	384,395	388,941
Retirement obligations	11,560	13,337
Self-insurance reserves	17,359	15,191
Other	9,735	9,854
Total long-term liabilities	423,049	427,323
Total liabilities	603,183	598,187
NET ASSETS:		
Unrestricted	489,534	498,855
Noncontrolling interest in joint ventures	499	442
Unrestricted—total	490,033	499,297
Temporarily restricted	33,647	39,959
Permanently restricted	23,052	22,665
Total net assets	546,732	561,921
TOTAL	$ 1,149,915	$ 1,160,108

See notes to consolidated financial statements. (Concluded)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
UNRESTRICTED REVENUE AND OTHER SUPPORT:		
Net patient service revenue (net of contractual allowances and discounts)	$ 976,904	$ 959,101
Provision for bad debts	(30,515)	(44,257)
Net patient service revenues less provision for bad debts	946,389	914,844
Other revenue	40,482	37,385
Investment (loss) income—net	(8,273)	20,542
Net assets released from restrictions	2,506	999
Total unrestricted revenue and other support	981,104	973,770
EXPENSES:		
Salaries and wages	393,037	378,026
Employee benefits	107,029	104,621
Professional compensation and fees	20,327	8,429
Supplies and other	397,044	358,905
Depreciation and amortization	39,943	34,787
Medicaid provider tax	24,452	19,115
Interest and debt expense	14,633	16,285
Change in fair value of derivatives	(904)	10,579
Total expenses	995,561	930,747
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES—Controlling and noncontrolling interest	(14,457)	43,023
LESS EXCESS OF REVENUES OVER EXPENSES—Noncontrolling interest	121	(69)
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES—Net of noncontrolling interest	$ (14,336)	$ 42,954

See notes to consolidated financial statements.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
UNRESTRICTED NET ASSETS:		
(Deficiency) Excess of revenue over expenses—Controlling and noncontrolling interest	$ (14,457)	$ 43,023
Net assets released from restrictions for capital expenditures	4,000	8,100
Change in retirement obligations actuarial loss and prior service cost	1,096	(447)
Fund transfers	-	1,213
Equity transactions with noncontrolling interest	97	(306)
(Decrease) increase in unrestricted net assets	(9,264)	51,583
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	2,044	1,141
Investment (loss) income—net	(1,850)	2,172
Fund transfers	-	(2,031)
Net assets released from restrictions for:		
Programs	(2,506)	(999)
Capital expenditures	(4,000)	(8,100)
Decrease in temporarily restricted net assets	(6,312)	(7,817)
PERMANENTLY RESTRICTED NET ASSETS—Contributions		
Contributions	387	387
Fund transfers	-	818
Increase in permanently restricted net assets	387	1,205
(DECREASE) INCREASE IN NET ASSETS	(15,189)	44,971
NET ASSETS—Beginning of year	561,921	516,950
NET ASSETS—End of year	$ 546,732	$ 561,921

See notes to consolidated financial statements.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
OPERATING ACTIVITIES:		
(Decrease) Increase in net assets	$ (15,189)	$ 44,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in fair value of derivatives	(904)	10,579
Loss on impairment and disposal of fixed assets	5,231	34
Change in retirement obligations actuarial loss and prior service cost	(1,096)	447
Depreciation and amortization	39,943	34,787
Provision for bad debts	30,515	44,257
Loss on debt extinguishment	-	1,325
Realized gains on alternative investments	-	(525)
Realized and unrealized loss (gain) on limited as to use trading investments	10,203	(4,056)
Net restricted contributions and investment income	(581)	(3,700)
Equity transactions with noncontrolling interest	(97)	306
Changes in assets and liabilities:		
Patient receivables	(54,051)	(53,124)
Other receivables	4,664	52
Short term trading investments	52,361	(31,422)
Inventories, prepaid expenses, and other	879	2,588
Estimated amounts due from/to third-party payors	(10,902)	(662)
Accounts payable and accrued expenses	16,048	1,099
Accrued payroll and payroll-related expenses	3,784	6,718
Other liabilities	1,368	102
Net cash provided by operating activities	82,176	53,776
INVESTING ACTIVITIES:		
Capital expenditures	(40,117)	(46,462)
Capital expenditures—Cancer Center	(41,260)	(28,940)
Purchases of alternative investments	-	(3,000)
Proceeds from the sale of alternative investments	-	1,906
Limited as to use trading investments	23,559	28,824
Restricted cash as collateral	(15,100)	(10,420)
Restricted cash from collateral	14,160	2,360
Net cash used in investing activities	(58,758)	(55,732)
FINANCING ACTIVITIES:		
Principal payments on debt obligations and capital lease obligations	(9,218)	(62,073)
Borrowings of debt obligations	-	50,671
Issuance costs	-	(654)
Borrowings under lines of credit	1,501	1,126
Repayment under lines of credit	(1,501)	(1,126)
Equity transactions with noncontrolling interest	97	(306)
Net restricted contributions and investment income	581	3,700
Net cash used in by financing activities	(8,540)	(8,662)

(Continued)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,876	(10,618)
CASH AND CASH EQUIVALENTS—Beginning of year	18,213	28,831
CASH AND CASH EQUIVALENTS—End of year	$ 33,089	$ 18,213
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 10,427	$ 10,870
Capital expenditures remaining in accounts payable at year-end	$ 2,667	$ 2,750

See notes to consolidated financial statements.

(Concluded)

1. ORGANIZATION

CAMC Health System, Inc. (the "Parent"), is a West Virginia nonprofit corporation that the Internal Revenue Service (IRS) has determined is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). As the parent holding company, the Parent provides general guidance and strategic direction and is the sole corporate member for the following subsidiaries (collectively, the "System"):

Charleston Area Medical Center, Inc. ("CAMC")—a West Virginia nonprofit corporation that owns and operates the General, Memorial, and Women and Children's Hospitals, located in Kanawha County, West Virginia and Teays Valley Hospital ("CAMC Teays") located in Putnam County, West Virginia. CAMC is a general partner in two medical office building partnerships, each organized as general partnerships. CAMC owns an 81.9% interest in the General division medical office building partnership and an 90.4% interest in the Women and Children's medical office building partnership. The residual interest is reflected as noncontrolling interest in the consolidated financial statements.

CAMC Foundation, Inc. (the "Foundation")—a West Virginia nonprofit corporation established for the purpose of raising funds for CAMC.

CAMC Health Education and Research Institute, Inc. (the "Institute")—a West Virginia nonprofit corporation established for the purpose of managing, promoting, and conducting medical education and research programs.

Integrated Health Care Providers, Inc. ("Integrated")—a West Virginia nonprofit taxable corporation established for the purpose of providing physician services. On December 1, 2015, Integrated began transitioning a substantial number of its practice operations to CAMC to be operated as hospital based services within provider based departments of CAMC. All the revenue and expenses generated by these practices before December 1, 2015 remain within Integrated's operating revenues and expenses.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the Parent and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Investments in companies in which the System owns 20% to 50% of the voting interest and has the ability to exercise significant influence over operating and financial policies of the investee are accounted for using the equity method of accounting. As a result, the System's share of the earnings or losses of such equity affiliates is included in the accompanying consolidated statements of operations and the System's share of these companies' shareholders' equity is included in investments in the accompanying consolidated balance sheets. The investment balances and equity earnings were not material in 2015 or 2014.

Cash and Cash Equivalents and Short-Term Investments—Cash and cash equivalents represent cash and temporary investments with original maturities of three months or less. Cash and cash equivalents exclude cash maintained in board-designated, restricted, self-insurance, and trustee-held funds. Short-term investments represent investments that management has identified as available to meet current operating needs. Short-term investments are stated at fair value.

The Parent and its subsidiaries maintain certain cash balances with banks that exceed the amounts insured by the Federal Deposit Insurance Corporation.

Net Patient Service Revenues and Patient Accounts Receivable—Net patient service revenues and patient receivables are derived primarily from patients who reside in West Virginia and surrounding states.

Gross patient service revenue is recognized based on the System's standard billing rates. Gross patient service billings is reduced to "patient service revenue (net of contractual allowances and discounts)", through (1) a provision for contractual allowances for patients who have third-party coverage with contracted rates less than standard billed charges for the services rendered, including federal and state indemnity and managed care programs and commercial insurance and (2) a provision for patients who meet the charity care criteria and are provided services at amounts less than the established rates. Patient service revenue (net of contractual allowances and discounts) for the years ended December 31, 2015 and 2014, by major primary payor sources, is as follows:

	Patient Service Revenue (Net of Contractual Allowances and Discounts)	
	2015	**2014**
Medicare	$ 324,147	$ 327,682
Medicaid	139,433	120,976
Other Government third-party payors	75,411	67,388
Other third-party payors	398,684	402,019
Self-pay	39,229	41,036
Total	$ 976,904	$ 959,101

Patient receivables are reduced to their estimated net realizable value through an allowance for uncollectible accounts and contractual adjustments.

Allowance for Uncollectible Accounts—The System recognizes a significant amount of patient service revenue at the time the services are rendered even though the System does not assess the patient's ability to pay at that time. As a result, the provision for bad debts is presented as a deduction from patient services revenue (net of contractual allowances and discounts). The System does not require collateral or other security on its patient receivables. Self-pay accounts for patients with no insurance and patient deductibles and co-payments on third-party accounts are reduced by an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. This allowance is established based on the length of time the account has been past due and historical experience. The System considers the patient portion of accounts receivable for write-off beginning 120 days after billing.

Analysis—The System's allowance for doubtful accounts for self-pay patients and patient responsibility decreased to 60% of self-pay and patient responsibility accounts receivable as of December 31, 2015, from 70% of self-pay and patient responsibility accounts receivable as of December 31, 2014. The System's allowance for uncollectible accounts increased by $269 to $13,498 as of December 31, 2015, from $13,229 as of December 31, 2014, with an increase in self-pay gross accounts receivable to $22,457 as of December 31, 2015, from $18,960 as of December 31, 2014. The System does not maintain a material allowance for uncollectible accounts from third-party payors, nor does it have a history of significant write-offs from third-party payors.

Allowance for Contractual Adjustments—As gross patient service billings are recognized and recorded as accounts receivable, the third-party portion of patient receivables is reduced by an allowance for contractual adjustments to the estimated contracted rate. The System analyzes its past history of collectability and adjusts for certain events or trends as necessary for each of its major payor sources to estimate the allowance for contractual adjustments.

Payments received under the reimbursement arrangements with Medicare and Medicaid are subject to retroactive audit and adjustment. Estimated settlements are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined. Settlement of prior year cost reports and revisions to other prior-year settlement estimates increased net patient service revenue by $5,393 and $3,246 in 2015 and 2014, respectively. During 2014, the System executed a settlement agreement with Centers for Medicare and Medicaid Services for the 1998 to 2011 cost report years which resolved all claims and appeals the System had with respect to a rural floor budget neutrality adjustment. The settlement increased net patient service revenue by $6,850 in 2014.

Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimated settlements will change by a material amount in the near term. Management believes that adequate provisions have been made for reasonable adjustments that may result from such final settlements. Management believes it is in substantial compliance with all applicable laws and regulations. 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.

The approximate percentage of patient receivables by type of payor as of December 31, 2015 and 2014, is as follows:

	2015	2014
Medicare	27 %	28 %
Commercial insurance and other third-party payment programs	54	50
Medicaid	11	16
Self-pay	1	1
Public Employees' Insurance Agency (PEIA)	7	5
	100 %	100 %

Financial Assistance—The System provides care to patients who meet certain criteria under its financial assistance policies without charge or at amounts less than established rates. Because the System does not pursue collection of amounts determined to qualify as financial assistance, such amounts are not reported as net revenue (see Notes 3 and 4). The System maintains records to identify and monitor the level of financial assistance it provides. These records include the amount of charges foregone for services furnished under the System's financial assistance policies.

The System changed its financial assistance and uninsured discount policies during fiscal year 2015. The 2015 changes included slowing collection actions until 120 days after first billing statement and expanding community knowledge of the System's financial assistance policy. The uninsured discount is provided pursuant to the System's established financial assistance policy and recorded in charity allowances.

Inventories—Inventories represent supplies that are valued at the average-cost method.

Assets Limited as to Use and Investments—Assets limited as to use primarily include assets held by trustees under indenture and other agreements, designated assets set aside by the board of trustees, self-insurance funds, and donor-restricted assets. Other investments are alternative investments that are not limited as to use.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk and market uncertainty associated with certain investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying consolidated financial statements.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investment income or loss (including realized gains and losses, interest, dividends, and unrealized gains and losses) is included in unrestricted investment income or loss, unless the income or loss is restricted by donor or law.

The System invests in alternative investments that primarily represent ownership in limited partnerships that invest in hedge funds, real asset funds, and private equity/venture capital funds. In order to liquidate such investments, management is required to provide notice ranging from 45 to 90 days to withdraw from the partnerships and in certain cases may only withdraw from the partnership quarterly or annually. There are no unfunded commitments. Substantially all of the System's alternative investments are redeemable at net asset value per ownership unit or its equivalent. Fair value for alternative investments is based on the net asset value per ownership unit, as published and determined by the fund manager at least quarterly using the estimated fair value of the underlying investments.

The System's alternative investments are accounted for utilizing the lower of cost or market method as the System's actual or effective ownership percentage is less than 5%, and the System has virtually no influence over the partnership's operating and financial policies. Alternative investments consist of the following at December 31, 2015 and 2014:

	2015		2014	
	Recorded Value (Cost)	Fair Value	Recorded Value (Cost)	Fair Value
Included within assets limited as to use	$ 17,713	$ 26,790	$ 17,713	$ 23,025
Included within other investments	20,742	30,796	20,742	31,391
	$ 38,455	$ 57,586	$ 38,455	$ 54,416

The Systems' investment policy establishes reasonable expectations, objectives, and guidelines; sets forth an investment structure detailing permitted asset classes and expected allocation among asset classes; encourages effective communication; and creates a framework for a well-diversified asset mix, which can be expected to generate acceptable long-term returns at a level of risk suitable to the investment committee. The System's investments are pooled to obtain maximum use of funds and higher interest rates. Investment income from this pool is allocated to unrestricted and temporarily restricted net assets based on the percentage of total investments.

Derivatives—CAMC has entered into interest rate swap agreements in connection with its debt management program. CAMC records its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. None of CAMC's current derivatives are designated as an accounting hedge and the asset or liability is presented as current as CAMC has the right to settle the agreements prior to expiration and periodically evaluates the interest rate environment to determine if the agreements are consistent with its debt management program.

Property, Equipment and Information Systems—Amounts capitalized as part of property, equipment and information systems, including additions and improvements to existing facilities, are recorded at acquisition cost. Capital lease assets included in equipment in the accompanying consolidated balance sheets are $10,145 and $10,145, net of $4,746 and $3,868 of accumulated amortization, as of December 31, 2015, and 2014. Capitalized software costs are $50,303 and $42,063, net of $45,539 and $39,729 of accumulated amortization as of December 31, 2015 and 2014. Total related amortization expense was $5,810 and $3,142 for the years ended December 31, 2015 and 2014, respectively.

During 2015 and 2014, approximately $1,318 and $1,256, respectively, of internal labor costs and $1,277 and $1,822, respectively of interest were capitalized.

Depreciation, including amortization of assets recorded under capital leases and capitalized software, is recorded on the straight-line method over the estimated useful lives of the aggregate building components and improvements (generally 10 to 45 years) and equipment and software (generally three to 20 years). Upon retirement or disposal, the asset and accumulated depreciation accounts are adjusted, and any gain or loss is recorded in the consolidated statements of operations. Maintenance costs and repairs are expensed as incurred.

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Any write-downs due to impairment are charged to operations at the time impairment is identified. Management determined $4,600 of write-downs were necessary in 2015 for Siemens Software Solutions Products as a result of the anticipated conversion to Cerner Software Solutions in 2016. (See Note 12)

Intangible Assets—Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of comparison of the undiscounted cash flows of the intangible asset with its carrying amount. If such undiscounted cash flows are less than the carrying amount, the fair value of the intangible asset is determined and the carrying value is adjusted through an impairment charge to such fair value.

Deferred Financing Costs—Costs related to long-term financing, included in other assets, are being amortized over the life of the bonds. The carrying value of deferred financing costs was $3,836 and $4,056 as of December 31, 2015 and 2014.

Contributions—Contributions are recognized at fair value in the period cash or an unconditional promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets released from restrictions in the accompanying consolidated financial statements.

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. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Temporary restricted net assets as of December 31 are restricted to:

	2015	2014
Patient related projects	$ 23,827	$ 29,403
Scholarships and education	4,364	5,205
Various other healthcare related activities	5,456	5,351
	$ 33,647	$ 39,959

Permanently restricted net assets as of December 31 are restricted to:

	2015	2014
Patient related projects	$ 11,094	$ 10,793
Scholarships and education	7,885	7,847
Various other healthcare related activities	4,073	4,025
	$ 23,052	$ 22,665

Self-Insurance Programs—The System has self-insurance programs for professional malpractice, general liability, unemployment compensation, disability, and employee health insurance. The estimated self-insurance obligations include a provision for incurred but not reported claims.

(Deficiency) Excess of Revenues over Expenses—The consolidated statements of operations include (deficiency) excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from (deficiency) excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets) and the change in retirement obligations actuarial loss and prior service cost.

Income Taxes—The IRS has determined that CAMC, the Foundation, and the Institute are exempt from income taxes under Section 501(c)(3) of the Code and applicable state statutes. The System does not have any material uncertain tax positions as of December 31, 2015 and 2014.

Integrated, a taxable nonprofit corporation, recognizes income taxes for the amount of taxes payable for the current year and for the impact of deferred tax liabilities and assets. For the years ended December 31, 2015 and 2014, Integrated had cumulative net operating losses (NOLs) available for carryforward approximating $71,193 and $66,348, respectively. The deferred tax assets related to these NOLs have been fully reserved by a valuation allowance due to the uncertainty of Integrated's ability to generate future taxable income.

Other Revenue—Other revenue is derived from ancillary services, which are an integral part of the operations of the System other than providing health care services to patients. Such revenue is recognized when the related service is performed, drugs are dispensed, or in the case of grant revenue, when the System incurs the cost related to the grant's purpose.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the System to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The more significant judgments and estimates including the following: recognition of net patient service revenue, which includes contractual allowances; provisions for bad debts and charity care; recorded values of investments; and reserves for losses and expenses related to health care professional and general liability. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates and are recorded in the period in which they are determined.

New Accounting Pronouncements—In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 "*Revenue from Contracts with Customers."* This update requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the update (1) specifies the accounting for some costs to obtain or fulfill a contract with a customer and (2) expands disclosure requirements related to revenue and cash flows arising from contracts with customers. In August 2015, the FASB subsequently issued ASU 2015-14, "*Revenue from Contracts with Customers - Deferral of the Effective Date*," which approved a one year deferral of ASU 2014-09 to annual reporting periods beginning after December 15, 2017. The System is currently evaluating the impact of the adoption of ASU 2014-09 and ASU 2015-14 on the System's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "*Presentation of Debt Issuance Costs*." This update changes the presentation of debt issuance costs in the financial statements to present such costs as a direct deduction from the related debt liability rather than as an asset. This guidance is effective for the System beginning January 1, 2016. At December 31, 2015 this ASU would result in the reclassification of deferred financing costs of $3,836 from other assets to long-term debt and capital lease obligations-less current maturities within the consolidated balance sheets.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*." ASU 2016-02 requires lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. The ASU will be effective for annual periods beginning after December 15, 2018. The System is evaluating the potential impact of this adoption on the System's consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, "*Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*". This ASU removes the requirement to categorize the investments for which fair value is measured using net asset value per share within the fair value hierarchy. The ASU will be effective for reporting periods beginning after December 15, 2015. The System is evaluating the potential impact of this adoption on the System's disclosures within its consolidated financial statements.

3. NET PATIENT SERVICE REVENUE

Net patient service revenue for the years ended December 31, 2015 and 2014, consists of the following:

	2015				2014
	CAMC	Integrated	Elimination	Total	
Gross patient service billings	$ 2,594,970	$ 102,064	$ 14	$ 2,697,048	$ 2,482,747
Charity care allowances	(40,335)	(919)	-	(41,254)	(32,484)
Contractual allowances	(1,652,337)	(56,833)	-	(1,709,170)	(1,518,140)
Medicaid upper payment limit program	16,590	-	-	16,590	13,969
Medicaid-enhanced payment program revenue	12,890	-	-	12,890	12,703
Medicaid disproportionate share hospital payment program revenue	800	-	-	800	306
Patient service revenue	932,578	44,312	14	976,904	959,101
Provision for bad debts	(27,236)	(3,279)	-	(30,515)	(44,257)
Net patient service revenue	$ 905,342	$ 41,033	$ 14	$ 946,389	$ 914,844

The System has agreements with third-party payors that provide for payments at amounts that differ from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare—Payment for inpatient acute care services rendered to Medicare program beneficiaries and associated medical education, disproportionate share (DSH), and capital cost reimbursement, and capital costs are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed at prospectively determined rates per visit based primarily on an ambulatory payment classification. Some inpatient nonacute services, certain outpatient services, and a percentage of bad debt costs related to Medicare beneficiaries are substantially paid based on a cost-reimbursement methodology. Other amounts related to interns and residents and DSH are paid based on formulas as defined in the Medicare regulations. The System is paid for cost reimbursable items, interns, and residents and DSH at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Medicare program.

The Medicare cost reports for CAMC have been audited by the Medicare fiscal intermediary through December 31, 2012, and for CAMC Teays through September 30, 2012.

Medicaid—Payments for inpatient services rendered to Medicaid program beneficiaries are primarily reimbursed on a prospective payment system per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed primarily at prospectively determined rates per visit based on an fee schedule with no retrospective adjustment.

PEIA—Inpatient services rendered to PEIA subscribers are reimbursed on a prospective payment system. Outpatient services rendered to PEIA subscribers are reimbursed based on a fee schedule with no retroactive adjustment.

Other—The System has also entered into payment agreements with certain commercial insurance carriers, preferred provider organizations (PPO), and health maintenance organizations (HMO). Payment under the commercial, HMO, and PPO arrangements are primarily based on a percentage of charges.

Rate Regulation—The Health Care Authority (HCA) is empowered, by provisions of the West Virginia Code, to regulate CAMC's gross patient revenues from nongovernment payors and to evaluate health care entity financial performance. This is accomplished by issuing rate orders, based on facility operating budgets and rate schedules, and through evaluating performance and compliance reports submitted by CAMC on a periodic basis.

Medicaid-Upper Payment Limit Program—On May 23, 2012, the West Virginia Medicaid Program received federal CMS approval to implement the Upper Payment Limit (UPL) program proposed by the West Virginia Hospital Association. The UPL program was initially limited to the state fiscal years 2012 and 2013, unless extended. The UPL program is currently extended for state fiscal year ending June 30, 2016. The payment is computed primarily on the following factors: hospital allowable total cost to charge ratio and what Medicaid paid for the fee for service segment of Medicaid.

Medicaid Provider Tax—During 2015 and 2014, the System recorded, $24,452 and $19,043, respectively related to Medicaid Provider Taxes in the accompanying consolidated statements of operations. The 2014 recorded balance was reduced by a $3,553 credit related to the filing of 2010 and 2011 amended returns. Such taxes include the following:

Medicaid UPL Program Tax—The West Virginia Department of Tax and Revenue imposes a tax on licensed general acute care hospitals to generate revenue that is used as the State contribution toward drawing down additional federal matching dollars for Medicaid to enhance current hospital payment rates under the UPL program. The tax rate increased in 2015 to .72% of net patient service revenue from .62% in 2014 of net patient service revenue.

Broad-Based Health Care-Related Tax—The West Virginia Broad-Based Health Care-Related Tax of 1993 assesses a tax on net patient service revenue at rates varying from 0.35% to 5%, depending on the type of services provided.

Medicaid-Enhanced Payment Programs—Under the West Virginia Medicaid Enhanced Payment Programs, the methodology utilized in determining payments is based on the West Virginia State Plans approved on May 15, 2006. The methodology utilizes the following four payment groups: urban, rural, tertiary safety net, and rural safety net, and the amounts currently assigned and approved by the Centers for Medicare and Medicaid.

4. CHARITY CARE AND COMMUNITY SERVICE BENEFIT

The System provides care to patients who meet certain criteria under the approved charity care policy without charge or at amounts less than the established rates. Because the System does not pursue collection of amounts that are determined to qualify as charity care, they are not reported as net patient service revenue. The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of gross charges forgone for direct patient care, which were $41,254 and $32,484 for the years ended December 31, 2015 and 2014, respectively. The cost associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care and amounted to $13,544 and $11,045 for the years ended December 31, 2015 and 2014, respectively.

In addition to the charity care provided for direct patient care, the System provides free and below-cost service and programs for the community. The costs of these services and programs are included in compensation and employee benefits and various other expense line items of the System's consolidated statements of operations.

5. ASSETS LIMITED AS TO USE AND INVESTMENTS

Investments and assets limited as to use as of December 31, 2015 and 2014, consist of the following:

	2015	2014
Short term investments:		
Cash and cash equivalents	$ 8,170	$ 13,454
Corporate stocks and equity mutual funds	98,371	125,085
Fixed income securities and mutual funds	78,098	98,461
Total short term investments	$ 184,639	$ 237,000
Assets limited as to use:		
Self-insurance:		
Cash and cash equivalents	$ 1,985	$ 2,032
U.S. treasury and U.S. government agency obligations	1,821	2,290
Corporate stocks	15,054	15,576
Alternative investments	2,748	2,748
Equity mutual funds	13,506	13,783
Fixed income securities and mutual funds	6,661	6,230
Total self-insurance	41,775	42,659
Board-designated and restricted funds:		
Cash and cash equivalents	20,355	20,334
Corporate stocks and equity mutual funds	142,443	151,468
Corporate bonds and fixed income mutual funds	58,464	69,027
Alternative investments	14,966	14,966
Total board-designated and restricted funds	236,228	255,795
Trustee-held funds:		
Debt service reserve fund—cash equivalents and U.S. government agency obligations	12,814	12,492
Acquisition fund—cash equivalents	-	13,922
Collateral on derivatives—cash equivalents	12,860	11,920
Other assets:		
Cash equivalents	6,774	6,846
Other fixed income	9,000	8,638
Total trustee-held funds	41,448	53,818
Total assets limited as to use and investments	319,451	352,272
Less current portion	(6,400)	(5,300)
Assets limited as to use and investments—net of current portion	$ 313,051	$ 346,972
Other investments:		
Alternative investments	$ 20,742	$ 20,742

Board-designated and trustee-held funds consist of the Foundation's and CAMC's investments set aside for capital, debt, and other similar expenditures. Self-insurance assets relate primarily to the malpractice and general liability self-insurance. The trustee-held acquisition project fund was set aside from the proceeds of the 2008 Series A bonds for future capital improvements. Trustee-held investments also include funds set aside for certain obligated group debt service requirements (see Note 7). The Board has also designated the majority of proceeds received in 2013 from two taxable notes for use toward future capital projects.

6. INVESTMENT INCOME

Investment income and unrealized and realized gains and losses on investments for the years ended December 31, 2015 and 2014, are composed of the following:

	2015	2014
Unrestricted:		
Interest and dividends	$ 14,509	$ 19,574
Realized gain on investments—net	5,194	8,888
Net unrealized loss	(27,976)	(7,920)
Total unrestricted investment (loss) income—net	(8,273)	20,542
Temporarily restricted:		
Interest and dividends	1,224	1,528
Realized gain on investments—net	1,794	2,554
Net unrealized loss	(4,867)	(1,910)
Total temporarily restricted investment (loss) income—net	(1,849)	2,172
Net investment income and realized and unrealized (losses) income	$ (10,122)	$ 22,714

7. LONG-TERM DEBT, LEASE OBLIGATIONS, AND DERIVATIVES

Obligations under long-term debt and capital lease obligations as of December 31, 2015 and 2014, consist of the following:

	2015	2014
2014 Series A Bonds	$ 45,625	$ 45,625
2013 Taxable Debt Notes	77,110	78,640
2010 Mountaineer Imaging	6,112	6,657
2009 Series A Bonds	110,355	116,290
2008 Series A Bonds	122,040	123,494
2008 CAMC Teays Bonds	19,887	21,006
2006 Promissory Note	4,965	5,244
Capital Lease Obligations	8,247	6,316
Total	394,341	403,272
Plus Unamortized Bond Premium	4,508	4,870
Less Unamortized Bond Discount	(1,242)	(1,317)
Total—net of unamortized discount and premium	397,607	406,825
Less current maturities	(13,212)	(17,884)
Total long-term debt and lease obligations	$ 384,395	$ 388,941

The fair value of the System's debt obligations was $398,347 and $400,417 as of December 31, 2015 and 2014, respectively. In determining the fair value of debt, the System considers its credit standing and does not take into account the credit standing of the financial institution that participated in the issuance of the debt instruments. Additional considerations for valuing the debt include the maturity date and the coupon and yield of the debt instrument.

Obligated Group—The CAMC and the Foundation are members of the obligated group in accordance with the provisions of the 1993 restated master trust indenture and are jointly and severally liable for the performance of all covenants and obligations contained in the 1993 restated master trust indenture and in the related notes and guarantees. The 2013 Taxable notes, 2008 Series A bonds, 2008 CAMC Teays bonds, 2009 Series A bonds, 2014 Series A bonds, and various notes, lines and letters of credit are obligations under the 1993 restated master trust indenture. The Foundation's restricted net assets are not available to satisfy obligations of the obligated group. The obligations of the Obligated Group are evidenced and secured by a promissory notes issued pursuant to a 1993 restated master trust indenture dated January 1, 1993, as supplemented from time to time. All notes issued under the 1993 restated master trust indenture are secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities.

The obligated group is subject to certain restrictive covenants that require, among other items, the obligated group to maintain certain financial ratios as defined in the debt agreements and to make certain informational filings with its creditors. Effective March 1, 2014, CAMC Teays was merged with and into CAMC and the combined entity is part of the obligated group due to CAMC's membership.

2014 Series A Bonds—In June 2014, CAMC entered into a loan agreement with the West Virginia Hospital Authority (the "Authority") pursuant to which CAMC borrowed the proceeds of the Authority's $45,625 fixed-rate hospital revenue refunding bonds 2014 Series A. The bonds were issued at a premium of $5,046, which will be amortized to interest and debt expense over the 14-year life of the issue. Interest on the bonds is payable semiannually and principle is payable annually beginning September 2024. The coupon rates of the bonds range from 3.5% to 5.0% depending on maturity.

The proceeds of the 2014 Series A Bonds were used to currently refund and extinguish a portion of the 2009 Series A Bonds in the principle amount of $48,655 and pay issuance cost of $640. As a result of the refunding, CAMC recognized a loss on debt refinancing of $1,325 which is reported in interest and debt expense in the consolidated statement of operations.

2013 Taxable Debt Notes—On March 22, 2013, CAMC issued and sold $60,000 4.5% taxable Master Note 2013-1 with final maturity on March 14, 2043, utilizing level debt amortization over 30 years. On May 21, 2013, CAMC issued and sold $20,000 4.02% taxable Master Note 2013-2 with final maturity on March 15, 2038, utilizing level debt amortization over 25 years. These notes are issued and secured under the 1993 restated master trust indenture and secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities.

2010 Bank Loan—In December 2010, CAMC entered into a bank loan agreement for $9,000. Principal and interest are payable in equal monthly installments sufficient to fully amortize the debt in 15 years with the outstanding balance of the note being due and payable in full on December 10, 2015. CAMC refinanced this note on December 10, 2015 with outstanding balance now due in full on December 10, 2020. Interest accrues at a variable rate equal to 30-day London InterBank Offered Rate (LIBOR), plus 1.25%. The rate aggregated to 1.94% as of December 31, 2015.

2009 Series A Bonds—In September 2009, CAMC entered into a loan agreement with the West Virginia Hospital Finance Authority (the "Authority") pursuant to which CAMC borrowed the proceeds of the Authority's $179,925 fixed-rate hospital revenue refunding and improvement bonds 2009 Series A. The coupon rates of the bonds range from 3% to 5.62% depending on maturity. In aggregate, the bonds sold at a net discount of $2,406, which is being amortized to interest and debt expense over the 23-year life of the issue. Interest on the bonds is payable semiannually and principle is payable annually. Under the terms of the loan agreement, CAMC makes monthly loan repayments sufficient in time and amount to enable the Authority to pay the principle of, and the interest on, the Series 2009 bonds. In June 2014, approximately $49,000 of these bonds were called at 100% par and extinguished using proceeds from the 2014 Series A Bonds.

2008 Series A Bonds—In June 2008, CAMC entered into a loan agreement with the Authority pursuant to which CAMC borrowed the proceeds of the Authority's $127,355 variable-rate revenue bonds 2008 Series A. The bonds require the payment of principle and interest through September 1, 2037. The bonds are multimodal variable-rate demand obligations supported by credit enhancement and a liquidity facility.

The timely payment of principal and interest on the 2008 Series A bonds and the purchase price of tendered bonds are secured by an irrevocable, transferable direct pay letter of credit issued by a bank. The letter of credit will expire on June 19, 2018, unless renewed, and may be replaced by a substitute letter of credit. Should any portion of the bonds not remarket, the holders of said bonds may tender them to the bank holding the direct pay letter of credit. Draws on the letter of credit, which cannot be remarketed after 90 days will begin repayment over 10 years with a balloon payment at the end of five years. There were no draws on the letter of credit in 2015. Interest on the 2008 bonds is variable and can bear interest at a daily rate or a weekly rate as determined by a remarketing agent. Interest accrues at the stated interest rate, which, in the judgment of the remarketing agent under then-existing market conditions, would result in the sale of the 2008 bonds on such rate determination date at a price equal to the principle amount thereof, plus interest accrued through the rate period. As of December 31, 2015, the interest rate was .036%.

2008 CAMC Teays Bonds—On September 30, 2008, CAMC Teays entered into a loan agreement with the Authority pursuant to which CAMC Teays borrowed the proceeds of the Authority's $26,000 variable-rate revenue bonds. CAMC is a guarantor of this debt. The bonds require the payment of principal and interest through October 31, 2018. Principle is amortizing as if the debt is repaying over 21 years in equal monthly installments. On October 31, 2018, a balloon payment is due for the remaining principle and accrued interest. Interest is accrued on a monthly basis. The associated note carries a variable monthly interest rate equal to 78% of LIBOR, plus 85-basis points (0.85%). As of December 31, 2015, the interest rate was .987%.

2006 Promissory Note—Taxable note for CAMC Teays with a financial institution guaranteed by CAMC. The 2006 Promissory Note carries a variable monthly interest rate equal to the LIBOR, plus 100-basis points (1.00%), which aggregated 1.17% as of December 31, 2015. Interest on the note is paid monthly in arrears on the first business day of each month through an amended maturity date of January 1, 2020.

Other—CAMC maintains a $10,000 working capital line of credit with a local bank which expires December 31, 2016. As of December 31, 2015 and 2014, there was no outstanding balance. A note securing the line of credit has been issued under the 1993 restated master trust indenture.

As of December 31, 2015 and 2014, there was $3,497 and $3,497, respectively, committed to three undrawn reoccurring letters of credit related to workers' compensation. These letters of credit are renewed annually and currently expire on August 20, 2016.

CAMC is one of three charter members of HealthNet, Inc. (HNET), a West Virginia nonprofit corporation that provides air medical transportation service to CAMC's primary patient population. HNET is not a consolidated entity within the Parent. CAMC has issued guarantees in the aggregate amount of $8,908 to support the acquisition, renovation, and replacement of two medical helicopters. The guarantees reduce as HNET's lease liability for each of the helicopters is repaid. As of December 31, 2015, CAMC had not been called upon to make payments under the guarantee agreement.

CAMC has recorded $5,407 and $6,316 as of December 31, 2015 and 2014, respectively, as a capital lease obligation for these helicopters as a result of the lease guarantees and the helicopters being primarily used by CAMC. The related asset is included in property, equipment and information systems in the accompanying consolidated balance sheets.

CAMC entered into an agreement with GE Healthcare Financial Services on December 14, 2015 on a capital lease to purchase anesthesia equipment over a 36 month period. As of December 31, 2015 there was $2,840 committed to this lease, with the related asset included in property, equipment and information systems in the accompanying consolidated balance sheets.

Debt Service Requirements—The System is required to make principal payments under long-term debt and capital lease obligations. The required principal payments are as follows:

	2016	2017	2018	2019	2020	Thereafter	Total
2014 Series A Bonds	$ -	$ -	$ -	$ -	$ -	$ 45,625	$ 45,625
2013 Taxable Debt Notes	1,595	1,665	1,740	1,810	1,890	68,410	77,110
2010 Mountaineer Imaging	595	595	595	595	3,732	-	6,112
2009 Series A Bonds	6,150	6,425	6,735	6,735	7,095	77,215	110,355
2008 Series A Bonds	1,600	1,650	1,725	2,135	2,200	112,730	122,040
2008 CAMC Teays Bonds	1,118	1,118	663	508	513	15,967	19,887
2006 Promissory Note	280	280	280	280	3,845	-	4,965
Capital Lease Obligations	1,874	1,892	1,910	983	486	1,102	8,247
Total	$13,212	$13,625	$13,648	$13,046	$19,761	$321,049	$394,341

Advanced Refundings—The outstanding balance of advanced refunded bonds excluded from the consolidated balance sheets was $13,550 as of December 31, 2015 and $14,815 as of December 31, 2014. The System advance refunded the bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustee is solely responsible for the subsequent extinguishment of the bonds. The trustee-held escrow accounts are invested in U.S. government securities.

Derivatives—The System has entered into floating-to-fixed and floating-to-floating interest rate swap agreements in connection with its debt management program. The objective is to reduce the amount of interest related to outstanding debt obligations. Such agreements are not designated as hedging instruments. Net interest paid or received under the swap agreements is included in the consolidated statements of operations as a component of interest and debt expense while the change in the fair value of the derivative is reported separately in the consolidated statements of operations.

The System's interest rate swap agreements as of December 31, 2015 and 2014, are as follows:

Swap Type	Expiration Date	System Pays	Notional Amount 2015	Notional Amount 2014
Floating	September 1, 2032	BMA municipal Bond index rate	$ 135,400	$ 140,700
Floating	September 4, 2027	USD-securities industry and financial markets Association Municipal Bond Index	50,000	50,000
Fixed	September 1, 2037	4.19 %	100,375	101,665
			$ 285,775	$ 292,365

Net interest paid and received on the System's interest rate swap transactions was an expense of $4,246 and $4,320 for the years ended December 31, 2015 and 2014, respectively. This is included in interest and debt expense in the accompanying consolidated statements of operations.

Under the terms of certain of the derivative contracts, the System is required to maintain collateral posted with the counterparty to secure a portion of the estimated value of the derivative instruments when said instruments are valued in favor of the counterparty, as periodically determined by the counterparty. Collateral must be posted when the applicable aggregate derivative values exceed $10,000 in favor of the counterparty. As of December 31, 2015 and 2014, $12,860 and $11,920, respectively, of collateral had been posted. The System's accounting policy is not to offset collateral amounts against amounts recognized for derivative obligations. Accordingly, the posted collateral is included in assets limited as to use in the accompanying consolidated balance sheets.

Generally, the counterparties to the transactions could force an early termination if the obligated group's underlying credit rating declines from A3 to Baa2 or below as determined by Moody's Investors Service, if the obligated group fails to post collateral or if the obligated group fails to make swap payments. Aggregate termination payments would approximate the fair market value of the outstanding instruments as reported above. CAMC's bonds issued through the West Virginia Hospital Finance Authority carry a current credit rating as of December 31, 2015, of A3.

To evidence its obligations under the derivatives, promissory notes were negotiated by CAMC and the swap counterparty to give the swap counterparty security for CAMC's obligations under the derivative agreements. The actual obligation of CAMC on these notes may vary significantly from the nominal amounts of each note. No amounts are outstanding under these notes.

The following table summarizes the estimated fair value of the Corporation's derivative financial instruments at December 31, 2015 and 2014:

Derivatives not Designated as Hedging Instruments	Consolidated Balance Sheet Location	2015	2014
		(In thousands)	
Asset derivatives—Interest rate swaps	Prepaid expenses and other	$ 7,769	$ 5,442
Liability derivatives—Interest rate swaps	Derivative obligation	$ 28,657	$ 27,233

Operating Lease Agreements—The System leases various land, computer, office, and movable equipment under noncancelable operating lease agreements expiring at various dates through 2020. Payments required under the noncancelable operating lease agreements as of December 31, 2015, are as follows:

Years Ending December 31	
2016	$ 3,176
2017	2,403
2018	1,637
2019	891
2020	495
Thereafter	-
	$ 8,602

Total expense for operating leases, which is included in supplies and other in the accompanying consolidated statements of operations, was $5,367 and $4,794 for the years ended December 31, 2015 and 2014, respectively.

8. LIABILITIES FOR SELF-INSURANCE RESERVES

Certain of the System's subsidiaries are self-insured for professional malpractice and general liability claims through the CAMC Health System Inc. and Affiliates Malpractice Self-Insurance Trust (the "Trust"). This is a revocable trust. Participating affiliates have proportionate rights to the Trust's account balance held under the custodial management of a bank trust department and can withdraw from the Trust, subject to certain actuarially determined thresholds. The Trust's account may be used for payment of any professional malpractice and general liability losses, expenses relating thereto, costs of administering the Trust, and insurance premiums for coverage in excess of the self-insured limits.

Obligations of the Trust are determined using statistical analysis by an independent actuarial valuation of occurrence-based risks, which includes consideration of incurred but not reported claims exposure. The System's methodology for estimating this self-insured obligation is a simulation modeling approach largely dependent on the System's actual loss history and certain national, regional, and state specific claim statistics. As of December 31, 2015 and 2014, the System has recorded \$23,314 and \$19,879, respectively, as the liability for self-insured asserted and unasserted professional malpractice and general liability claims. The estimated current portion of \$6,400 in 2015 and \$5,300 in 2014 is recorded in current liabilities in the accompanying consolidated balance sheets. The estimated liability for such malpractice and general liability claims has been discounted using a discount rate of 1.50% and 1.00% in 2015 and 2014, respectively. While the ultimate amount of costs incurred under the System's self-insured programs is dependent on future developments, in management's opinion, recorded reserves are adequate to cover the future settlement value of claims. However, it is reasonably possible that recorded reserves may not be adequate to cover the future settlement of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in operations in the periods in which such adjustments are known.

The malpractice self-insurance limits are a maximum \$3,000 per occurrence and a maximum annual aggregate limit of \$12,000 for May 1, 2001, through April 30, 2002; \$5,000 per occurrence and a maximum annual aggregate limit of \$20,000 for May 1, 2002, through April 30, 2003; \$7,000 per occurrence and a maximum annual aggregate limit of \$25,000 for May 1, 2003, through April 30, 2004; \$10,000 per occurrence and a maximum annual aggregate limit of \$30,000 for May 1, 2004, through April 30, 2011 and \$10,000 per reported claim and a maximum annual aggregate limit of \$25,000 for May 1, 2011, through April 30, 2016.

Prior to 2012, certain members of the System were also self-insured for workers compensation, unemployment compensation, disability, and employee health insurance. The workers' compensation plan's trust fund is under the custodial management of a bank trust department. The workers' compensation long-term portion of the obligation recorded in self-insurance reserves in the accompanying consolidated balance sheets for these programs is \$763 and \$851 as of December 31, 2015 and 2014, respectively. The current portion of the obligation recorded in accrued expenses for workers' compensation was \$808 and \$606 as of December 31, 2015 and 2014, respectively. Beginning, January 1, 2012, all system members became insured for workers' compensation. Self-insured workers' compensation obligations are reserved for claims prior to the effective date of January 1, 2012, including incurred but not reported claims. Claims, beginning on January 1, 2012, are administered under a deductible insured program with limits of \$1,000 per occurrence and \$3,000 annual aggregate.

Prior to 2012, the System was subject to risk pools (security and guaranty) for the benefit of self-insured employers in West Virginia. The risk pools were utilized to fund the claims payments of default and bankrupt self-insured employers. The System maintains a required \$1,741 letter of credit in favor of the West Virginia Insurance Commission to secure claims with dates of injury on or prior to June 30, 2004. The System and other pool participants are required to pay annual guaranty pool assessments until the guaranty pool contains the sum of $30,000 or 5% of the estimated total claims liability of all self-insured employers. In the event that actual claim defaults exceed the amounts of defaulted claim reserves, additional amounts may be assessed to the self-insured employers to fund the guaranty pool. The System's contributions to the guaranty pool were $5 and $5 for 2015 and 2014, respectively. The amount of the System's liability in respect to potential assessments cannot be estimated. Accordingly, no accrual for such liability has been reflected in the consolidated financial statements.

9. RETIREMENT OBLIGATIONS

Supplemental Executive Retirement Program (SERP)—The System has adopted several SERPs for the benefit of corporate officers. The SERPs, when combined with the retirement savings plan, are intended to provide corporate officers with a retirement benefit from all System sources (including 50% of social security benefits) ranging from approximately 55% to 60% of the officer's average compensation during his or her final five years of employment with an assumed normal retirement age of 60. Generally, an officer may become fully vested in SERPs' benefits at age 60 with at least 30 years of service. Partial vesting in these benefits begins at age 55 with at least five years of service. Benefit payments under these plans generally do not commence until 24 months after termination of employment. The SERPs are nonqualified plans.

The table below sets forth the change in the benefit obligation of the SERPs for the years ended December 31, 2015 and 2014, using a December 31 valuation date.

Change in Projected Benefit Obligation	**2015**	**2014**
Benefit obligation at beginning of year	$ 11,619	$ 9,867
Service cost	624	552
Interest cost	350	365
Actuarial loss	(351)	720
Benefits paid	(1,465)	-
Plan amendments	137	115
Projected benefit obligation (underfunded status) at end of year	$ 10,914	$ 11,619

The accumulated benefit obligation for the SERPs was $9,698 and $10,168 as of December 31, 2015 and 2014, respectively.

Included in unrestricted net assets as of December 31, 2015 and 2014, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $2,759 and $3,853, respectively, and unrecognized net prior service cost of $1,083 and $1,085, respectively.

Certain assets approximating $2,832 and $2,939 as of December 31, 2015 and 2014, respectively, are maintained in a separate account to fund benefits under the plans and are recorded in other assets limited as to use in the consolidated balance sheets. Contributions of $143 and $143 were made into this account in 2015 and 2014, respectively. Such assets are subject to general creditors of the System. The System expects to contribute approximately $143 to these accounts in 2016.

The benefit payments, which reflect expected future service, as appropriate, expected to be paid by the SERP plans during the years ended December 31 are as follows:

December 31	
2016	$ 1,869
2017	4,049
2018	450
2019	2,529
2020–2025	2,618

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

	2015	**2014**
Service cost	$ 624	$ 552
Interest cost	350	365
Settlement charge	370	-
Actuarial loss	372	296
Amortization of prior service cost	140	92
Net periodic benefit cost	$ 1,856	$ 1,305

Actuarial plan assumptions for the years ended December 31, 2015 and 2014, are as follows:

	2015	**2014**
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	3.10 %	3.50 %
Expected rate of compensation increase	4.00	4.00
Weighted-average assumptions used to determine benefit obligations as of December 31:		
Discount rate	3.55 %	3.10 %
Expected rate of compensation increase	4.00	4.00
Lump-sum interest rate	1.25	1.50

Postretirement Benefits Other than Pensions—The System provides certain other postretirement benefits (OPEBs) to a grandfathered group of participants. Such benefits are primarily related to life insurance, sick day buyout benefits and medical. OPEB benefits for current employees and retirees except for the grandfathered group were ceased in years prior to 2006.

The table below sets forth the change in the benefit obligation of the postretirement benefits for the years ended December 31, 2015 and 2014, using a December 31 valuation date.

Change in Projected Benefit Obligation	**2015**	**2014**
Benefit obligation—beginning of year	$ 3,161	$ 3,314
Service cost	32	40
Interest cost	102	121
Actuarial loss (gain)	(505)	(81)
Contributions	8	14
Benefits paid	(239)	(299)
Plan change	-	52
Benefit obligation (underfunded status)—end of year	$ 2,559	$ 3,161

The postretirement benefits are not funded.

A summary of projected benefit payments for the years ending December 31 follows:

2016	$ 270
2017	289
2018	282
2019	281
2020	226
2021–2025	858

The postretirement benefit expense for the years ended December 31, 2015 and 2014 was as follows:

	2015	**2014**
Service cost of benefits earned	$ 32	$ 40
Interest cost	102	121
Net prior period service costs	52	-
Actuarial loss	8	25
Net periodic postretirement expense	$ 194	$ 186

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of 6.75% in 2016, reducing .25% per year for 7 years reaching 5% in 2023 and thereafter.

Retirement Savings Plan—Employees of the System are eligible to participate in a retirement savings plan. Employees may contribute from 1% to 100% of their salary to the plan, subject to certain limitations, and the employers will match from 1% to 6% of salary based on the employees' years of service. Total employer contributions to the retirement savings plan were $13,276 and $12,404 during 2015 and 2014.

10. RELATED-PARTY TRANSACTIONS

West Virginia University (WVU) employs physicians who provide medical education and supervision to the resident physicians employed by CAMC. In 2015 and 2014, CAMC provided $16,885 and $15,264, respectively, to WVU for the physicians who teach and supervise the resident physicians for call pay, income guarantees, fees for services, and other expenses. The fees paid are included in either professional compensation and fees or supplies and other, depending on the nature of the transaction. CAMC has committed $20,277 to further support WVU during 2016 for the use of the teaching and supervising physicians.

CAMC, Cabell Huntington Hospital, and West Virginia University Hospital are members of Healthnet, Inc. (“Healthnet”). Each member’s legally controlled percentage is 33-1/3%. Healthnet is a West Virginia nonprofit corporation that provides aeromedical transport service, which the IRS has determined is recognized as exempt from federal income tax under Section 501(c)(3) of the Code. Members are required to support Healthnet to the extent that expenses exceed revenues. For the years ended December 31, 2015 and 2014, Healthnet expenses exceeded revenues by $1,306 and $1,158, respectively. Amounts due from Healthnet included in other receivables (payables) were $(315) and $427 as of December 31, 2015 and 2014, respectively.

Alliance Oncology, LLC and CAMC have each purchased an interest in Charleston Radiation Consultants, PLLC. Charleston Radiation Consultants, PLLC, manages the technical component of radiation therapy services offered by CAMC. Alliance Oncology, LLC owns a 50% interest, CAMC owns a 20% interest and Charleston Radiation Therapy Centers, LLC owns a 30% interest in the company. For the years ended December 31, 2015, Charleston Radiation Therapy Consultants, PLLC revenues exceeded expenses by $2,277. Amounts due from Charleston Radiation Consultants, PLLC included in other receivables were $765 of December 31, 2015.

11. FUNCTIONAL EXPENSES

The functional expenses related to the System’s operations as of December 31, 2015 and 2014, are as follows:

	2015	2014
Provision of health care and related services	$ 701,678	$ 678,146
General and administrative	294,787	242,022
Change in fair value of derivatives	(904)	10,579
	$ 995,561	$ 930,747

12. COMMITMENTS, CONTINGENCIES, AND LITIGATION

Entities of the System are party to a number of lawsuits. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits. In the opinion of management, after consultation with counsel, adequate insurance and self-insurance reserves exist in the event of any significant financial exposure. Accordingly, in the opinion of management, resolution of those matters is not expected to have a material adverse effect on the System’s consolidated financial position. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the future consolidated results of operations or cash flows in a particular period.

Asset Retirement Obligations—Management, based on its consideration of asset retirement activities such as asbestos removal on existing properties, does not believe that remediation of such items will have a material effect on the consolidated financial statements.

Information Technology (IT) Outsourcing—CAMC had agreements with Siemens Medical Solutions USA, Inc. (“Siemens”), for the license, implementation, and support of the software for its core information services applications and an IT outsourcing agreement. CAMC terminated the IT outsourcing agreement and offered employment to the Siemens employees who were providing such services.

In February 2015, Cerner Corporation (“Cerner”) acquired Siemens’ health information technology business unit. On April 3, 2015, CAMC signed an agreement with Cerner to: replace the Siemens and NextGen software and third party products obtained through Siemens; replace existing third party laboratory systems; replace all other clinical or business software now in use for which an adequate Cerner replacement exists; and deliver functionality to meet regulatory requirements.

The Cerner agreement provides a planned implementation date of September 14, 2016. Depreciation of the carrying value of the Siemens software, totaling approximately $3,507 at December 31, 2015, has been accelerated to fully depreciate by the planned date of conversion. In 2015, $351 of this depreciation was accelerated. The Cerner agreement requires CAMC to pay $12,622 over the first 2 years, then $6,611 for the next 8 years thereafter annually of the 10 year agreement for the perpetual license of the underlying software, implementation, and related support. In 2015, CAMC paid $4,053, which was capitalized and included in Property, Equipment and Information Systems. During the year ended December 31, 2015, costs of $9,442 related to the Cerner conversion were expensed.

Other Commitments—As of December 31, 2015, the System has committed approximately $187,000 in the aggregate over a five-year period for current and planned projects, including new construction, renovations, and equipping of facilities at its Memorial, General, Women and Children’s, and CAMC Teays hospitals. These commitments will be funded with a combination of cash generated from operating activities, fund raising, and existing debt proceeds with approximately $39,161 currently on deposit. Existing debt proceeds originated from a 2013 debt transaction on deposit in a board designated investment account and is included in assets limited as to use.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The System uses a three-level valuation hierarchy for disclosure of fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement related to notice requirements in order to withdraw from the investment.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The financial instruments carried at fair value as of December 31, 2015, by caption, in the consolidated statements of financial position by the three-level valuation hierarchy defined above are as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash equivalents	$ 48,666	$ -	$ -	$ 48,666
Equity securities	76,711	-	-	76,711
Equity mutual funds	192,658	-	-	192,658
Debt securities issued by U.S. Treasury and other U.S. government corporations and agencies	-	11,805	-	11,805
Debt securities issued by states of the United States and political subdivisions of the states	-	3,857	-	3,857
Corporate debt securities	-	32,652	-	32,652
Fixed income mutual funds	111,817	-	-	111,817
Total investments at fair value	$ 429,852	$ 48,314	$ -	$ 478,166
Assets—derivative asset	$ -	$ 7,769	$ -	$ 7,769
Liabilities—derivative obligation	$ -	$ 28,657	$ -	$ 28,657
Total liabilities at fair value	$ -	$ 28,657	$ -	$ 28,657

The financial instruments carried at fair value as of December 31, 2014, by caption, in the consolidated statements of financial position by the three-level valuation hierarchy defined above are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	$ 60,881	$ -	$ -	$ 60,881
Equity securities	81,947	-	-	81,947
Equity mutual funds	223,965	-	-	223,965
Debt securities issued by U.S. Treasury and other U.S. government corporations and agencies	-	19,632	-	19,632
Debt securities issued by states of the United States and political subdivisions of the states	-	4,020	-	4,020
Corporate debt securities	-	26,956	-	26,956
Fixed income mutual funds	140,408	-	-	140,408
Total investments at fair value	$ 507,201	$ 50,608	$ -	$ 557,809
Assets—derivative asset	$ -	$ 5,442	$ -	$ 5,442
Liabilities—derivative obligation	$ -	$ 27,233	$ -	$ 27,233
Total liabilities at fair value	$ -	$ 27,233	$ -	$ 27,233

Following is a description of the System's valuation methodologies for assets and liabilities measured at fair value.

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

Cash Equivalents—The carrying amounts reported in the accompanying consolidated balance sheets for cash equivalents approximate their fair value.

Equity Securities—Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded and are classified as Level 1 within the fair value hierarchy.

Equity Mutual Funds and Fixed Income Mutual Funds—Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned and are classified as Level 1 within the fair value hierarchy.

Debt Securities Issued by U.S. Treasury and other U.S. Government Corporations and Agencies, Debt Securities Issued by States of the United States and Political Subdivisions of the States, and Corporate Debt Securities—Debt securities are valued using quoted market prices and/or other market data for the same or comparable securities and transactions in establishing the prices, discounted cash flow models, and other pricing methods. These models are primarily industry-standard models that consider various assumptions, including the time value and yield curve, as well as other relevant economic measures. Due to the nature of pricing methods utilized, debt securities are classified as Level 2 within the fair value hierarchy.

Derivatives—The fair value of the derivative obligation is based on observable inputs from market sources that aggregate data based upon market transactions (see Note 7). In determining the fair value of the System's derivative instruments quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability. In order to determine the risk of nonperformance for our derivative instruments, the System will determine the credit spread for debt issues by entities with similar credit characteristics to the System. The fair value of the System's derivatives instruments will adjust based on the nonperformance risk of the System when the derivative instrument is a liability position or by each Counterparty when the derivative instrument is an asset to the System.

The System is required to assess its credit risk versus its counterparties, this assessment resulted in a decrease in the liability of $1,489 and $1,093, which increased the System's excess of revenues over expenses for the years ended December 31, 2015 and 2014, respectively.

14. ENDOWMENT—RESTRICTED NET ASSETS

The System's endowment is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and consists of approximately 162 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of the System has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment required by the donor gift instrument, if applicable. 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. In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

a. The duration and preservation of the fund
b. The purposes of the System and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the System
g. The investment policies of the System

The System's investment and spending policies for endowment assets are structured to provide a predictable stream of funding to programs supported by the endowment and maintain purchasing power of the endowment assets. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Therefore, the desired minimum rate of return is equal to the consumer price index plus, 600 basis points (6%) on an annualized basis. Actual returns in any given year will vary.

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 places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

The System computes a 12-quarter trailing average market value of each portfolio as of the prior June 30 and makes 5% of that amount available for expenditure. The computed value may be adjusted for large contributions, withdrawals, or market value swings as necessary to produce the desired level of cash. With this policy, the annual dollar amount available for spending will be known at the beginning of the year. If necessary, quarterly transfers of approximately 1.25% are scheduled for transfer to the Foundation's main cash account.

Changes in endowment funds for the year ended December 31, 2015, consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Net assets—beginning of the year	$ 32,739	$ 22,665	$ 55,404
Investment return:			
Investment income	1,162	-	1,162
Net appreciation (depreciation) (realized and unrealized)	(2,910)	-	(2,910)
Total investment return	(1,748)	-	(1,748)
Contributions	3	387	390
Fund transfers	-	-	-
Appropriation of endowment assets for expenditure	(576)	-	(576)
Net assets—end of year	$ 30,418	$ 23,052	$ 53,470

Changes in endowment funds for the year ended December 31, 2014, consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Net assets—beginning of the year	$ 32,220	$ 21,460	$ 53,680
Investment return:			
Investment income	1,458	-	1,458
Net appreciation (realized and unrealized)	614	-	614
Total investment return	2,072	-	2,072
Contributions	11	387	398
Fund transfers	(1,177)	818	(359)
Appropriation of endowment assets for expenditure	(387)	-	(387)
Net assets—end of year	$ 32,739	$ 22,665	$ 55,404

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor or UPMIFA requires the System to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees. There were no significant deficiencies of this nature that are reported in unrestricted net assets as of December 31, 2015 and 2014.

15. INTANGIBLE ASSETS

Intangible assets, other than software, which is included in property, equipment and information systems, are included in other assets. The System's identifiable intangible assets with finite lives are being amortized over their estimated useful lives and are as follows:

	December 31, 2015			
	Gross Carrying Amount	Accumulated Amortization	Net	Amortization Period
Trade name/trademark	$ 140	$ (140)	$ -	5 years
Noncompete	1,396	(1,396)	-	5 years
Noncontract relationships	4,131	(1,033)	3,098	20 years
Intangibles—software	50,485	(45,129)	5,356	3 years
	$ 56,152	$ (47,698)	$ 8,454	

	December 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Net	Amortization Period
Trade name/trademark	$ 140	$ (112)	$ 28	5 years
Noncompete	1,396	(1,117)	279	5 years
Noncontract relationships	4,131	(826)	3,305	20 years
Intangibles—software	42,063	(39,729)	2,334	3 years
	$ 47,730	$ (41,784)	$ 5,946	

Amortization expense for finite lived intangible assets was $3,098 and $3,640 at December 31, 2015 and 2014, respectively. The following is a schedule of estimated future amortization of finite lived intangible assets as of December 31, 2015:

Years Ending December 31, 2015	
2016	$ 3,703
2017	1,556
2018	701
2019	218
Thereafter	2,276
	$ 8,454

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 27, 2016, the date the consolidated financial statements were available to be issued, and no subsequent events require recognition or disclosure.

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OTHER ADDITIONAL FINANCIAL INFORMATION

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2015
(In thousands)

	CAMC	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Integrated	Reclassifications and Eliminations	Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$ 32,667	$ 421	$ -	$ 33,088	$ -	$ -	$ 1	$ -	$ 33,089
Short-term investments	181,514	3,125	-	184,639	-	-	-	-	184,639
Current portion of assets limited as to use	6,400	-	-	6,400	-	-	-	-	6,400
Patient receivables—net of allowances for	-								-
uncollectible accounts of $13,498	135,191	-	-	135,191	-	-	3,813	-	139,004
Other receivables	3,919	694	-	4,613	230	496	83	-	5,422
Estimated amounts due from third-party payors	10,660	-	-	10,660	-	-	-	-	10,660
Affiliate accounts receivable	7,046	61	(491)	6,616	18	1,852	4,924	(13,410)	-
Inventories	20,652	-	-	20,652	-	-	-	-	20,652
Prepaid expenses and other	11,410	11	-	11,421	25	2	48	-	11,496
Total current assets	409,459	4,312	(491)	413,280	273	2,350	8,869	(13,410)	411,362
ASSETS LIMITED AS TO USE	160,639	189,989	(37,936)	312,692	109	3,583	250	(3,583)	313,051
OTHER INVESTMENTS	20,742	-	-	20,742	-	-	-	-	20,742
PROPERTY, EQUIPMENT AND INFORMATION SYSTEMS:									
Land	42,870	5,083	-	47,953	-	-	-	-	47,953
Buildings and improvements	460,696	2,077	-	462,773	-	172	1,275	-	464,220
Equipment and information systems	509,085	15	-	509,100	-	6,013	2,226	-	517,339
Construction in progress	50,981	-	-	50,981	-	-	9	-	50,990
Total property, equipment and information systems	1,063,632	7,175	-	1,070,807	-	6,185	3,510	-	1,080,502
Less accumulated depreciation and amortization	(679,490)	(334)	-	(679,824)	-	(5,755)	(3,163)	-	(688,742)
Property, equipment and information systems—net	384,142	6,841	-	390,983	-	430	347	-	391,760
OTHER ASSETS:									
Other assets	9,257	583	-	9,840	3,160	-	-	-	13,000
Investments in subsidiaries:									
CAMC	-	-	-	-	397,869	-	-	(397,869)	-
Foundation	-	-	-	-	159,465	-	-	(159,465)	-
Institute	-	-	-	-	3,310	-	-	(3,310)	-
Integrated	-	-	-	-	1,501	-	-	(1,501)	-
Total other assets	9,257	583	-	9,840	565,305	-	-	(562,145)	13,000
TOTAL	$ 984,239	$201,725	$(38,427)	$1,147,537	$565,687	$ 6,363	$ 9,466	$(579,138)	$1,149,915

(Continued)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2015
(In thousands)

LIABILITIES AND NET ASSETS	CAMC	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Integrated	Reclassifications and Eliminations	Total
CURRENT LIABILITIES:									
Accounts payable and accrued expenses	$ 67,612	$ 221	$ -	$ 67,833	$ 16	$1,896	$1,645	$ -	$ 71,390
Self-insurance reserves	6,400	-	-	6,400	-	-	-	-	6,400
Derivative obligation	28,657	-	-	28,657	-	-	-	-	28,657
Accrued payroll and payroll-related expenses	51,208	71	-	51,279	-	861	-	-	52,140
Estimated amounts due to third-party payors	8,335	-	-	8,335	-	-	-	-	8,335
Affiliate payables	6,817	450	(491)	6,776	18	296	6,320	(13,410)	-
Current maturities of long-term debt and capital lease obligations	13,212	-	-	13,212	-	-	-	-	13,212
Total current liabilities	182,241	742	(491)	182,492	34	3,053	7,965	(13,410)	180,134
LONG-TERM LIABILITIES:									
Long-term debt and lease obligations less current maturities	384,395	-	-	384,395	-	-	-	-	384,395
Retirement obligations	11,560	-	-	11,560	-	-	-	-	11,560
Self-insurance reserves	17,359	-	-	17,359	-	-	-	-	17,359
Affiliate long-term payables	-	-	-	-	18,921	-	-	(18,921)	-
Other	9,736	(1)	-	9,735	-	-	-	-	9,735
Total long-term liabilities	423,050	(1)	-	423,049	18,921	-	-	(18,921)	423,049
Total liabilities	605,291	741	(491)	605,541	18,955	3,053	7,965	(32,331)	603,183
NET ASSETS:									
Unrestricted	359,434	141,100	-	500,534	489,706	(511)	1,501	(501,696)	489,534
Noncontrolling interest in joint ventures	499	-	-	499	-	-	-	-	499
Unrestricted—total	359,933	141,100	-	501,033	489,706	(511)	1,501	(501,696)	490,033
Receivable from affiliate	(18,921)	-	-	(18,921)	-	-	-	18,921	-
Temporarily restricted	25,826	36,795	(25,826)	36,795	33,973	2,097	-	(39,218)	33,647
Permanently restricted	12,110	23,089	(12,110)	23,089	23,053	1,724	-	(24,814)	23,052
Total net assets	378,948	200,984	(37,936)	541,996	546,732	3,310	1,501	(546,807)	546,732
TOTAL	$984,239	$201,725	$(38,427)	$1,147,537	$565,687	$6,363	$9,466	$(579,138)	$1,149,915

(Concluded)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2014
(In thousands)

	CAMC	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Integrated	Reclassifications and Eliminations	Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$ 17,269	$ 941	$ -	$ 18,210	$ -	$ -	$ 3	$ -	$ 18,213
Short-term investments	225,910	11,090	-	237,000	-	-	-	-	237,000
Current portion of assets limited as to use	5,300	-	-	5,300	-	-	-	-	5,300
Patient receivables—net of allowances for uncollectible accounts of $13,229	109,850	-	-	109,850	-	-	5,618	-	115,468
Other receivables	7,678	1,693	(108)	9,263	220	488	115	-	10,086
Estimated amounts due from third-party payors	6,988	-	-	6,988	-	-	-	-	6,988
Affiliate accounts receivable	10,428	57	(784)	9,701	26	1,729	7,405	(18,861)	-
Inventories	17,862	-	-	17,862	-	-	-	-	17,862
Prepaid expenses and other	10,885	10	-	10,895	24	13	275	-	11,207
Total current assets	412,170	13,791	(892)	425,069	270	2,230	13,416	(18,861)	422,124
ASSETS LIMITED AS TO USE	189,017	194,754	(36,908)	346,863	109	3,769	-	(3,769)	346,972
OTHER INVESTMENTS	20,742	-	-	20,742	-	-	-	-	20,742
PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS:									
Land	41,520	5,084	-	46,604	-	-	-	-	46,604
Buildings and improvements	388,786	2,060	-	390,846	-	203	3,735	-	394,784
Equipment and information systems	481,779	14	-	481,793	-	5,923	7,617	-	495,333
Construction in progress	68,676	-	-	68,676	-	-	22	-	68,698
Total property, equipment, and information systems	980,761	7,158	-	987,919	-	6,126	11,374	-	1,005,419
Less accumulated depreciation and amortization	(636,104)	(310)	-	(636,414)	-	(5,476)	(7,889)	-	(649,779)
Property, equipment and information systems—net	344,657	6,848	-	351,505	-	650	3,485	-	355,640
OTHER ASSETS:									
Other assets	10,536	991	(287)	11,240	3,391	-	-	-	14,630
Investments in subsidiaries:									
CAMC	-	-	-	-	394,006	-	-	(394,005)	-
Foundation	-	-	-	-	174,662	-	-	(174,662)	-
Institute	-	-	-	-	3,902	-	-	(3,902)	-
Integrated	-	-	-	-	5,345	-	-	(5,345)	-
Total other assets	10,536	991	(288)	11,240	581,306	-	-	(577,916)	14,630
TOTAL	$ 977,122	$216,384	$(38,087)	$1,155,419	$581,685	$ 6,649	$16,901	$(600,546)	$1,160,108

(Continued)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2014
(In thousands)

LIABILITIES AND NET ASSETS	CAMC	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Integrated	Reclassifications and Eliminations	Total
CURRENT LIABILITIES:									
Accounts payable and accrued expenses	$ 52,492	$ 226	$ -	$ 52,718	$ 6	$1,541	$ 2,261	$ -	$ 56,526
Self-insurance reserves	5,300	-	-	5,300	-	-	-	-	5,300
Derivative obligation	27,233	-	-	27,233	-	-	-	-	27,233
Accrued payroll and payroll-related expenses	47,477	82	-	47,559	-	797	-	-	48,356
Estimated amounts due to third-party payors	15,565	-	-	15,565	-	-	-	-	15,565
Affiliate payables	9,182	734	(784)	9,132	26	409	9,294	(18,861)	-
Current maturities of long-term debt and capital lease obligations	17,992	-	(108)	17,884	-	-	-	-	17,884
Total current liabilities	175,241	1,042	(892)	175,391	32	2,747	11,555	(18,861)	170,864
LONG-TERM LIABILITIES:									
Long-term debt and lease obligations less current maturities	389,228	-	(287)	388,941	-	-	-	-	388,941
Retirement obligations	13,337	-	-	13,337	-	-	-	-	13,337
Self-insurance reserves	15,191	-	-	15,191	-	-	-	-	15,191
Affiliate long-term payables	-	-	-	-	19,732	-	-	(19,732)	-
Other	9,852	2	-	9,854	-	-	-	-	9,854
Total long-term liabilities	427,608	2	(287)	427,323	19,732	-	-	(19,732)	427,323
Total liabilities	602,849	1,044	(1,179)	602,714	19,764	2,747	11,555	(38,593)	598,187
NET ASSETS:									
Unrestricted	356,656	149,657	-	506,313	498,969	(232)	5,346	(511,541)	498,855
Noncontrolling interest in joint ventures	442	-	-	442	-	-	-	-	442
Unrestricted—total	357,098	149,657	-	506,755	498,969	(232)	5,346	(511,541)	499,297
Receivable from affiliate	(19,732)	-	-	(19,732)	-	-	-	19,732	-
Temporarily restricted	25,049	42,980	(25,049)	42,980	40,286	2,413	-	(45,720)	39,959
Permanently restricted	11,858	22,703	(11,859)	22,702	22,666	1,721	-	(24,424)	22,665
Total net assets	374,273	215,340	(36,908)	552,705	561,921	3,902	5,346	(561,953)	561,921
TOTAL	$977,122	$216,384	$(38,087)	$1,155,419	$581,685	$6,649	$16,901	$(600,546)	$1,160,108

(Concluded)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015
(Dollars in thousands)

	CAMC	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Integrated	Reclassifications and Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:									
Patient service revenue (net of contractual allowance and discounts)	$932,578	$ -	$ -	$932,578	$ -	$ -	$44,312	$ 14	$976,904
Provisions for bad debts	(27,236)	-	-	(27,236)	-	-	(3,279)	-	(30,515)
Net patient service revenues less provision for bad debts	905,342	-	-	905,342	-	-	41,033	14	946,389
Other revenue	45,051	669	(4,125)	41,595	-	5,008	1,335	(7,460)	40,482
Support from CAMC	-	-	-	-	120	5,850	50,185	(56,151)	-
Investment income—net	(3,392)	(5,022)	(17)	(8,431)	158	-	-	-	(8,273)
Increase in net assets of subsidiaries	-	-	-	-	(9,848)	-	-	9,848	-
Net assets released from restrictions	-	5,562	(4,000)	1,562	-	944	-	-	2,506
Total unrestricted revenue and other support	947,001	1,209	(8,142)	940,068	(9,570)	11,802	92,553	(53,749)	981,104
EXPENSES:									
Salaries and wages	323,793	447	2	324,242	-	6,373	62,420	2	393,037
Employee benefits	96,501	162	-	96,663	-	1,517	8,792	57	107,029
Professional compensation and fees	13,371	-	-	13,371	-	303	6,903	(250)	20,327
Supplies and other	438,867	9,133	(10,022)	437,978	278	3,609	18,585	(63,406)	397,044
Depreciation and amortization	38,940	25	-	38,965	-	280	698	-	39,943
Medicaid provider tax	24,452	-	-	24,452	-	-	-	-	24,452
Interest and debt expense	14,650	-	(17)	14,633	-	-	-	-	14,633
Change in fair value of derivatives	(904)	-	-	(904)	-	-	-	-	(904)
Total expenses	949,670	9,767	(10,037)	949,400	278	12,082	97,398	(63,597)	995,561
(DEFICIENCY) EXCESS OF REVENUES OVER EXPEN!	(2,669)	(8,558)	1,895	(9,332)	(9,848)	(280)	(4,845)	9,848	(14,457)
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES—Noncontrolling interest	121	-	-	121	-	-	-	-	121
TOTAL (DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	$ (2,548)	$(8,558)	$ 1,895	$ (9,211)	$ (9,848)	$ (280)	$ (4,845)	$ 9,848	$ (14,336)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014
(Dollars in thousands)

	CAMC	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Integrated	Reclassifications and Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:									
Patient service revenue (net of contractual allowance and discounts)	$916,771	$ -	$ -	$916,771	$ -	$ -	$42,315	$ 15	$959,101
Provisions for bad debts	(39,676)	-	-	(39,676)	-	-	(4,581)	-	(44,257)
Net patient service revenues less provision for bad debts	877,095	-	-	877,095	-	-	37,734	15	914,844
Other revenue	42,516	632	(3,280)	39,868	-	4,329	652	(7,464)	37,385
Support from CAMC					32	6,436	46,461	(52,929)	-
Investment income—net	13,765	6,642	(34)	20,373	168	-	1	-	20,542
Increase in net assets of subsidiaries	-	-	-	-	51,023	-	-	(51,023)	-
Net assets released from restrictions	70	8,814	(8,100)	784	-	215	-	-	999
Total unrestricted revenue and other support	933,446	16,088	(11,414)	938,120	51,223	10,980	84,848	(111,401)	973,770
EXPENSES:									
Salaries and wages	304,029	467	-	304,496	-	6,069	54,814	12,647	378,026
Employee benefits	95,253	177	189	95,619	-	1,164	7,581	257	104,621
Professional compensation and fees	12,748	-	-	12,748	-	222	8,276	(12,817)	8,429
Supplies and other	398,616	10,798	(11,994)	397,420	199	3,524	18,227	(60,465)	358,905
Depreciation and amortization	33,869	24	-	33,893	-	298	596	-	34,787
Medicaid provider tax	19,115	-	-	19,115	-	-	-	-	19,115
Interest and debt expense	16,319	-	(34)	16,285	-	-	-	-	16,285
Change in fair value of derivatives	10,579	-	-	10,579	-	-	-	-	10,579
Total expenses	890,528	11,466	(11,839)	890,155	199	11,277	89,494	(60,378)	930,747
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENS	42,918	4,622	425	47,965	51,024	(297)	(4,646)	(51,023)	43,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES—Noncontrolling interest	(69)	-	-	(69)	-	-	-	-	(69)
TOTAL EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 42,849	$ 4,622	$ 425	$ 47,896	$51,024	$ (297)	$ (4,646)	$ (51,023)	$ 42,954

1. The other additional financial information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This other additional financial information is the responsibility of the System's management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Accounting policies applicable to the consolidated financial statements are consistent with those used to prepare the other additional information.

2. CAMC Health System records as an investment in subsidiary its direct share of the net assets of CAMC, Foundation, Institute and Integrated. Certain Foundation assets are held by the Foundation on behalf of CAMC and the Institute. CAMC and the Institute record their direct share of such assets as Interest in Foundation's Net Assets in the other additional financial information. CAMC Health System records the remaining Foundation net assets as an investment in subsidiary to reflect its direct share of the residual assets of the Foundation.

3. CAMC and the Foundation are members of the obligated group in accordance with the provisions of the 1993 restated master trust indenture and are jointly and severally liable for the performance of all covenants and obligations contained in the 1993 restated master trust indenture and in the related notes and guarantees. The 2013 Taxable notes, 2008 Series A bonds, 2008 CAMC Teays bonds, 2009 Series A bonds, 2014 Series A bonds, and various notes, lines and letters of credit are obligations under the 1993 restated master trust indenture. The Foundation's restricted net assets are not available to satisfy obligations of the obligated group.

4. Support from CAMC, other revenue, salaries and wages, professional compensation and supplies include transactions between each of the consolidated entities for affiliate services and support provided including administrative and physician support. Such amounts are recorded at the estimated cost of the entity providing such support (for example, for shared services) or the amount charged by the providing entity pursuant to contracts between the entities (for example, for certain physician support between CAMC and Integrated). Such amounts are eliminated on consolidation.

5. The 2014 Consolidating Statement of Operations Schedule has been revised to correct certain classification errors within expense categories. The revision did not materially impact any individual expense category and had no impact on total expenses.