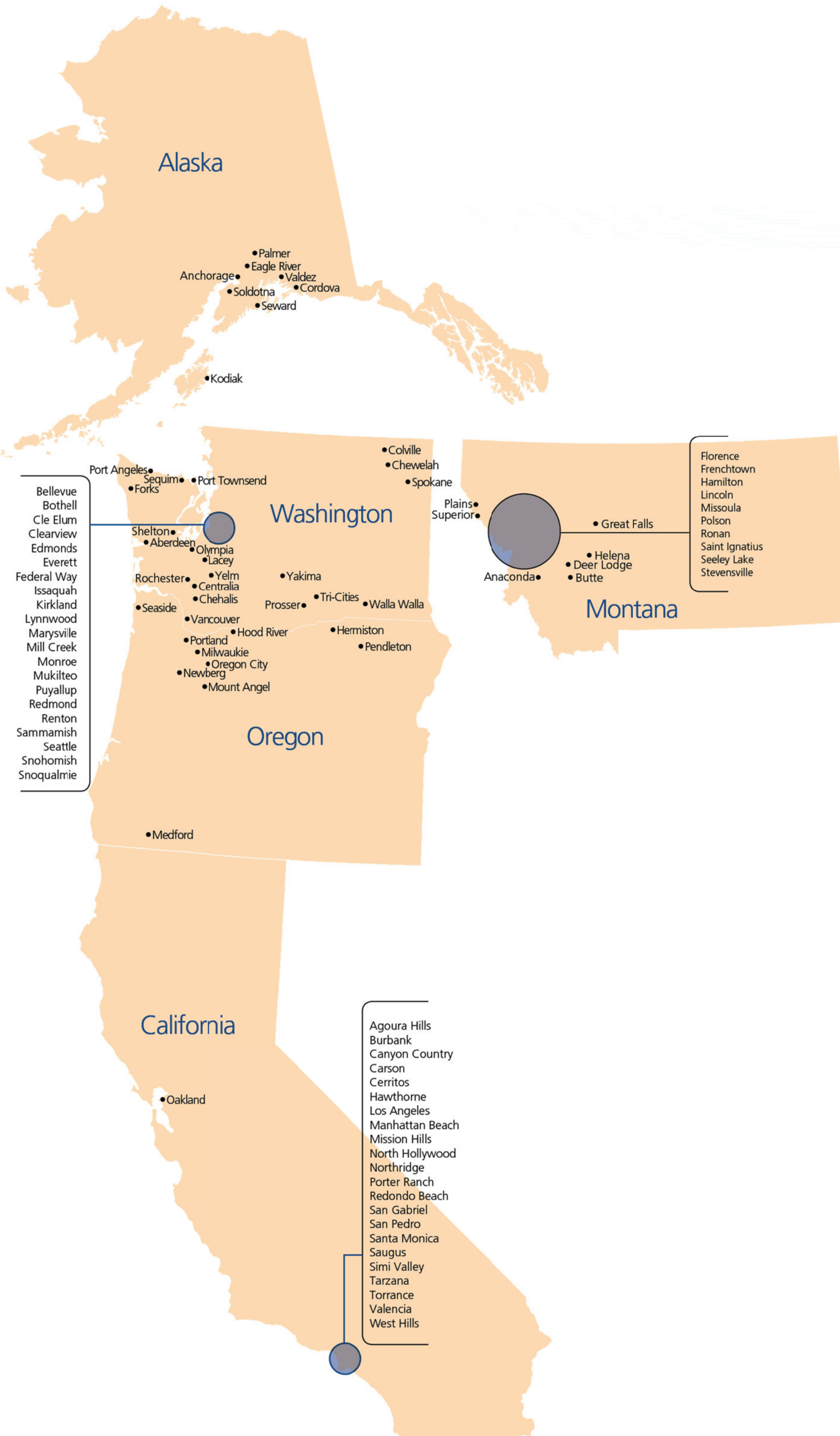
Management's Discussion and Analysis of Financial Condition and Results of Operations

Year ended December 31, 2015

Todd Hofheins, Executive Vice President and Chief Financial Officer



The care and services Providence delivers spans from birth to hospice, to care for the whole person. Our comprehensive scope of services includes acute care, physician clinics, long term and assisted living, palliative and hospice care, home health, education and supportive housing. Our ministries are in Alaska, California, Montana, Oregon and Washington with our system office located in Renton, Washington.

PROVIDENCE
Health & Services

Introduction to Management's Discussion and Analysis

Management's discussion and analysis provides additional narrative explanation of the financial condition, operational results and cash flow of Providence Health & Services (Providence) to increase understanding of the health system's combined financial statements. The discussion and analysis should be read in conjunction with the accompanying audited combined financial statements.

Creating healthier communities, together

As health care evolves, Providence is responding with a vision and core strategy to transform and innovate at scale. Across five states, Providence and its affiliates continue to pioneer how care is delivered by sharing one strategic plan designed to improve the health of entire populations by supporting the well-being of each person we serve. Our core strategy of "*Creating healthier communities, together*" is supported by five specific areas of focus in our strategic plan:

- Inspire: We must first inspire and develop our people.
- Know: To serve our communities effectively, we are building enduring relationships with consumers.
- Partner: Providing the best care requires new alignments with clinicians and care teams.
- Adapt: We'll develop and thrive under new care delivery and economic models.
- Adopt: To serve more people we will grow by optimizing expert-to-expert capabilities.

This plan supports our vision, "Together, we answer the call of every person we serve: Know me, care for me, ease my way ®," which is our promise to our patients, customers and communities. Through innovation, excellence, good stewardship and working together across Providence, we will continue to lead change to improve the health of our communities.

Investing in our communities to improve health and increase access

With strong support from Providence, Alaska launched Medicaid expansion in 2015 and Montana began expansion early in 2016, ensuring that all five of our states have increased eligibility under the Affordable Care Act. In an environment of decreased reimbursement for government-sponsored medical care, community benefit spending related to the unpaid costs of Medicaid was $538 million in 2015 compared with $444 million in 2014. Providence cares for everyone, regardless of their ability to pay. In 2015 we provided more than $951 million in community benefit, which increased over $100 million from 2014.

Providence had a strong impact on landmark new payment codes that recognize the value of advance care planning by reimbursing clinicians for having these discussions with their patients. The Centers for Medicare and Medicaid Services adopted recommendations developed by Providence and our partners that advance care planning be added as an optional, separately billable, element of the annual wellness visit. Going into effect in 2016, these codes will be instrumental for Providence, other Catholic ministries, and other providers that are committed to whole-person care models.

> *Together, we answer the call of every person we serve: Know me, care for me, ease my way.*

Collaborating with like-minded partners

St. Joseph Health System

Providence and St. Joseph Health continue to work through the process of bringing our organizations together after signing a letter of intent in July 2015 and a definitive agreement in November 2015 to create a new single organization. Closure of the transaction is dependent on the timing of regulatory review, which we now estimate will be complete in the second quarter of 2016.

The two Catholic health systems, with long histories of serving communities in the American West, plan to create a new parent organization, Providence St. Joseph Health, that will focus on a shared mission and vision, as well as the strategic, financial and operational direction for the system overall. Dr. Rod Hochman will serve as the CEO of the parent organization, which will be based in Renton, Wash. There will be two system offices – in Renton and in Irvine, Calif. The board of directors of the parent organization will include seven members appointed by Providence and seven members appointed by St. Joseph Health.

> *"Together, we can invest more in the needs of everyone we serve, especially the most vulnerable,"*
> ***-Rod Hochman, M.D., President and CEO***

Walgreens

As part of our commitment to creating healthier communities together, Providence is collaborating with Walgreens to open 25 clinics in Walgreens stores in Oregon and Washington during the next two years, starting with six clinics in Portland and Seattle opening in February 2016. In Portland, the clinics will be operated by Providence, staffed by Providence providers, and called Providence Express Care at Walgreens and in the Seattle area will be operated by Swedish, staffed by Swedish providers, and called Swedish Express Care at Walgreens. This program is another way we are answering the call of every person we serve. Current patients will experience a seamless patient experience through our existing electronic health record system, providing direct connectivity to the clinics and billing systems which will ensure better continuity of patient care and collaboration among providers.

Greater Fairbanks Community Hospital Foundation

Providence has signed a letter of intent with the Greater Fairbanks Community Hospital Foundation to pursue a lease agreement under the secular entity Western HealthConnect. The agreement would cover operations for Fairbanks Memorial Hospital, Denali Center and Tanana Valley Clinic. Fairbanks Memorial Hospital has 152 licensed beds and has served the community for more than 40 years.

The Hospital Foundation began a search for a new lease agreement partner after deciding not to renew a 15-year affiliation with Arizona-based Banner Health. Providence is honored to be selected as their proposed new partner and look forward to working with the Hospital Foundation to create healthier communities, together. We are excited to continue this tradition and to return to the Fairbanks community, where we served from 1910 to 1968.

As part of the letter of intent, we will negotiate a transition lease – under essentially the same terms as Banner – with the intent to negotiate a multi-year lease in the future. The lease agreement will be with Western HealthConnect, the entity formed to allow Providence to remain Catholic and secular affiliates to remain secular. This is the same model we used for our affiliations with Swedish, Pacific Medical Centers and Kadlec.

Leading dynamic change through innovation

Population Health

Population health will be a critical part of achieving Providence's strategy of creating healthier communities, together. Our goal is to maximize the health outcomes of the people in our defined populations and communities through the design, delivery and coordination of affordable quality health care. We are focused on the customer experience, while driving operational and financial excellence though our innovation in this space.

Consumer Health Engagement and Support

Our innovation team is developing tools and services that engage consumers to keep them healthy between episodes of care. For example, we will test a new service line for our 65 and over population that aims to increase the options seniors have in the choice to safely age in place in their homes and defer the stress and costs of a move to a long term care facility. The program will partner with our clinics to support day to day living tasks like meal delivery and transportation, improve the safety of a senior's home, and provide trusted planning and advice about aging optimally.

Leadership in the Healthcare Industry

Rod Hochman, M.D., president and chief executive officer, was recently appointed to the Board of Trustees for the Catholic Health Association of America.

Mike Butler, president, operations and services, has joined the Board of Directors of Medical Teams International.

Amy Compton-Phillips, M.D., executive vice president and chief clinical officer, along with **Rhonda Medows**, M.D., executive vice president of population health, were recently listed in Becker's Hospital Review annual list of influential female leaders in health care.

Providence ExpressCare

In order to provide health care to our patients on their own terms through a diverse range of care delivery offerings, Providence has launched ExpressCare, where patients can receive primary care in a retail setting. In addition to twenty-five ExpressCare Walgreens-embedded clinics, twenty-five standalone retail clinics will be opening throughout Washington, Oregon, California, and Montana in 2016 and 2017. ExpressCare clinics will be equipped with in-clinic "Appointments Now Available" monitors, website registration and scheduling, as well as walk-in kiosks with scheduling, check-in, and registration. ExpressCare will also be supported by a mobile app with clinic search, scheduling, registration and MyChart access as well as integrated telehealth.

Telehealth

Significant progress was made on our 2015 priorities including: iterating on and rolling out a new B2B technical infrastructure, turning on self-service features, accelerating deployment velocity and efficiency, and developing capabilities to be able to deploy easily to new service lines. We have developed a fully integrated platform that will effectively support both expert-to-expert telehealth as well as direct to consumer telehealth. Priorities for 2015 included improving quality of communication for clinicians and patients, reduced cost and accelerated deployment, safe and easy self-service features, and developing capabilities to be able to deploy easily to new service lines. The expert-to-expert telehealth platform for Telestroke was launched in 43 locations, while the Telehospitalist program completed a successful pilot and is now being deployed more broadly. HealthExpress, our $39 urgent care telehealth offering is now available in Washington and Oregon. Visit http://healthexpress.com to learn more.

Providence Milestones

- Named as one of the 'Most Wired' organizations in health care by the American Hospital Association.
- Ranked 153 of 500 on the Forbes list of America's Best Employers in 2015.
- The power of our Mission continues to shine through in a recent survey with 92 percent of caregivers (all employees) agreeing with the statement, "My work supports the Mission."

Financial Performance

Year-end Results

Key Financial Indicators *Data is year-to-date; dollar figures presented in millions*	2015	2014	Organic Growth*
Net Operating Income	$262	$219	$233
Net Income	$77	$771	$44
EBIDA	$864	$1,133	$807
Total Community Benefit	$951	$848	$931
Operating Margin %	1.8%	1.8%	1.7%
Accounts Receivable Days	47	50	48
Days of Cash on Hand	159	183	163
Long-term Debt to Total Capitalization	33.8%	33.8%	33.3%
Cash to Debt	138.1%	130.9%	148.2%

** Reflects 2015 year-to-date results from entities that have been affiliated with Providence for more than 12 months.*

Operating income increased by 19.5 percent over the prior year, growing from $219 million in 2014 to $262 million in 2015. Operating margin remained consistent with the prior year at 1.8 percent while revenues continued to increase in 2015. Total net service revenue grew 16.7 percent or $1.7 billion over the prior year from $10.1 billion in 2014 to $11.8 billion in 2015 driven by higher volumes and the recognition of revenue from state provider tax programs.

While operating income experienced positive growth in 2015, annual investment performance had a negative impact on Providence's net income and earnings before interest, depreciation, amortization and affiliation gains (EBIDA) as a result of challenging market conditions. Total investment losses for the year were $114 million as compared to $178 million in positive investment income in 2014. As a result, net income for the twelve months ended December 31, 2015 was $77 million as compared to $771 million in the prior year. Net non-operating income, excluding investment income, was -$71 million in 2015 compared to $374 million in 2014. The 2015 non-operating income was primarily impacted by pension settlement costs, while 2014 was benefited from affiliation related gains, partially offset by extinguishment of debt and pension settlement costs. EBIDA was $864 million in 2015 as compared to $1,133 million in 2014.

Several of the states we serve operate broad-based provider tax programs to fund the non-federal share of Medicaid. Providence recorded net operating income of $84 million during the twelve months of 2015 related to these programs, compared to no related revenue in the prior year. Timing of program approval by regulating agencies can impact the timing of recognizing related income, and as a result, approximately $50 million of the provider tax income recorded in 2015 related to services provided in 2014.

Liquidity & Capital

Unrestricted cash reserves totaled $5.8 billion as of December 31, 2015 compared to $6.0 billion as of December 31, 2014. The decrease was primarily driven by investment losses, capital purchases, and debt payments made during the year, partially offset by cash generated from operations.

Days cash on hand (DCOH) decreased 24 days from 183 days on December 31, 2014 to 159 days on December 31, 2015. This decline was driven by a combination of factors. First, a reduction in cash reserves primarily driven by investment losses. Second, patient volume growth led to higher operating revenues and corresponding expenses year over year.

Volumes

Key Volume Indicators *Data is year-to-date; presented in thousands unless noted*	2015	2014	Organic Growth*
Inpatient Admissions	362	333	353
Acute Adjusted Admissions	651	602	633
Total Emergency Room Visits	1,457	1,332	1,411
Total Surgeries	244	227	238
Continuum Services Visits	2,319	2,272	2,319
Physician Care Visits	7,742	6,881	7,443
Connected Lives - Member Months	6,050	5,147	6,050
Observations	56	58	56
Rate - Net Service Revenue/CMAA (whole value)	$12,295	$11,499	$12,299
CMI Adjusted Length of Stay (whole value)	2.9	2.9	2.9

** Reflects 2015 year-to-date results from entities that have been affiliated with Providence for more than 12 months.*

Providence's continued investment in our communities and strategy of collaborating with like-minded partners led to higher acute setting volumes in 2015. Year-to-date inpatient admissions of 362 thousand were 29 thousand or 8.7 percent higher than the prior year. Year-to-date surgeries of 244 thousand were 17 thousand higher than prior year, which represented a 7.3 percent increase. Surgery counts increased in both inpatient and outpatient categories with inpatient increasing 8.7 percent and outpatient increasing 6.1 percent in 2015 as compared to 2014. Emergency visits were 125 thousand visits or 9.4 percent higher in 2015.

Strategic focus and innovations in clinical and home based care led to growth in these categories in 2015. Physician visits of 7,742 thousand were 861 thousand visits higher than the prior year, an increase of 12.5

percent. Continuum services, which include long term care, hospice, housing, assisted living and home health, generated 2,319 thousand visits year-to-date, which was 2.1 percent higher than the prior year.

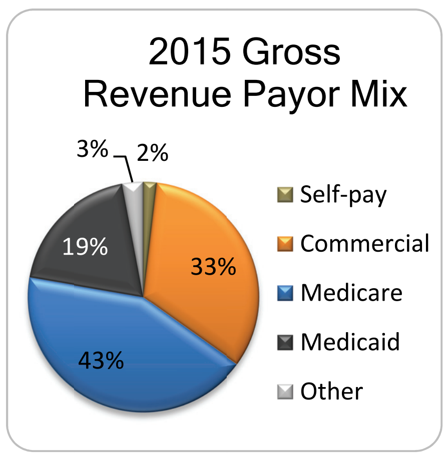
The Providence Health Plan has continued to expand its services in the changing coverage landscape. Connected lives member months, a measure of coverage for insured members, increased from 5,147 member months in 2014 to 6,050 member months in 2015. This growth in member coverage represented a 17.5 percent increase compared to the prior year. Enrolled members, including Administrative Services Only (ASO) members, grew 17 percent from 437 thousand in December 2014 to 513 thousand in December 2015.

Revenue

Operating Revenue *Data is year-to-date; figures presented in millions*	2015	2014	Organic Growth*
IP Net Service Revenue	$ 6,386	5,306	6,235
OP Net Service Revenue	3,381	3,145	3,252
Primary Care	1,486	1,232	1,465
Continuum Services	715	612	715
Capitated & Premium Revenue	1,862	1,683	1,814
Bad Debt	(186)	(193)	(179)
Other Revenue	790	696	781
Total Operating Revenue	**$ 14,434**	**12,481**	**14,083**

** Reflects 2015 year-to-date results from entities that have been affiliated with Providence for more than 12 months.*

Year-to-date operating revenue of $14.4 billion was $2.0 billion or 15.6 percent greater than prior year. Revenue included $612 million from provider tax related programs, of which $240 million was related to the prior year. Payments related to 2014 were recorded in 2015 due to the timing of program approvals from state agencies that administer the provider fee programs. Capitated revenue of $399 million was 17.6 percent higher than the prior year as a result of growth in our accountable care organizations. Total premium revenue of $1,464 million was 8.9 percent higher as membership in the Providence Health Plans expanded in 2015. Premium revenue grew at a slower rate than enrollments primarily due to a change in product mix from 2014 to 2015, which saw a general shift towards more high deductible plans. Capitated and premium revenue represented 13 percent of Providence's total operating revenue, in line with the prior year.



Since 2012 Providence has participated in federal programs designed to provide incentive funding to hospitals and providers that implement electronic health record systems. Providence recorded $22 million in revenue in 2015 related to this meaningful use funding, which was lower than the $55 million recorded in 2014. This year-over-year decrease was expected as most providers and hospitals near the end of the three year incentive program.

Operating Expenses

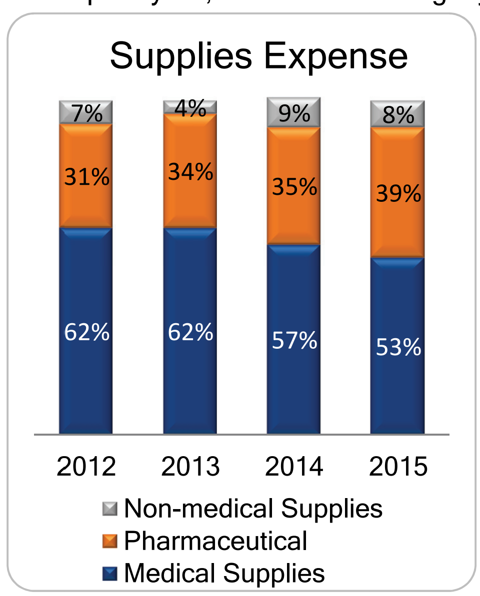
Key Efficiency Indicators *Data is year-to-date*	2015	2014	Organic Growth*
FTEs (presented in thousands)	70.4	65.4	67.1
Productivity - Labor % Net Service Rev.	50.8%	52.0%	50.9%
Supplies % Net Service Revenue	17.6%	17.7%	17.5%
Efficiency - Expense/CMAA	$ 12,040	$ 11,270	$ 12,070

** Reflects 2015 year-to-date results from entities that have been affiliated with Providence for more than 12 months.*

Year-to-date operating expenses were 15.6 percent higher than the prior year, which followed the 15.6 increase in operating revenue. Fees from provider tax related programs were $528 million in 2015 while no related expenses were recorded in 2014. Timing of program approval by regulating agencies resulted in all 2014 related expenses totaling $190 million being recorded in 2015. Expense growth was correlated with the higher patient volumes experienced in 2015. After removing the impact of provider fee taxes, growth of salary expenses and supply expenses outpaced operating expenses on a percentage basis, while benefits expenses and depreciation grew at a slower pace.

Year-to-date labor expense, defined as the combination of salaries and wages, employee benefits, and purchased services, was $1.0 billion or 13.4 percent higher than the prior year. Full-time equivalents (FTEs) of 70.4 thousand increased 7.6 percent, which represented an increase of 5.0 thousand FTEs. Labor expense growth outpaced FTEs in part due to high utilization of agency labor in 2015 to staff open positions. Agency labor increased 69 million or 42.3 percent in 2015 compared to the prior year. Higher salary expense was also a reflection of strategic investments made to move Providence to an institutes model of management. Total salary expense increased 14.0 percent while total benefits expense increased 11.3 percent compared to the prior year. Per member per month (PMPM) employee medical costs in 2015 were 3.8 percent higher over the prior year in part due to higher pharmaceutical costs.

Supply expenses increased $279 million or 15.6 percent compared to the prior year, but decreased slightly as a percentage of total net service revenue from 17.7 percent in 2014 to 17.6 percent in 2015. Medical supply expenses, a component of total supply expenses, increased 8.7 percent compared to the prior year which was in line with the growth in volume increases. Pharmaceutical expenses, the other significant component of supply expense, increased 30.4 percent compared to the prior year. Just under a third of the increase was volume driven with the remainder a result of price increases. Ten drugs accounted for 33 percent of the year-over-year price inflation from wholesaler drug purchases. Particularly high inflation was experienced among sole-source generic drugs and specialty pharmaceuticals. Market forces continue to move toward consolidation of generic drug producers, leading to significant price increases. In 2015 half of drugs purchased by Providence were branded drugs for which we have no ability to negotiate discounted rates. Continued consolidations of generic



drug producers is reducing the availability of options in the generics market by converting low cost generics to sole source branded suppliers.

Non-operating Income

Non-operating gains and losses are primarily comprised of investment income, pension settlement costs, and innovation projects expense. Pension settlement costs and innovation expenses were $34 million and $27 million through December, respectively. The remaining balance of non-operating income was driven by investment losses for the year, which were $114 million as compared to $178 million in positive investment income in 2014.

Investment Performance

Allocation by Asset Class *(Dollar figures presented in millions)*	Providence 12/31/15 Balance	Percent Allocation	Annual Return
Equities	$1,314	23%	$(54)
Fixed income	2,231	38%	2
Alternative Investments	861	15%	(66)
Cash & Other	1,396	24%	4
Total	**$5,802**	**100%**	**$(114)**

Within our portfolio, we saw growth hedge funds and our public and private debt positions outperform their respective indices for the year. Assets underperformed largely due to current allocations to Master Limited Partnerships (MLPs), Risk Parity and Commodities.

On a year-to-date basis, consolidated asset investments returned -3.22 percent, compared to the policy benchmark return of -2.54 percent. On a relative basis, our public equity pool returned -4.72 percent, driven by severe underperformance in Risk Parity, compared to the MSCI AC World IMI index return of -2.19 percent. Fixed income assets for the year returned 0.95 percent compared to the Barclays US Aggregate Index annual return of 0.55 percent; and our Alternative Investments returned 1.48 percent compared to our Alternative Investment Composite benchmark return of 1.03 percent.

Credit Agency Ratings

Providence received affirmation on the following ratings from the three national credit rating agencies during the latest round of reviews in June and July.

- Fitch: "AA"
- Standard and Poor's: "AA-"
- Moody's: "Aa3"

Ratings from all three agencies remained unchanged from the prior year, and all agencies issued a stable outlook based on improved year-over-year operating performance and stable balance sheet measures.

Debt Supported by Self-Liquidity

PH&S has authorized $200 million in taxable commercial paper that is supported by self-liquidity. As of December 31, 2015, $125 million in commercial paper was outstanding.

The System reports monthly on its cash and investment balances available to retire maturing short-term debt in the event notes cannot be remarketed. The table below summarizes the information provided to the rating agencies at the end of the fourth quarter describing cash and investments that could be available for liquidation.

Standard & Poor's Liquidity Assessment Coverage Calculation Spreadsheet (Last Revised January 2010)

INSTRUCTIONS: Fill in Green Cells to Compute Coverage Amounts

Liquidity Assessment Provider Name: Providence Health & Services
Portfolio As of Date: December 31, 2015

Asset Allocation (Security Type)	Assets ($ millions) with same day liquidity (T+0)	Assets ($ millions) with next day liquidity (T+1)	Assets ($ millions) with > same day liquidity (T+2, T+3,...T+n)	$ in Millions	Discount Factor	Discounted Assets
Cash & Cash Equivalents *	$ 524.03	$ -	$ -	$ 524.03	1.00	$ 524.03
S&P rated money market funds (> Am)	$ 206.41	$ -	$ -	$ 206.41	1.00	$ 206.41
Highly rated (A-1 or A-1+) dedicated bank line	$ -	$ -	$ -	$ -	1.00	$ -
Highly rated (A-1 or A-1+) money market instruments (< 1yr)	$ -	$ 4.01	$ -	$ 4.01	0.91	$ 3.64
U.S. Treasury Debt Obligations (> 1 year)	$ -	$ 304.34	$ -	$ 304.34	0.91	$ 276.67
U.S. TIPs	$ -	$ 94.25	$ -	$ 94.25	0.87	$ 81.95
U.S. Agencies (> 1 year)	$ -	$ 95.97	$ -	$ 95.97	0.83	$ 79.97
Investment Grade Debt (that is not included above)	$ -	$ -	$ 229.16	$ 229.16	0.67	$ 152.78
Equities**	$ -	$ -	$ 393.41	$ 393.41	0.50	$ 196.71
Non-Investment Grade Debt	$ -	$ -	$ 6.87	$ 6.87	0.40	$ 2.75
Total	$ 730.44	$ 498.56	$ 629.45	$ 1,858.44		$ 1,524.91
Discounted Total	$ 730.44	$ 442.24	$ 352.23			Discounted Total

	Enter amount of Self Liquidity Backed Debt with:		
	Same Day Notice	Next Day Notice	> Next Day Notice
Commercial Paper		$ 100.00	$ 100.00
Variable Rate Demand Note or Obligation	$ -		$ -
Fixed Rate Debt			
Other Securities			
Total	$ -	$ 100.00	$ 100.00
Remaining Discounted Assets	$ 730.44	$ 1,072.68	$ 1,324.91
	Same Day +/-	Next Day +/-	> Next Day +/-
	Sufficient	Sufficient	Sufficient

TOTAL DEBT SUPPORTED BY SELF LIQUIDITY	TOTAL REMAINING DISCOUNTED ASSETS
$ 200.00	$ 1,324.91

Performance Metrics

	December 31, 2015		
	Year-To-Date Actual	Year-To-Date Budget	Year-To-Date Last Year
Volume:			
Acute Adjusted Admissions	651,198	630,518	602,468
Total Acute Admissions	361,689	352,410	333,263
Total Acute Patient Days	1,630,317	1,561,749	1,495,451
Acute Outpatient Visits	8,484,580	8,297,727	8,005,170
Observations	56,353	58,908	57,965
Primary Care Visits	7,741,961	7,789,622	6,881,113
Long-Term Care Patient Days	410,672	420,836	411,517
Home Health Visits	697,040	679,430	667,708
Hospice Days	642,506	663,325	628,182
Housing and Assisted Living Days	568,913	525,451	564,110
Health Plan Members	513,113	461,681	436,930
Total Occupancy %	64.8%	62.4%	59.5%
Total Average Daily Census	4,467	4,279	4,097
Surgeries:			
Inpatient	115,639	112,853	106,414
Outpatient	128,263	119,803	120,890
Total Surgeries	243,902	232,656	227,304
Emergency Room Visits:			
Inpatient	195,313	189,860	179,129
Outpatient	1,261,493	1,176,269	1,152,536
Total Emergency visits	1,456,806	1,366,129	1,331,665
Outpatient Visits:			
Outpatient Surgery	128,263	119,803	120,890
Emergency Visits	1,261,493	1,176,269	1,152,536
Primary Care	7,741,961	7,789,622	6,881,113
Homecare Visits	697,040	679,430	667,708
Observations	56,353	58,908	57,965
All Other	7,038,471	6,942,748	6,673,778
Total Outpatient Visits	16,923,581	16,766,780	15,553,990

Performance Metrics

	December 31, 2015		
	Year-To-Date Actual	Year-To-Date Budget	Year-To-Date Last Year
Efficiency:			
FTE's	70,438	69,328	65,369
YTD Overall Case-Mix Index	1.5738	1.5635	1.5699
YTD Case-Mix Adj Admissions (CMAA)	1,024,874	985,840	945,794
YTD Acute Care LOS (case-mix adj)	2.9	2.8	2.9
YTD Net Svc Rev/CMAA	12,295	11,931	11,499
YTD Net Expense/CMAA	12,040	11,727	11,270
YTD Paid Hours/CMAA	143	146	140
YTD Productive Hours/CMAA	127	130	124
FTE's Per Adjusted Occupied Bed	8.76	9.06	8.62
Financial Performance:			
Operating Margin	1.8%	1.5%	1.8%
Total Margin	0.5%	3.5%	5.9%
EBIDA ('000)	864,158	1,341,871	1,132,694
EBIDA Margin	6.0%	9.9%	5.7%
R12 Days of Total Cash on Hand	159	156	183
Net Patient AR Days (3 mo rolling ave)	47	63	50
Ave Yearly Salary/FTE (w/o benefits)	84,950	83,353	82,171
Employee Benefits as a % of Salaries	22.7%	23.9%	23.2%
Salary Wages as a % of Net Op Rev	41.5%	42.5%	42.0%
Supplies as a % of Net Op Revenue	14.4%	13.7%	14.4%
YTD Supplies Expense/CMAA	2,022	1,886	1,895
YTD Med Supplies Exp/CMAA	1,077	1,045	1,073
Debt to Total Net Asset Ratio	33.8	30.6	33.8
Cash to Debt Ratio	138.1	131.4	130.9
Current Ratio	1.4	1.8	1.5
Bad Debt & Charity % Gross Svc Rev	2.2%	3.0%	2.8%
Community Benefit: ('000)			
Cost of Charity Care Provided	$ 180,256	$ 215,219	$ 205,555
Medicaid Charity	537,894	460,180	443,622
Education and Research Programs	112,826	79,288	96,988
Unpaid Cost of Other Govt Programs	47	1,088	1,157
Negative Margin Services and Other	68,095	61,507	57,355
Non-Billed Services	52,206	26,025	43,806
Total Community Benefit	$ 951,324	$ 843,307	$ 848,483

PROVIDENCE HEALTH & SERVICES

Combined Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Providence Health & Services:

We have audited the accompanying combined financial statements of Providence Health & Services, which comprise the combined balance sheets as of December 31, 2015 and 2014, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information, included on pages 38 and 39 is presented for the purpose of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Seattle, Washington
March 9, 2016

PROVIDENCE HEALTH & SERVICES

Combined Balance Sheets

December 31, 2015 and 2014

(In thousands of dollars)

Assets		2015	2014
Current assets:			
Cash and cash equivalents	$	729,321	1,237,337
Short-term management-designated investments		200,251	199,338
Accounts receivable, less allowance for bad debts of $343,835 in 2015 and $289,908 in 2014		1,569,827	1,419,495
Other receivables, net		399,291	375,185
Supplies inventory		194,619	185,821
Other current assets		140,836	203,337
Current portion of funds held by trustee		54,740	76,365
Total current assets		3,288,885	3,696,878
Assets whose use is limited:			
Management-designated cash and investments		4,930,858	4,601,153
Gift annuities, trusts, and other		93,804	53,954
Funds held by trustee		272,902	179,473
Assets whose use is limited, net of current portion		5,297,564	4,834,580
Property, plant, and equipment, net		6,580,860	6,622,566
Other assets		572,968	568,884
Total assets	$	15,740,277	15,722,908

See accompanying notes to combined financial statements.

(Continued)

PROVIDENCE HEALTH & SERVICES

Combined Balance Sheets

December 31, 2015 and 2014

(In thousands of dollars)

Liabilities and Net Assets		**2015**	**2014**
Current liabilities:			
Current portion of long-term debt	$	244,532	202,287
Master trust debt classified as short-term		137,500	12,500
Accounts payable		427,567	521,942
Accrued compensation		641,406	738,075
Payable to contractual agencies		104,651	151,778
Retirement plan obligations		190,278	185,517
Current portion of self-insurance liability		118,898	108,943
Other current liabilities		463,198	465,865
Total current liabilities		2,328,030	2,386,907
Long-term debt, net of current portion		3,729,795	3,844,262
Other long-term liabilities:			
Self-insurance liability, net of current portion		292,843	274,541
Pension benefit obligation		1,063,581	1,040,939
Other liabilities		290,380	227,099
Total other long-term liabilities		1,646,804	1,542,579
Total liabilities		7,704,629	7,773,748
Net assets:			
Unrestricted:			
Controlling interest		7,541,875	7,492,324
Noncontrolling interest		44,904	45,302
Temporarily restricted		324,891	305,277
Permanently restricted		123,978	106,257
Total net assets		8,035,648	7,949,160
Total liabilities and net assets	$	15,740,277	15,722,908

See accompanying notes to combined financial statements.

PROVIDENCE HEALTH & SERVICES

Combined Statements of Operations

Years ended December 31, 2015 and 2014

(In thousands of dollars)

	2015	2014
Operating revenues:		
Net patient service revenues	$ 11,969,116	10,294,637
Provision for bad debts	(185,567)	(193,018)
Net patient service revenues less provision for bad debts	11,783,549	10,101,619
Premium and capitation revenues	1,862,236	1,682,968
Other revenues	787,996	696,390
Total operating revenues	14,433,781	12,480,977
Operating expenses:		
Salaries and wages	5,983,719	5,248,196
Employee benefits	1,357,703	1,220,078
Purchased healthcare	1,045,019	909,154
Professional fees	582,600	514,990
Supplies	2,072,005	1,792,707
Purchased services	1,105,189	977,247
Depreciation	630,537	676,357
Interest	153,480	155,343
Amortization	720	5,671
Other	1,240,993	762,082
Total operating expenses	14,171,965	12,261,825
Excess of revenues over expenses from operations	261,816	219,152
Net nonoperating (losses) gains:		
Gain from affiliations	—	476,110
Loss on extinguishment of debt	(69)	(85,522)
Investment (losses) income, net	(113,617)	178,043
Pension settlement costs and other	(71,305)	(16,361)
Total net nonoperating (losses) gains	(184,991)	552,270
Excess of revenues over expenses	76,825	771,422
Net assets released from restriction for capital	20,372	13,646
Change in noncontrolling interests in consolidated joint ventures	(398)	584
Pension related changes	(27,415)	(249,011)
Contributions, grants, and other	(20,231)	(8,639)
Increase in unrestricted net assets	$ 49,153	528,002

See accompanying notes to combined financial statements.

PROVIDENCE HEALTH & SERVICES

Combined Statements of Changes in Net Assets

Years ended December 31, 2015 and 2014

(In thousands of dollars)

		Unrestricted: controlling interest	Unrestricted: noncontrolling interest	Temporarily restricted	Permanently restricted	Total net assets
Balance, December 31, 2013	$	6,964,906	44,718	223,548	84,313	7,317,485
Excess of revenues over expenses		771,422	—	—	—	771,422
Restricted contributions from affiliations		—	—	50,401	14,515	64,916
Contributions, grants, and other		(8,639)	—	93,563	7,429	92,353
Net assets released from restriction		13,646	—	(62,235)	—	(48,589)
Change in noncontrolling interests in consolidated joint ventures		—	584	—	—	584
Pension related changes		(249,011)	—	—	—	(249,011)
Increase in net assets		527,418	584	81,729	21,944	631,675
Balance, December 31, 2014		7,492,324	45,302	305,277	106,257	7,949,160
Excess of revenues over expenses		76,825	—	—	—	76,825
Contributions, grants, and other		(20,231)	—	88,214	17,721	85,704
Net assets released from restriction		20,372	—	(68,600)	—	(48,228)
Change in noncontrolling interests in consolidated joint ventures		—	(398)	—	—	(398)
Pension related changes		(27,415)	—	—	—	(27,415)
Increase in net assets		49,551	(398)	19,614	17,721	86,488
Balance, December 31, 2015	$	7,541,875	44,904	324,891	123,978	8,035,648

See accompanying notes to combined financial statements.

PROVIDENCE HEALTH & SERVICES

Combined Statements of Cash Flows

Years ended December 31, 2015 and 2014

(In thousands of dollars)

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 86,488	631,675
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Gains from affiliations	—	(541,026)
Depreciation and amortization	631,257	682,028
Provision for bad debt	185,567	193,018
Loss on extinguishment of debt	69	85,522
Equity income from joint ventures	(40,871)	(39,159)
Restricted contributions and investment income received	(112,763)	(94,024)
Net realized and unrealized losses (gains) on investments	187,912	(109,622)
Distributions from joint ventures	47,424	37,687
Changes in certain current assets and current liabilities	(492,347)	(21,062)
Change in certain long-term assets and liabilities	104,225	266,280
Net cash provided by operating activities	596,961	1,091,317
Cash flows from investing activities:		
Property, plant, and equipment additions	(637,262)	(537,301)
Proceeds from disposal of property, plant, and equipment	8,354	6,901
Purchases of investments	(6,851,705)	(5,555,329)
Proceeds from sales of investments	6,293,325	5,340,773
Change in other long-term assets and other	(12,463)	11,199
Change in funds held by trustee, net	(71,804)	(35,630)
Cash paid for affiliations, net of cash acquired	—	(98,958)
Net cash used in investing activities	(1,271,555)	(868,345)
Cash flows from financing activities:		
Proceeds from restricted contributions and restricted income	112,763	94,024
Debt borrowings	453,088	1,193,228
Debt payments	(400,379)	(1,112,836)
Other financing activities	1,106	(13,016)
Net cash provided by financing activities	166,578	161,400
(Decrease) increase in cash and cash equivalents	(508,016)	384,372
Cash and cash equivalents, beginning of year	1,237,337	852,965
Cash and cash equivalents, end of year	$ 729,321	1,237,337
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	$ 141,554	136,066

See accompanying notes to combined financial statements.

(1) Organization

(a) Sisters of Providence

Sisters of Providence (the Congregation), a religious congregation of Roman Catholic women, was founded in 1843. The religious congregation's central headquarters is in Montreal, Quebec, Canada. Sisters of Providence – Mother Joseph Province (the Province) was formed in 2000 through the combination of the Sacred Heart Province (founded in 1856) and the St. Ignatius Province (founded in 1891). The activities of the Province include apostolic works in healthcare, social services, and education. Members of the Province serve in these works through related and unrelated organizations. The Province is compensated for the services of its members. The Province has 130 professed members and maintains provincial administration offices in Renton, Washington. The members of the Province represent the Congregation in the following:

- Archdiocese of Los Angeles, California
- Archdiocese of Portland, Oregon
- Archdiocese of Seattle, Washington
- Diocese of Cubao, Philippines
- Diocese of Orlando, Florida
- Diocese of Spokane, Washington
- Diocese of Yakima, Washington
- Diocesis Santiago de Maria, El Salvador

(b) Providence Health & Services

The Public Juridic Person, Providence Ministries, is the sole Member of Providence Health & Services and controls certain aspects of the various corporations comprising Providence Health & Services through certain reserved rights.

Providence Ministries sponsors various corporations comprising Providence Health & Services including:

- Providence Health & Services – Washington
- Providence Health & Services – Oregon
- Providence Health System – Southern California (cosponsored by the Congregation and the American Province of the Little Company of Mary Sisters)
- Providence Health & Services – Montana
- Providence St. Joseph Medical Center
- St. Thomas Child and Family Center Corporation
- University of Great Falls

(Continued)

- Providence Plan Partners
- Providence Health Plan (the Health Plan)
- Providence Health Assurance
- Providence Health System Housing; The St. Luke Association; The Lundberg Association; Providence St. Francis Association; Providence Blanchet Association; Providence Rossi Association; Providence Peter Claver Association; The Gamelin Association; The Gamelin Oregon Association; The Gamelin California Association; Providence St. Elizabeth House Association; Gamelin Washington Association; Providence Gamelin House Association
- Providence Oregon Management Corporation
- Providence Ventures, Inc.
- Providence Assurance, Inc.
- Inland Northwest Health Services

Providence Ministries and Western HealthConnect are co-Members of Providence Health & Services – Western Washington.

Western HealthConnect, a secular Washington nonprofit corporation, is the sole corporate member of the following organizations:

- Swedish Health Services
- Swedish Edmonds
- Kadlec Regional Medical Center
- PacMed Clinics D/B/A Pacific Medical Centers
- Western HealthConnect Ventures, Inc.
- Health Connect Partners

Providence Health & Services and Western HealthConnect, inclusive of all sponsored and corporate members, are collectively referred to as the Health System.

The Health System owns or operates 34 general acute care hospitals, three ambulatory care centers, six medical groups, six long-term care facilities, seven homecare and hospice entities, five assisted living facilities, a high school, a university, 13 low-income housing projects, the Health Plan, a health services contractor, two programs of all inclusive care for the elderly, and 23 controlled fundraising foundations.

The Health System provides inpatient, outpatient, primary care, and home care services in Alaska, Washington, Montana, Oregon, and Southern California. The Health System operates these businesses primarily in the greater metropolitan areas of Anchorage, Alaska; Seattle, Spokane, Kennewick, and Olympia, Washington; Missoula, Montana; Portland and Medford, Oregon; and Los Angeles, California.

(Continued)

(c) Tax Exempt Status

The Health System and substantially all of the various corporations within the Health System have been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC.

Providence Plan Partners, Providence Health Plan, and Providence Health Assurance are not-for-profit entities and have been recognized as exempt from federal income taxes, except on unrelated business income, as social welfare organizations under Section 501(c)(4) of the IRC.

(d) Organizational Changes

Affiliation Activity

Effective March 1, 2014, the Health System entered into an affiliation agreement with Sisters of Charity of Leavenworth Health System (SCL) to transfer sponsorship of Saint John’s Health Center (Saint John’s) to the Health System. Saint John’s operates a nonprofit medical center, a cancer institute, and physician clinics to serve the Santa Monica, California community and surrounding area. The fair value of the net assets acquired was $430,728,000, which included $64,487,000 in restricted net assets. Unrestricted net assets of $366,241,000 exceeded total cash consideration of $186,217,000. The Health System recognized a gain from affiliation in the amount of $180,024,000 as the excess of the fair value of the unrestricted net assets over total consideration. The $64,487,000 of restricted net assets is recorded in restricted net assets in the combined statement of changes in net assets. The results of operations of Saint John’s entities have been included in the combined statements of operations of the Health System effective as of the date of affiliation during 2014.

Effective May 1, 2014, the Health System entered into an affiliation agreement with PacMed Clinics (PacMed). PacMed is a private, nonprofit, multi-specialty medical group with nine clinics in the Puget Sound area and more than 150 primary care and specialty providers at the date of affiliation. Pursuant to the affiliation agreement, Western HealthConnect became PacMed’s sole corporate Member. No cash or other purchase consideration was transferred to effect the affiliation. The results of operations of PacMed entities have been included in the combined statements of operations of the Health System effective as of the date of affiliation. The affiliation resulted in an excess of assets acquired over liabilities assumed, or a contribution from PacMed to the Health System of $84,717,000, which is included in gain from affiliation during 2014.

Effective June 13, 2014, the Health System entered into an affiliation agreement with Kadlec Health System (Kadlec). Kadlec operates a nonprofit medical center, a neurological resource center, a supporting foundation, and physician clinics to serve the area of Kennewick, Pasco, and Richland, Washington. Pursuant to the affiliation agreement, Western HealthConnect became the sole member of Kadlec. No cash or other purchase consideration was transferred to effect the affiliation. The results of operations of Kadlec have been included in the combined statements of operations of the Health System effective as of the date of affiliation. The affiliation resulted in an excess of assets acquired over liabilities assumed, or a contribution from Kadlec to the Health System of $211,798,000. The unrestricted portion of the contribution of $211,369,000 is included in gain from affiliation in the accompanying combined statement of operations. The remaining $429,000 of the contribution is recorded in restricted net assets in the combined statement of changes in net assets during 2014.

The financial results of the affiliated entities discussed above are included in the Health System's 2014 combined statement of operations from the effective date of each respective affiliation through December 31, 2014. The following table summarizes the aggregate amounts included in the 2014 combined statement of operations (in thousands of dollars) related to the affiliated entities, excluding gain from affiliations:

Total operating revenues	$	648,634
Excess of revenues over expenses from operations		52,151
Excess of revenues over expenses		39,369

The following table summarizes the aggregate amounts included in the December 31, 2014 combined balance sheets related to the affiliated entities discussed above (in thousands of dollars):

Cash and investments	$	201,534
Accounts receivable, net of allowances		103,444
Property, plant, and equipment, net		594,323
Other assets		189,408
Total assets	$	1,088,709
Accounts payable and accrued compensation	$	93,604
Long-term debt, net of current portion		343,614
Other liabilities		97,571
Total liabilities		534,789
Net assets		553,920
Total liabilities and net assets	$	1,088,709

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Health System are presented on a combined basis due to the operational interdependence of the organization and because the respective Boards of Directors and corporate officers of Providence Health & Services and Western HealthConnect are comprised of the same individuals. All significant transactions and accounts between divisions and combined affiliates of the Health System have been eliminated. The Health System has performed an evaluation of subsequent events through March 9, 2016, which is the date these combined financial statements were issued.

(b) Use of Estimates

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original or remaining maturity of three months or less when acquired.

(d) Supplies Inventory

Supplies inventory is stated at the lower of cost (first-in, first-out) or market.

(e) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Improvements and replacements of plant and equipment are capitalized. Maintenance and repairs are expensed. The cost of the property, plant, and equipment sold or retired and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized at the time of disposal.

The Health System assesses potential impairment to their long-lived assets when there is evidence that events or changes in circumstances have made recovery of the carrying value of the assets unlikely. An impairment loss, equal to the excess, if any, of the carrying value over the fair value less disposal costs, is recognized when the sum of the expected future undiscounted net cash flows from the use and disposal of the asset is less than the carrying amount of the asset.

(f) Depreciation

The provision for depreciation is determined by the straight-line method, which allocates the cost of tangible property equally over its estimated useful life or lease term.

(g) Capitalized Interest

Interest capitalized on amounts expended during construction is a component of the cost of additions to be allocated to future periods through the provision for depreciation. Capitalization of interest ceases when the addition is substantially complete and ready for its intended use. The Health System capitalized $10,573,000 and $4,044,000 of interest costs during the years ended December 31, 2015 and 2014, respectively.

(h) Financing Costs

Financing costs are recorded in other assets and are amortized using the effective-interest method over the term of the related debt, or to the earliest date at which a creditor can demand payment.

(Continued)

(i) Goodwill and Indefinite Lived Intangible Assets

Goodwill and indefinite lived intangible assets, which are not amortized as they are considered to have an indefinite life, are recorded in other assets as the excess of cost over fair value of the acquired net assets. Goodwill and indefinite lived intangible assets are tested at least annually for impairment.

(j) Intangible Assets with a Finite Life

Intangible assets that are determined to have a finite life are recorded in other assets. Such assets are amortized by the straight-line method, which allocates the cost of tangible property equally over the asset's estimated useful life or agreement term.

(k) Assets Whose Use Is Limited

The Health System has designated all of its investments in debt and equity securities, hedge funds, and collective investment funds as trading. These investments are reported on the combined balance sheets at fair value.

Assets whose use is limited primarily include assets held by trustees under indenture agreements, self-insurance funds, funds held for the payment of health plan medical claims and other statutory reserve requirements, assets held by related foundations, and designated assets set aside by the management of Providence Health & Services for future capital improvements and other purposes, over which management retains control.

Assets held by trustee obtained from borrowings under the Health System's master trust indenture for construction and other ongoing projects were $133,594,000 and $51,433,000 as of December 31, 2015 and 2014, respectively. Assets held by trustee for purposes of funding future obligations related to certain self-insurance programs and retirement plans were $171,075,000 and $190,819,000 at December 31, 2015 and 2014, respectively.

(l) Net Assets

Unrestricted net assets are those that are not subject to donor-imposed stipulations. Amounts related to the Health System's noncontrolling interests in certain joint ventures are included in unrestricted net assets. Temporarily restricted net assets are those whose use by the Health System has been limited by donors to a specific time period and/or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Health System in perpetuity. Unless specifically stated by donors, gains and losses on temporarily and permanently restricted net assets are recorded as temporarily restricted.

(m) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When the terms of a donor restriction are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported as other operating revenues in the combined statements of operations or changes in net assets as net assets released from restriction.

(n) Net Patient Service Revenues

The divisions of the Health System have agreements with governmental and other third-party payors that provide for payments to the divisions at amounts different from the Health System's established charges. Payment arrangements for major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, predetermined rates per HMO enrollee per month, or other methods.

Net patient service revenues are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with governmental payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as appropriate. Adjustments from finalization of prior years' cost reports and other third-party settlement estimates resulted in an increase in net patient service revenues of $44,786,000 and $31,098,000 for the years ended December 31, 2015 and 2014, respectively.

The composition of significant third-party payors for the years ended December 31, 2015 and 2014, as a percentage of net patient service revenues, is as follows:

	2015	2014
Commercial	50%	52%
Medicare	32	33
Medicaid	17	14
Self-pay	1	1
	100%	100%

(o) Provision for Bad Debts

The Health System provides for an allowance against patient accounts receivable for amounts that could become uncollectible. The Health System estimates this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors. There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of copayments to be made by patients with insurance coverage and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and the estimation process used by the Health System. The Health System records a provision for bad debts in the period of services on the basis of past experience, which has historically indicated that many patients are unresponsive or are otherwise unwilling to pay the portion of their bill for which

(Continued)

they are financially responsible. The estimates made and changes affecting those estimates for the years ended December 31, 2015 and 2014 are summarized below:

		2015	2014
		(In thousands of dollars)	
Changes in allowance for doubtful accounts:			
Allowance for doubtful accounts at beginning of year	$	289,908	358,966
Write-off of uncollectible accounts, net of recoveries		(131,640)	(262,076)
Provision for bad debts		185,567	193,018
Allowance for doubtful accounts at end of year	$	343,835	289,908

(p) Premium Revenues, Premiums Receivable, Unearned Premiums, and Capitation Revenues

Health plan revenues consist of premiums paid by employers, individuals, and agencies of the federal and state governments for healthcare services. Health plan revenues are received on a prepaid basis and are recognized as revenue during the month for which the enrolled member is entitled to healthcare services. Premiums received for future months are recorded as unearned premiums.

Similar to health plan premiums, capitation revenues are received on a prepaid basis and are recognized as revenue during the month for which the enrolled member is entitled to healthcare services.

(q) Other Operating Revenues

Other operating revenues include meaningful use revenue, rental revenue, equity earnings from joint ventures, contributions released from restrictions, cafeteria revenue, and other miscellaneous revenue.

(r) Charity and Unsponsored Community Benefit Costs

The divisions of the Health System have policies that provide for serving those without the ability to pay. The policies also provide for discounted sliding scale payments based on the income and assets of the person responsible for the bill. In addition to uncompensated care, the Health System's divisions also provide services that benefit the poor and others in the communities they serve.

Information for the Health System for the years ended December 31, 2015 and 2014 is summarized below:

		2015	2014
		(In thousands of dollars)	
Cost of charity care provided	$	180,256	205,555
Unpaid cost of Medicaid services		537,894	443,623
Unsponsored community benefit costs	$	718,150	649,178

The cost of charity care provided is calculated based on each division's aggregate relationship of costs to charges. The unpaid cost of Medicaid services is the cost of treating Medicaid patients in excess of government payments. Unpaid cost of Medicaid services are net of revenues of $1,552,853,000 and $1,377,866,000 for the years ended December 31, 2015 and 2014, respectively.

(Continued)

(s) Net Nonoperating Losses and Gains

Net nonoperating gains primarily include investment income from trading securities, income from recipient organizations, pension settlement costs, and other income. Additionally, contributions from affiliations with Saint John's, PacMed, and Kadlec are included in net nonoperating gains in 2014.

(t) Excess of Revenues over Expenses

Excess of revenues over expenses includes all changes in unrestricted net assets, except for net assets released from restriction for the purchase of property, certain changes in funded status of postretirement benefit plans, net changes in noncontrolling interests in combined joint ventures, and other.

(u) Income and Other Taxes

The Health System recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon an audit by the taxing authority. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Various states in which the Health System operates have instituted a provider tax on certain patient service revenues at qualifying hospitals to increase funding from other sources and obtain additional Federal funds to support increased payments to providers for Medicaid services. These taxes are included in other expenses in the accompanying combined statements of operations and were $527,789,000 and $129,384,000 for the years ended December 31, 2015 and 2014, respectively. These programs resulted in enhanced payments from these states in the way of lump-sum payments and per claim increases. These enhanced payments are included in net patient service revenues in the accompanying combined statements of operations and were $612,282,000 and $129,349,000 for the years ended December 31, 2015 and 2014, respectively.

(v) Recently Issued or Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should 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. The amendments in the ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. The Health System is currently evaluating the impact of ASU 2014-09, including the methods of implementation, which is effective for the fiscal year beginning on January 1, 2018.

In March 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This update changes the presentation of debt issuance costs in the financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the recognized liability rather than as an asset. Amortization of the costs is reported as interest expense. The Health System has considered the provisions of this standard and will adopt in the fiscal year beginning January 1, 2016. The Health System does not believe that the provisions of this standard will have a material impact in its combined 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)*, which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value per share, or its equivalent, (NAV) using the practical expedient in the FASB's fair value measurement guidance. The Health System adopted this standard effective December 31, 2015. As a result of the adoption of the standard, the Health System modified its fair value hierarchy disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a lease liability and a right of use asset for all lease obligations with exception to short-term leases. The lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis and the right of use asset will represent the lessee's right to use or control the use of a specified asset for a lease term. The lease guidance also simplifies accounting for sale leaseback transactions. The Health System is currently evaluating the impact of ASU 2016-02, which is effective for the fiscal year beginning on January 1, 2019 with retrospective application to the earliest presented period.

(w) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(3) Fair Value of Financial Instruments

ASC Topic 820 (Topic 820), *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Health System has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of assets whose use is limited, other than those investments measured using NAV as a practical expedient for fair value, is estimated using quoted market prices or other observable inputs when quoted market prices are unavailable. For long-term debt, the fair value is based on Level 2 inputs, such as the discounted value of the future cash flows using current rates for debt with the same remaining maturities, considering the existing call premium and protection. The carrying value and fair value of long-term debt, including accrued interest, was $4,149,702,000 and $4,438,718,000, respectively, as of December 31, 2015, and $4,097,789,000 and $4,421,616,000, respectively, as of December 31, 2014.

Other financial instruments of the Health System include cash and cash equivalents and other current assets and liabilities. The carrying amount of these instruments approximates fair value because these items mature in less than one year.

The following table presents the Health System's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Topic 820 for the years ended December 31, 2015 and 2014 (in thousands of dollars):

Balance at December 31, 2013	$	25,950
Total realized and unrealized gains (losses), net		(2,257)
Total purchases		1,418
Total sales		(1,072)
Transfers into Level 3		2,997
Balance at December 31, 2014	$	27,036
Total realized and unrealized gains (losses), net		(131)
Total purchases		30,398
Total sales		(2,258)
Transfers into Level 3		10,982
Transfers out of Level 3		(3,895)
Balance at December 31, 2015	$	62,132

There were no significant transfers between assets classified as Level 1 and Level 2 during the years ended December 31, 2015 and 2014.

Level 3 assets include charitable remainder trusts, real property and equity investments in healthcare technology start-ups through the Health System's innovation venture capital fund. Fair values of real property were estimated using a market approach. Fair values of charitable remainder trusts were estimated using an income approach. Fair value of equity investments in healthcare technology start-ups were estimated using a combination of income and market approach.

(4) Assets Whose Use is Limited

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

	December 31, 2015	Fair value measurements at reporting date using Level 1	Level 2	Level 3
		(In thousands of dollars)		
Management-designated cash and investments:				
Cash and cash equivalents	$ 613,736	613,736	—	—
Domestic equity securities:				
Mutual funds:				
Large capitalization	183,018	183,018	—	—
Medium-small cap and other	149,291	149,291	—	—
Technology	133,510	133,510	—	—
Financial services	103,049	103,049	—	—
Consumer services	93,663	93,663	—	—
Other industries	196,044	196,044	—	—
Foreign equity securities:				
Mutual funds:				
Large capitalization	91,639	91,639	—	—
Medium-small cap and other	64,545	64,545	—	—
Other industries	68,034	68,034	—	—
Debt securities – U.S. Treasury	1,001,525	717,466	284,059	—
Debt securities – State Treasury	27,754	—	27,754	—
Domestic corporate debt securities	643,590	—	643,590	—
Foreign corporate debt securities	87,423	—	87,423	—
Other	272,782	515	272,267	—
Investments measured using NAV	1,401,506			
Total management-designated cash and investments	$ 5,131,109			
Gift annuities, trusts, and other	$ 93,804	23,856	7,816	62,132
Funds held by trustee:				
Cash and cash equivalents	$ 176,134	176,134	—	—
Domestic equity securities	334	334	—	—
Foreign equity securities	162	162	—	—
Debt securities – U.S. Treasury	64,874	63,650	1,224	—
Domestic corporate debt securities	48,478	—	48,478	—
Foreign corporate debt securities	15,971	—	15,971	—
Collateralized debt securities	21,108	—	21,108	—
Other	581	87	494	—
Total funds held by trustee	$ 327,642			

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

	December 31, 2014	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
		(In thousands of dollars)		
Management-designated cash and investments:				
Cash and cash equivalents	$ 401,728	401,728	—	—
Domestic equity securities:				
Mutual funds:				
Large capitalization	139,544	139,544	—	—
Medium-small cap and other	143,501	143,501	—	—
Consumer services	269,565	269,565	—	—
Financial services	129,676	129,676	—	—
Technology	105,950	105,950	—	—
Other industries	120,761	120,761	—	—
Foreign equity securities:				
Mutual funds				
Large capitalization	177,185	177,185	—	—
Medium-small cap and other	39,315	39,315	—	—
Other industries	83,455	83,455	—	—
Debt securities – U.S. Treasury	1,211,814	1,054,362	157,452	—
Debt securities – State Treasury	21,926	81	21,845	—
Domestic corporate debt securities	532,840	—	532,840	—
Foreign corporate debt securities	96,487	—	96,487	—
Other	177,374	12,216	162,504	2,654
Investments measured using NAV	1,149,370			
Total management-designated cash and investments	$ 4,800,491			
Gift annuities, trusts, and other	$ 53,954	20,454	9,118	24,382
Funds held by trustee:				
Cash and cash equivalents	$ 85,038	85,038	—	—
Domestic equity securities	22,159	22,159	—	—
Foreign equity securities:	1,900	1,900	—	—
Debt securities – U.S. Treasury	84,725	82,125	2,600	—
Domestic corporate debt securities	32,017	—	32,017	—
Foreign corporate debt securities	19,953	—	19,953	—
Mortgage-backed securities	5,956	—	5,956	—
Other	4,090	—	4,090	—
Total funds held by trustee	$ 255,838			

The Health System participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds the net asset value per share, or its equivalent, reported by each fund manager is used as a practical expedient to estimate the fair value of the Health System's interest therein. Management believes that the carrying amounts of these financial instruments, provided by the fund managers, are reasonable estimates of fair value.

The following table presents information for investments where the NAV was used to value the investments as of December 31 (in thousands of dollars):

	Fair value 2015	Fair value 2014	Unfunded Commitments	Redemption frequency	Redemption notice period
Hedge funds					
Relative value	$ 180,756	159,753	—	Quarterly	60 – 90 days
Risk parity	155,928	148,543	—	Monthly	5 – 15 days
Growth	169,490	151,218	—	Quarterly	45 – 90 days
Diversified	83,274	85,712	—	Monthly	2 – 90 days
Other	14,613	7,517	—	Monthly or Quarterly	30 – 90 days
Collective investment funds:					
Equities	572,214	522,009	—	Monthly	6 – 60 days
Fixed income	216,243	74,618	—	Daily	3 days
Private equity	8,988	—	75,408	Not applicable	Not applicable
Total	$ 1,401,506	1,149,370	75,408		

The following is a summary of the nature of these investments and their associated risks:

Hedge funds are portfolios of investments that use advanced investment strategies such as leveraged, long, short, and derivative positions in both domestic and international markets with the goal of diversifying portfolio risk and generating return. The Health System's investments in hedge funds include $44,980,000 subject to lockup provisions that limit the Health System's ability to access cash for one or more years from the initial investment.

Collective investment funds are funds that pursue diversification of domestic and foreign equity and fixed income securities. The Health System's investments in collective investment funds have no lockup provisions or other restrictions, other than outlined in the table above, that limit its ability to access cash.

Private equity funds are funds that make opportunistic investments that are primarily private in nature. These investments cannot be redeemed by the Health System; rather the Health System has committed an amount to invest in the private funds over the respective commitment periods. After the commitment period has ended, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets.

The Health System offsets the fair value of various investment derivative instruments when executed with the same counterparty under a master netting arrangement. The Health System invests in a variety of investment derivative instruments through a fixed-income manager that has executed a master netting arrangement with the counterparties of each of its futures and forward currency purchase and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled.

The following table presents gross investment derivative assets and liabilities reported on a net basis included in management-designated investments in the combined balance sheets:

		2015 (In thousands of dollars)
Derivative assets:		
Futures contracts	$	404,677
Forward currency and other contracts		41,617
		446,294
Derivative liabilities:		
Futures contracts		(404,677)
Forward currency and other contracts		(42,289)
		(446,966)

Investment derivative instruments, reported in management-designated investments in the combined balance sheets, are recorded at fair value.

The Health System's management designated cash and investments include funds held on behalf of non-controlled entities of $59,569,000 and $0 at December 31, 2015 and 2014, respectively. An offsetting liability to recognize the obligation back to the non-controlled entities is included in other liabilities in the accompanying combined balance sheets.

Investment income from management-designated cash and investments and funds held by trustee are included in net nonoperating gains and are comprised of the following for the years ended December 31, 2015 and 2014:

		2015	2014
		(In thousands of dollars)	
Interest income	$	64,797	71,108
Net realized gains on sale of investments		25,280	365,413
Change in net unrealized losses on trading securities		(203,694)	(258,478)
Total	$	(113,617)	178,043

(5) Property, Plant, and Equipment

Property, plant, and equipment and the total accumulated depreciation at December 31, 2015 and 2014 are shown below:

	Approximate useful life (years)		2015	2014
			(In thousands of dollars)	
Land	—	$	757,469	756,304
Buildings and improvements	5–60		5,834,374	5,643,827
Equipment:				
Fixed	5–25		1,055,751	1,041,956
Major movable and minor	3–20		4,405,945	4,138,703
Rental property	15–40		914,353	898,609
Construction in progress	—		274,883	216,549
			13,242,775	12,695,948
Less accumulated depreciation			6,661,915	6,073,382
Property, plant, and equipment, net		$	6,580,860	6,622,566

Construction in progress primarily represents renewal and replacement of various facilities in the Health System’s operating divisions, as well as costs capitalized related to software development.

(6) Other Assets

Other assets at December 31, 2015 and 2014 are as follows:

		2015	2014
		(In thousands of dollars)	
Unamortized financing costs, net	$	34,639	35,744
Investment in nonconsolidated joint ventures		141,182	116,747
Interest in noncontrolled foundations		128,341	136,597
Notes receivable		45,889	37,989
Long-term reinsurance receivable		33,032	39,530
Goodwill and intangibles		169,584	163,540
Other		20,301	38,737
Total other assets	$	572,968	568,884

The Health System participates in various joint ventures for the purpose of furthering its healthcare mission. These joint ventures exist in all geographic locations in which the Health System operates. The primary purposes of the ventures are to provide outpatient services such as laboratory, outpatient surgery, and medical imaging. Various joint ventures, throughout the Health System, are controlled and consequently are combined in the financial statements of the Health System. All other joint ventures are accounted for under the equity method of accounting. The Health System recorded earnings from equity method investees of $40,871,000 and $39,159,000 for the years ended December 31, 2015 and 2014, respectively, the majority of which are included in other operating revenues in the accompanying combined statements of operations.

(7) Short-Term and Long-Term Debt

The Health System has borrowed Master Trust debt issued through the following:

- California Health Facilities Financing Authority (CHFFA)
- Alaska Industrial Development and Export Authority (AIDEA)
- Hospital Facilities Authority of Multnomah County (HFAMC)
- Washington Health Care Facilities Authority (WHCFA)
- Montana Facility Finance Authority (MFFA)
- Oregon Facilities Authority (OFA)

Short-term and long-term unpaid principal at December 31, 2015 and 2014 consists of the following:

	Maturing through	Coupon rates	Unpaid principal 2015	Unpaid principal 2014
			(In thousands of dollars)	
Master trust debt:				
Fixed:				
Series 1996, CHFFA Revenue Bonds	2015	4.00 – 6.00%	$ —	2,035
Series 1997, Direct Obligation Notes	2017	7.70%	1,445	2,090
Series 2003H, AIDEA Revenue Bonds	2015	4.63 – 5.25%	—	4,600
Series 2005, Direct Obligation Notes	2030	4.31 – 5.39%	44,380	46,295
Series 2006A, WHCFA Revenue Bonds	2036	4.50 – 5.00%	210,555	210,555
Series 2006B, MFFA Revenue Bonds	2026	4.00 – 5.00%	54,495	58,170
Series 2006C, WHCFA Revenue Bonds	2033	5.25%	69,425	69,425
Series 2006D, WHCFA Revenue Bonds	2033	5.25%	69,275	69,275
Series 2006E, WHCFA Revenue Bonds	2033	5.25%	26,350	26,350
Series 2006H, AIDEA Revenue Bonds	2036	5.00%	51,905	54,355
Series 2008C, CHFFA Revenue Bonds	2038	3.00 – 6.50%	15,785	17,715
Series 2009A, Direct Obligation Notes	2019	5.05 – 6.25%	165,000	165,000
Series 2009B, CHFFA Revenue Bonds	2039	5.50%	150,000	150,000
Series 2010A, WHCFA Revenue Bonds	2039	4.88 – 5.25%	174,240	174,240
Series 2011A, AIDEA Revenue Bonds	2041	5.00 – 5.50%	122,720	122,720
Series 2011B, WHCFA Revenue Bonds	2021	2.00 – 5.00%	58,995	67,390
Series 2011C, OFA Revenue Bonds	2026	3.50 – 5.00%	18,375	20,405
Series 2012A, WHCFA Revenue Bonds	2042	2.00 – 5.00%	497,850	503,955
Series 2012B, WHCFA Revenue Bonds	2042	4.00 – 5.00%	100,000	100,000
Series 2013A, OFA Revenue Bonds	2024	2.00 – 5.00%	66,600	72,515
Series 2013D, Direct Obligation Notes	2023	4.38%	252,285	252,285
Series 2014A, CHFFA Revenue Bonds	2038	2.00 – 5.00%	274,465	275,850
Series 2014B, CHFFA Revenue Bonds	2044	4.25 – 5.00%	118,740	118,740
Series 2014C, WHCFA Revenue Bonds	2044	4.00 – 5.00%	92,245	92,245
Series 2014D, WHCFA Revenue Bonds	2041	5.00%	178,770	178,770
Series 2015A, WHCFA Revenue Bonds	2045	4.00%	77,635	—
Series 2015C, OFA Revenue Bonds	2045	4.00 – 5.00%	71,070	—
Total fixed			2,962,605	2,854,980
Variable:				
Series 2012C, WHCFA Revenue Bonds	2042	0.05%	80,000	80,000
Series 2012D, WHCFA Revenue Bonds	2042	0.05%	80,000	80,000
Series 2012E, Direct Obligation Notes	2042	0.17%	233,525	235,705
Series 2013C, OFA Revenue Bonds	2022	1.08%	135,375	148,750
Series 2013E, Direct Obligation Notes	2017	3.00%	200,000	322,250
Total variable			728,900	866,705

	Maturing through	Coupon rates	Unpaid principal 2015	Unpaid principal 2014
			(In thousands of dollars)	
Commercial Paper, Series 2015B	2016	0.21%	125,000	—
U.S. Bank Credit Facility	2016	0.56%	12,500	12,500
Unpaid principal, master trust debt			3,829,005	3,734,185
Premiums and discounts, net			117,320	123,941
Master trust debt, including premiums and discounts, net			3,946,325	3,858,126
Other long-term debt			165,502	200,923
Total debt			$ 4,111,827	4,059,049

	2015	2014
	(In thousands of dollars)	
Current portion of long-term debt	$ 244,532	202,287
Short-term master trust debt	137,500	12,500
Long-term debt, classified as a long-term liability	3,729,795	3,844,262
Total debt	$ 4,111,827	4,059,049

An Obligated Group was formed for issuing debt under a master trust indenture. Members of the Obligated Group are jointly and severally responsible for all borrowings under the master trust indenture of the Obligated Group. The master trust indenture and bond trust indentures for each debt issue require the Obligated Group to meet certain financial covenants. The members of the Obligated Group include the following:

- Providence Health & Services – Washington (exclusive of Inland Northwest Health Services)
- Western HealthConnect
- Providence Health & Services – Oregon (exclusive of Providence Plan Partners)
- Providence Health System – Southern California (exclusive of Medical Institute of Little Company of Mary, Lifecare Ventures, Inc., TrinityCare Hospice, and Facey)
- Providence St. Joseph Medical Center, and Providence Health & Services – Montana

The Obligated Group excludes related housing projects financed by the U.S. Department of Housing and Urban Development and foundations.

In August and September 2015, the Health System issued $77,635,000 of Series 2015A WHCFA fixed rate revenue bonds and $71,070,000 of Series 2015C OFA fixed rate revenue bonds, respectively. The intended use of funds was to cover certain capital investment.

In November 2014, the Health System issued $178,770,000 of Series 2014D WHCFA fixed rate revenue bonds. The proceeds were used to redeem Series 2006B WHCFA revenue bonds, Series 2006A WHCFA revenue bonds, Series 2010 WHCFA revenue bonds, and Series 2012 WHCFA revenue bonds, which were

(Continued)

issued by Kadlec prior to the affiliation. In connection with the Series 2014D issuance, Kadlec became a member of the Obligated Group.

In September 2014, the Health System issued $92,245,000 of Series 2014C WHCFA fixed rate revenue bonds. The proceeds were used for the partial redemption of Series 2009A PHS Direct Obligation bonds. In connection with the Series 2014C issuance, Swedish Edmonds and PacMed became members of the Obligated Group.

In August 2014, the Health System issued $118,740,000 of Series 2014B CHFFA fixed rate revenue bonds. The proceeds were used to redeem Series 2013F Commercial Paper, which was issued to finance the purchase of Saint John's. In connection with the Series 2014B issuance, Saint John's became a member of the Obligated Group.

In June 2014, the Health System issued $275,850,000 of Series 2014A CHFFA fixed rate revenue bonds. The proceeds were used for the partial redemption of Series 2008C CHFFA bonds.

In connection with the Series 2015A-C issuances and the Series 2014A-D issuances, the Health System recorded losses due to extinguishment of debt of $69,000 and $85,522,000 in 2015 and 2014, respectively, which were recorded in net nonoperating gains in the accompanying combined statements of operations.

(a) Master Trust Debt Classified as Short-Term

Commercial Paper, Series 2015B

In September 2015, the Health System issued Series 2015B commercial paper obligations. During 2015, the Health System made principal and interest payments on matured commercial paper and reissued new commercial paper, maintaining a balance ranging between $27,000,000 and $125,000,000 throughout the year. The average interest rate in effect during 2015 was 0.21%.

U.S. Bank Credit Facility

The Health System has a $150,000,000 Credit Facility with U.S. Bank, of which $12,500,000 in borrowings was outstanding at December 31, 2015 and 2014.

(b) Other Long-Term Debt

Other long-term debt primarily includes capital leases, notes payable, and bonds that are not under the master trust indenture. Other long-term debt at December 31, 2015 and 2014 consists of the following:

		2015	2014
		(In thousands of dollars)	
Capital leases	$	103,789	114,963
Notes payable		46,988	74,381
Bonds not under master trust indenture and other		14,725	11,579
Total other long-term debt	$	165,502	200,923

Scheduled principal payments of long-term debt, considering all obligations under the master trust indenture as due according to their long-term amortization schedule, for the next five years and thereafter are as follows:

	Master trust	Other	Total
		(In thousands of dollars)	
2016	$ 221,535	22,997	244,532
2017	160,175	18,825	179,000
2018	62,960	8,800	71,760
2019	165,895	8,074	173,969
2020	68,830	8,092	76,922
Thereafter	3,012,110	98,714	3,110,824
Scheduled principal payments of long-term debt	3,691,505	$ 165,502	3,857,007
Short-term master trust debt	137,500		
Total master trust debt	$ 3,829,005		

Leases

The Health System leases various medical and office equipment and buildings under operating leases. Future minimum lease commitments under noncancelable operating leases for the next five years and thereafter are as follows (in thousands of dollars):

2016	$ 124,188
2017	116,588
2018	103,487
2019	94,394
2020	82,802
Thereafter	613,139
	$ 1,134,598

Rental expense was $216,657,000 and $193,875,000 for the years ended December 31, 2015 and 2014, respectively, and is included in other expenses in the accompanying combined statements of operations.

(8) Retirement Plans

(a) Defined Benefit Plans

Cash Balance Retirement Plan

The Health System had a noncontributory cash balance plan covering substantially all Providence employees called the Providence Health & Services Cash Balance Retirement Plan Trust (the Cash Balance Plan). The plan was frozen effective December 31, 2009. The plan benefits are based on defined average compensation and years of service. The plan has a five-year cliff vesting schedule. The Health System's funding policy is based on the actuarially determined cost method, and includes normal service cost and prior service costs amortized over a 20-year period. Under the Cash Balance Plan, each employee carries an individual account balance. The Health System makes an annual contribution and provides an annual interest credit to each employee's account.

Supplemental Executive Retirement Plan

The Health System has a noncontributory supplemental executive retirement plan (the SERP) covering certain employees who were employed in certain key positions or pay grades or that have been designated by the Health System. The plan was frozen effective December 31, 2009. The plan benefits were based on defined average compensation and years of service. The vesting period for the plan requires an executive attain age 55 with at least five years of eligible service. The Health System's funding policy is based on the actuarially determined cost method, and includes normal service cost and prior service costs amortized over a 20-year period. Under the SERP, each employee carries an individual account balance. The Health System makes an annual contribution and provides an annual interest credit to each employee's account.

Swedish Health Services Pension Plan

The Swedish Health Services Pension Plan (the Pension Plan) is a noncontributory plan covering a majority of Swedish employees, and provides benefits based on number of years of credited service and compensation earned during the participation in the Pension Plan. The Pension Plan is frozen to all former and existing nonrepresented employees and to all new participants. Only represented employees that were active in the plan on December 31, 2009 remain in the plan actively accruing benefits. The Health System makes annual contributions to the Pension Plan.

Willamette Falls Pension Plan

The Willamette Falls Pension Plan is also a noncontributory plan covering a majority of employees at Providence Willamette Falls. The plan was frozen effective February 2008. The plan benefits are based on years of service and compensation during an employee's period of employment. The funding policy is based on the actuarially determined cost method, and includes normal service cost and prior service costs amortized over a 20-year period. Under the Willamette Falls Pension Plan, each employee carries an individual monthly annuity benefit.

The Cash Balance Plan, the SERP, the Pension Plan, and the Willamette Falls Pension Plan are collectively "the defined benefit plans."

The Health System's contributions to these defined benefit plans for the years ended December 31, 2015 and 2014 were $90,562,000 and $100,380,000, respectively.

The measurement dates for the defined benefit plans are December 31, 2015 and 2014. A rollforward of the change in benefit obligation and change in the fair value of plan assets for the defined benefit plans is as follows:

		2015	2014
		(In thousands of dollars)	
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	2,827,325	2,592,617
Service cost		24,858	22,851
Interest cost		113,956	124,911
Actuarial (gain) loss		(134,753)	289,225
Benefits paid and other		(231,159)	(202,279)
Projected benefit obligation at end of year		2,600,227	2,827,325
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year		1,782,250	1,773,628
Actual return on plan assets		(106,400)	110,521
Employer contributions		90,562	100,380
Benefits paid and other		(231,159)	(202,279)
Fair value of plan assets at end of year		1,535,253	1,782,250
Funded status		(1,064,974)	(1,045,075)
Unrecognized net actuarial loss		470,429	441,783
Unrecognized prior service cost		5,068	6,299
Net amount recognized	$	(589,477)	(596,993)
Amounts recognized in the consolidated balance sheets consist of:			
Current liabilities	$	(1,393)	(4,136)
Noncurrent liabilities		(1,063,581)	(1,040,939)
Unrestricted net assets		475,497	448,082
Net amount recognized	$	(589,477)	(596,993)
Weighted average assumptions:			
Discount rate		4.58%	4.20%
Rate of increase in compensation levels		3.50	3.50
Long-term rate of return on assets		6.80	7.00

(Continued)

Net periodic pension cost for the defined benefit plans for 2015 and 2014 includes the following components:

		2015	2014
		(In thousands of dollars)	
Components of net periodic pension cost:			
Service cost	$	24,858	22,851
Interest cost		113,956	124,911
Expected return on plan assets		(115,711)	(118,676)
Amortization of prior service cost		1,231	1,231
Recognized net actuarial loss		26,163	14,340
Settlement expense		32,549	32,798
Net periodic pension cost	$	83,046	77,455

Total expense for all of the Health System's defined benefit plans for the years ended December 31, 2015 and 2014 was $83,046,000 and $77,455,000, respectively. Included in the total expense is $32,549,000 and $32,798,000 of settlement costs that were incurred in 2015 and 2014, respectively, related to settlements that were greater than the sum of the service cost and interest cost components of net periodic pension cost. This settlement expense is included in net nonoperating gains in the accompanying combined statements of operations. The remaining expense for the defined benefit plans is included in employee benefits in the accompanying combined statements of operations.

The accumulated benefit obligation was $2,555,741,000 and $2,771,511,300 at December 31, 2015 and 2014, respectively.

The following pension benefit payments reflect expected future service. Payments expected to be paid over the next 10 years are as follows (in thousands of dollars):

2016	$	194,339
2017		176,086
2018		186,764
2019		192,506
2020 – 2025		1,104,643
	$	1,854,338

The Health System expects to contribute approximately $71,600,000 to the defined benefit plans in 2016.

The expected long-term rate of return on plan assets is the expected average rate of return on the funds invested currently and on funds to be invested in the future in order to provide for the benefits included in the projected benefit obligation. The Health System used 6.8% and 7.0% in calculating the 2015 and 2014 expense amounts, respectively. This assumption is based on capital market assumptions and the plan's target asset allocation.

The Health System continues to monitor the expected long-term rate of return. If changes in those parameters cause 6.8% to be outside of a reasonable range of expected returns, or if actual plan returns over an extended period of time, suggest that general market assumptions are not representative of expected plan results, the Health System may revise this estimate prospectively.

Target asset allocation and expected long-term rate of return on assets (ELTRA) for the years ended December 31, 2015 and 2014, respectively, were as follows:

	2015 Target	2015 ELTRA	2014 Target	2014 ELTRA
Cash and cash equivalents	2%	1% – 3%	5%	1% – 4%
Equity securities	47	5% – 8%	35	5% – 8%
Debt securities	35	2% – 6%	50	3% – 5%
Other securities	16	5% – 8%	10	6% – 9%
Total	100%	6.80%	100%	7.00%

The following table presents the Health System's defined benefit plan assets measured at fair value at December 31, 2015:

	December 31, 2015	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
		(In thousands of dollars)		
Assets:				
Cash and cash equivalents	$ 38,530	38,530	—	—
Domestic equity securities:				
Mutual funds:				
Large capitalization	16,180	16,180	—	—
Technology	63,668	63,668	—	—
Financial services	52,988	52,988	—	—
Consumer services	48,814	48,814	—	—
Other	96,105	96,105	—	—
Foreign equity securities:				
Mutual funds:				
Large capitalization	14,487	14,487	—	—
Consumer services	14,216	14,216	—	—
Technology	10,693	10,693	—	—
Other	11,983	11,983	—	—
Debt securities – state and government	242,808	169,396	73,412	—
Foreign securities – state and government	7,500	—	7,500	—
Domestic corporate debt securities	115,999	—	115,999	—
Foreign corporate debt securities	15,095	—	15,095	—
Other	7,781	—	7,781	—
Investments measured using NAV	778,406			
Total	$ 1,535,253			

The following table presents the Health System's defined benefit plan assets measured at fair value at December 31, 2014:

	December 31, 2014	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
	(In thousands of dollars)			
Assets:				
Cash and cash equivalents	$ 44,670	44,670	—	—
Domestic equity securities:				
Mutual funds:				
Medium-small cap and other	2,252	2,252	—	—
Consumer services	184,842	184,842	—	—
Financial services	68,769	68,769		
Technology	45,304	45,304	—	—
Other	62,558	62,558	—	—
Foreign equity securities:				
Mutual funds:				
Large capitalization	44,450	44,450	—	—
Consumer services	15,809	15,809	—	—
Technology	11,777	11,777	—	—
Other	19,809	19,809	—	—
Debt securities – state and government	281,432	208,804	72,628	—
Foreign securities – state and government	14,596	—	14,596	—
Domestic corporate debt securities	129,564	—	129,564	—
Foreign corporate debt securities	22,291	—	22,291	—
Other	13,108	3,246	9,862	—
Investments measured using NAV	821,019			
Total	$ 1,782,250			

The Health System defined benefit plans participate in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds the net asset value per share, or its equivalent, reported by each fund manager is used as a practical expedient to estimate the fair value of the Health System's interest therein. Management believes that the carrying amounts of these financial instruments, provided by the fund managers, are reasonable estimates of fair value.

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of December 31:

		Fair value 2015	Fair value 2014	Redemption frequency	Redemption notice period
Hedge funds					
Risk parity	$	125,398	138,886	Monthly	5 – 15 days
Growth		142,320	140,305	Quarterly	45 – 90 days
Other		1,444	2,993	Monthly or Quarterly	30 – 90 days
Collective investment funds:					
Equities		355,462	349,662	Monthly	6 – 60 days
Fixed income		153,782	189,173	Daily	3 days
Total	$	778,406	821,019		

There were no significant transfers between assets classified as Level 1 and Level 2 during the years ended December 31, 2015 and 2014.

(b) Defined Contribution Plans

401(a) Service Plan

The Health System sponsors the Providence Health & Services 401(a) Service Plan (the Service Plan). The Service Plan covers substantially all Providence employees, with contributions based on defined eligible compensation and years of service. The plan has a five-year cliff vesting schedule. The Health System contributed $153,563,000 to the Service Plan in 2015 related to prior years, and has accrued a liability of $161,947,000 as of December 31, 2015 related to contributions to be made in 2016 for plan year 2015. The accrued balance has been included in the current portion of retirement plan obligations on the accompanying combined balance sheets.

403(b) Value Plan

The Health System also sponsors the Providence Health & Services 403(b) Value Plan (the Value Plan). The plan is a defined contribution plan, which includes a qualified cash or deferred arrangement, for the benefit of eligible employees. Vesting is immediate. Total Value Plan expense, primarily related to contributions, was $77,070,000 and $74,760,000 in 2015 and 2014, respectively, and is included in employee benefits expense in the accompanying combined statements of operations.

Providence, Swedish, PAML Multiple Employer 401(k) Plan

The Health System sponsors the Providence, Swedish, PAML Multiple Employer 401(k) Plan which covers certain Providence affiliates unable to participate in the Service Plan and the Value Plan. The plan is a defined contribution plan with contributions based on defined eligible compensation. The plan has a four-year cliff vesting schedule. Total plan expense, primarily related to contributions, was $47,590,000 and $42,781,000 in 2015 and 2014, respectively, and is included in employee benefits expense in the accompanying combined statements of operations.

(9) Self-Insurance Liability

The Health System has established self-insurance programs for professional and general liability and workers' compensation insurance coverage. These programs provide insurance coverage for healthcare institutions associated with the Health System. The Health System also operates an insurance captive, Providence Assurance, Inc., to self-insure or reinsure certain layers of professional and general liability risk.

The Health System accrues estimated self-insured professional and general liability and workers' compensation insurance claims based on management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred-but-not-reported. Insurance coverage in excess of the per occurrence self-insured retention, has been secured with insurers or reinsurers for specified amounts for professional, general, and workers' compensation liabilities. Decisions relating to the limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

At December 31, 2015 and 2014, the estimated liability for future costs of professional and general liability claims was $249,013,000 and $232,639,000, respectively. At December 31, 2015 and 2014, the estimated workers' compensation obligation was $162,728,000 and $150,845,000, respectively, in the accompanying combined balance sheets. At December 31, 2015 and 2014, $292,843,000 and $274,541,000, respectively, of these amounts were included as self-insurance liability, net of current portion, with the remainder included within current portion of self-insurance liability, in the accompanying combined balance sheets.

(10) Commitments

Firm purchase commitments, primarily related to construction, software, and supplies, at December 31, 2015, are approximately $163,590,000.

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

		2015	2014
		(In thousands of dollars)	
Program support	$	184,340	160,842
Low-income housing		32,950	34,036
Capital acquisition and other		107,601	110,399
Total temporarily restricted net assets	$	324,891	305,277

The Health System's fundraising foundations have obtained contributions to support the various programs offered by the Health System. Many of these contributions remain temporarily restricted as of December 31, 2015 and 2014 because the time or purpose restrictions stipulated by the donor have not been met. Generally, program support consists of items that will defray the cost of operating certain patient care activities of the Health System.

Other revenues included $48,228,000 and $48,589,000 of assets released from restriction for operations for the years ended December 31, 2015 and 2014, respectively.

Permanently restricted net assets are restricted to investments in perpetuity, the income of which is expendable primarily for program support.

(12) Litigation and Contingencies

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government monitoring and enforcement activity continues with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of patient services previously billed. Institutions within the Health System are subject to similar regulatory reviews.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health System's combined financial statements.

(13) Functional Expenses

The Health System provides healthcare services to residents within its geographic service areas. Expenses related to providing these services for the years ended December 31, 2015 and 2014 are as follows:

		2015	2014
		(In thousands of dollars)	
Healthcare expenses	$	10,700,175	9,199,881
Purchased healthcare expenses		1,045,019	909,154
General and administrative expenses		2,426,771	2,152,790
Total operating expenses	$	14,171,965	12,261,825

Schedule 1

PROVIDENCE HEALTH & SERVICES

Supplemental Schedule – Balance Sheet Information

December 31, 2015 (with combined totals for 2014)

(In thousands of dollars)

Assets	**Alaska**	**Washington**	**Montana**	**Oregon**	**Providence Plan Partners**	**Southern California**	**System office, eliminations, and other**	**2015 Total Health System**	**2014 Total Health System**
Current assets:									
Cash and cash equivalents	$ 213,952	191,084	7,779	207,553	74,695	(113,363)	147,621	729,321	1,237,337
Short-term management-designated investments	—	—	—	—	—	18,721	181,530	200,251	199,338
Accounts receivable, net	160,005	815,096	51,729	319,025	—	298,333	(74,361)	1,569,827	1,419,495
Other receivables, net	20,088	939,747	82,816	98,241	53,994	109,741	(905,336)	399,291	375,185
Supplies inventory	12,605	85,491	5,991	37,507	—	28,461	24,564	194,619	185,821
Other current assets	1,090	33,651	247	22,443	3,803	24,030	55,572	140,836	203,337
Current portion of funds held by trustee	76	2,672	1	1,478	—	64	50,449	54,740	76,365
Total current assets	407,816	2,067,741	148,563	686,247	132,492	365,987	(519,961)	3,288,885	3,696,878
Assets whose use is limited:									
Management-designated cash and investments	523,467	1,350,622	47,682	1,204,626	570,946	218,945	1,014,570	4,930,858	4,601,153
Gift annuities, trusts, and other	360	16,366	2,351	27,886	—	15,116	31,725	93,804	53,954
Funds held by trustee	—	66,617	—	68,371	15,793	350	121,771	272,902	179,473
Assets whose use is limited, net	523,827	1,433,605	50,033	1,300,883	586,739	234,411	1,168,066	5,297,564	4,834,580
Property, plant, and equipment, net	552,020	3,065,950	94,018	1,030,286	69,003	1,025,488	744,095	6,580,860	6,622,566
Other assets	26,746	241,655	21,127	61,618	1,381	230,317	(9,876)	572,968	568,884
Total assets	$ 1,510,409	6,808,951	313,741	3,079,034	789,615	1,856,203	1,382,324	15,740,277	15,722,908
Liabilities and Net Assets									
Current liabilities:									
Current portion of long-term debt	$ 26,748	99,844	4,179	40,312	—	30,569	42,880	244,532	202,287
Master trust debt classified as short-term	—	—	—	—	—	—	137,500	137,500	12,500
Accounts payable	14,237	198,078	12,596	58,642	1,657	100,033	42,324	427,567	521,942
Accrued compensation	24,888	224,403	10,118	108,782	—	71,063	202,152	641,406	738,075
Payable to contractual agencies	5,742	51,047	122	3,812	2,952	8,168	32,808	104,651	151,778
Retirement plan obligations	—	—	—	—	—	—	190,278	190,278	185,517
Current portion of self-insurance liability	—	10,802	—	—	—	—	108,096	118,898	108,943
Other current liabilities	4,833	1,068,887	79,540	94,507	288,701	119,630	(1,192,900)	463,198	465,865
Total current liabilities	76,448	1,653,061	106,555	306,055	293,310	329,463	(436,862)	2,328,030	2,386,907
Long-term debt, net of current portion (1)	253,626	2,164,345	52,037	292,987	—	671,023	295,777	3,729,795	3,844,262
Other long-term liabilities	21,773	454,702	6,380	45,460	1,382	65,524	1,051,583	1,646,804	1,542,579
Total liabilities	351,847	4,272,108	164,972	644,502	294,692	1,066,010	910,498	7,704,629	7,773,748
Net assets:									
Unrestricted	1,145,988	2,409,856	142,933	2,326,791	494,923	639,972	426,316	7,586,779	7,537,626
Temporarily restricted	9,668	91,567	3,973	71,771	—	110,599	37,313	324,891	305,277
Permanently restricted	2,906	35,420	1,863	35,970	—	39,622	8,197	123,978	106,257
Total net assets	1,158,562	2,536,843	148,769	2,434,532	494,923	790,193	471,826	8,035,648	7,949,160
Total liabilities and net assets	$ 1,510,409	6,808,951	313,741	3,079,034	789,615	1,856,203	1,382,324	15,740,277	15,722,908

(1) The Obligated Group debt is joint and several for the Obligated Group members, however, the balance sheets of the individual entities only include their allocated portions.

See accompanying independent auditors' report.

Schedule 2

PROVIDENCE HEALTH & SERVICES

Supplemental Schedule – Statement of Operations Information

December 31, 2015 (with combined totals for 2014)

(In thousands of dollars)

	Alaska	Washington	Montana	Oregon	Providence Plan Partners	Southern California	System office, eliminations, and other	2015 Total Health System	2014 Total Health System
Operating revenues:									
Net patient service revenues	$ 836,680	6,218,533	352,193	2,778,202	—	2,302,762	(519,254)	11,969,116	10,294,637
Provision for bad debts	(24,946)	(77,864)	(5,092)	(6,163)	—	(67,149)	(4,353)	(185,567)	(193,018)
Net patient service revenues less provision for bad debts	811,734	6,140,669	347,101	2,772,039	—	2,235,613	(523,607)	11,783,549	10,101,619
Premium and capitation revenues	—	181,793	—	96,362	1,330,926	253,155	—	1,862,236	1,682,968
Other revenues	51,996	314,105	26,771	263,283	79,623	113,959	(61,741)	787,996	696,390
Total operating revenues	863,730	6,636,567	373,872	3,131,684	1,410,549	2,602,727	(585,348)	14,433,781	12,480,977
Operating expenses:									
Salaries and wages	270,356	2,648,830	120,575	1,199,743	2,920	885,997	855,298	5,983,719	5,248,196
Employee benefits	24,395	368,935	10,693	117,004	17	80,075	756,584	1,357,703	1,220,078
Purchased healthcare	—	90,852	—	30,800	1,270,029	97,412	(444,074)	1,045,019	909,154
Professional fees	19,041	159,648	17,401	74,346	25,505	240,884	45,775	582,600	514,990
Supplies	111,607	1,015,985	73,416	518,569	659	318,183	33,586	2,072,005	1,792,707
Purchased services	53,791	407,247	38,484	154,627	146,166	166,111	138,763	1,105,189	977,247
Depreciation	54,600	263,881	11,263	107,851	2,098	70,778	120,066	630,537	676,357
Interest	14,725	86,479	2,689	5,994	—	32,617	10,976	153,480	155,343
Amortization	(12)	(1,045)	438	(325)	—	746	918	720	5,671
Other	24,528	498,491	14,186	194,265	38,759	293,719	177,045	1,240,993	762,082
Total operating expenses	573,031	5,539,303	289,145	2,402,874	1,486,153	2,186,522	1,694,937	14,171,965	12,261,825
Excess (deficit) of revenues over expenses from operations	290,699	1,097,264	84,727	728,810	(75,604)	416,205	(2,280,285)	261,816	219,152
Net nonoperating (losses) gains	(4,485)	(45,752)	226	(28,337)	7,855	(17,580)	(96,918)	(184,991)	552,270
Excess (deficit) of revenues over expenses	286,214	1,051,512	84,953	700,473	(67,749)	398,625	(2,377,203)	76,825	771,422
Net assets released from restriction for capital	109	7,027	(92)	2,618	—	9,622	1,088	20,372	13,646
Change in noncontrolling interests in consolidated joint ventures	(73)	(397)	—	(804)	—	(819)	1,695	(398)	584
Pension related changes	—	(19,156)	—	1,263	—	—	(9,522)	(27,415)	(249,011)
Interdivision transfers	(171,911)	(954,602)	(79,776)	(685,019)	—	(480,719)	2,372,027	—	—
Contributions, grants, and other	(3,497)	(8,491)	10	(2,769)	—	(4,073)	(1,411)	(20,231)	(8,639)
Increase (decrease) in unrestricted net assets	$ 110,842	75,893	5,095	15,762	(67,749)	(77,364)	(13,326)	49,153	528,002

See accompanying independent auditors' report.