Princeton HealthCare System Holding, Inc.

Consolidated Financial Statements and Supplemental Information

December 31, 2014 and 2013

Princeton HealthCare System Holding, Inc.
Index
December 31, 2014 and 2013

Report of Independent Auditors

To the Board of Trustees
Princeton HealthCare System Holding, Inc.

We have audited the accompanying consolidated financial statements of Princeton HealthCare System Holding, Inc. ("PHCSH") which comprise the consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statement of operations, of changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Princeton HealthCare System Holding, Inc. at December 31, 2014 and December 31, 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP, Two Commerce Square, Suite 1700, 2001 Market Street, Philadelphia, PA 19103-7042
T: (267) 330 3000, F: (267) 330 3300, www.pwc.com/us

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating supplemental schedules and other supplemental schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual entities.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
April 28, 2015

Princeton HealthCare System Holding, Inc.
Consolidated Balance Sheets
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 58,401,453	$ 47,928,031
Bond proceeds held by trustee	5,431	5,824,471
Patient accounts receivable, less allowance for doubtful accounts of $13,124,210 in 2014 and $15,184,397 in 2013	51,384,402	46,578,185
Investments	71,136,849	67,627,787
Pledges receivable, current	3,890,440	6,612,237
Other current assets	15,297,401	17,358,124
Total current assets	200,115,976	191,928,835
Investments in other entities	4,185,209	9,146,971
Noncurrent investments	8,963,908	5,256,084
Property, plant, equipment and construction-in-progress, net	521,690,275	585,372,845
Pledges receivable, noncurrent	4,597,947	7,163,823
Other noncurrent assets	4,219,543	5,258,787
Total assets	$ 743,772,858	$ 804,127,345
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 7,034,500	$ 10,223,154
Accounts payable	22,585,965	20,599,491
Accrued expenses	28,035,715	27,158,221
Capital lease obligation	691,589	1,120,053
Accrued interest payable	2,385,218	2,708,249
Construction / retainage payable	-	366,088
Other current liabilities	3,803,891	3,628,588
Total current liabilities	64,536,878	65,803,844
Accrued benefit liability	51,167,590	26,848,058
Estimated third-party payable, net	5,293,607	2,501,256
Other noncurrent liabilities	13,482,078	14,619,582
Long-term debt, less current portion	303,621,553	347,986,500
Capital lease obligation, less current portion	877,876	1,569,466
Total liabilities	438,979,582	459,328,706
Net assets		
Unrestricted	284,616,088	321,302,158
Temporarily restricted	10,256,645	14,021,805
Permanently restricted	9,920,543	9,474,676
Total net assets	304,793,276	344,798,639
Total liabilities and net assets	$ 743,772,858	$ 804,127,345

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

Princeton HealthCare System Holding, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted revenues, gains and other support		
Net patient service revenue	$ 384,068,024	$ 359,154,485
Other revenue	4,217,707	11,802,350
Net assets non capital released from restrictions	1,849,613	1,782,123
Total operating revenue	390,135,344	372,738,958
Expenses		
Salaries and wages	160,431,535	158,799,895
Contracted labor	6,425,466	5,940,674
Employee benefits	44,101,956	41,897,268
Supplies	65,822,223	64,960,785
Fees, utilities and other	79,391,945	73,547,738
Depreciation and amortization	39,828,633	41,602,796
Insurance	5,363,946	5,336,932
Interest	7,463,207	8,332,652
Total operating expenses	408,828,911	400,418,740
Operating loss before non recurring transactions	(18,693,567)	(27,679,782)
Gain on sale of assets	1,183,076	1,977,918
Operating loss	(17,510,491)	(25,701,864)
Investment income	4,421,131	8,543,596
Deficit of revenues over expenses	$ (13,089,360)	$ (17,158,268)

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

Princeton HealthCare System Holding, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted net assets		
Deficit of revenues over expenses	$ (13,089,360)	$ (17,158,268)
Net assets released from restriction	4,264,391	18,266,226
Net assets reclassed to restriction	(32,694)	(83,898)
Change in minimum pension liability	(27,828,407)	15,591,961
(Decrease) / increase in unrestricted net assets	(36,686,070)	16,616,021
Temporarily restricted net assets		
Contributions	2,522,755	10,880,064
Net assets released from restrictions	(6,287,915)	(21,764,933)
Decrease in temporarily restricted net assets	(3,765,160)	(10,884,869)
Permanently restricted net assets		
Contributions	445,867	2,335,029
Increase in permanently restricted net assets	445,867	2,335,029
(Decrease) / increase in net assets	(40,005,363)	8,066,181
Net assets		
Beginning of year	344,798,639	336,732,458
End of year	$ 304,793,276	$ 344,798,639

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

	2014	2013
Cash flows from operating activities		
Increase/(decrease) in net assets	$ (40,005,363)	$ 8,066,181
Less: donated securities received	(1,326,138)	(12,389,761)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	39,828,632	41,602,796
Net realized and unrealized (gains) on investments	(1,113,694)	(5,200,459)
Provision for bad debts	9,387,218	10,632,753
Restricted contributions received	(6,519,119)	(8,477,628)
Proceeds from sale of unrestricted donated securities	68,064	345,704
Equity in loss / (earnings) of other entities	2,833,152	(2,012,249)
Change in pension liability	27,828,407	(15,591,961)
Gain on sale of property, plant and equipment	(1,183,076)	(1,977,918)
(Increase) decrease in		
Accounts receivable	(14,193,434)	(8,258,306)
Other current assets	2,060,441	(1,629,980)
Pledges receivable	5,287,674	6,847,080
Other assets	1,000,304	5,575,496
Increase (decrease) in		
Accounts payable	1,620,386	(14,499,940)
Accrued expenses	877,917	2,739,448
Current liabilities	175,303	(215,180)
Other noncurrent liabilities	(1,137,506)	(3,253,944)
Accrued interest payable	(323,031)	32,028
Estimated third-party receivable / payable	2,792,351	125,700
Accrued benefit liability	(3,508,876)	(3,245,856)
Net cash provided by / (used in) operating activities	24,449,612	(785,996)
Cash flows from investing activities		
Purchase of investments	(11,732,783)	(57,013,638)
Net proceeds from sale of investments	5,629,450	53,810,193
Proceeds from sale of property, plant and equipment	30,394,575	7,107,581
Acquisitions of property, plant and equipment	(5,318,622)	(17,211,436)
Distributions from (investment in) joint ventures, net	2,128,611	1,822,881
Decrease in bond proceeds held by trustee	5,819,040	8,187,386
Net cash provided by / (used in) investing activities	26,920,271	(3,297,033)
Cash flows from financing activities		
Repayment of long-term debt	(47,553,601)	(7,191,065)
Payments under capital lease obligations	(1,120,053)	(1,421,607)
Restricted contributions received	6,519,119	8,477,628
Proceeds from sale of restricted donated securities	1,258,074	12,044,057
Net cash (used in) / provided by financing activities	(40,896,461)	11,909,013
Net change in cash and cash equivalents	10,473,422	7,825,984
Cash and cash equivalents		
Beginning of year	47,928,031	40,102,047
End of year	$ 58,401,453	$ 47,928,031
Supplemental information		
Cash paid for interest expense	$ 7,786,238	$ 8,297,828

1. Nature of Operations

Organization: Princeton HealthCare System Holding, Inc. (“PHCSH”), and its not-for-profit and for-profit members provide healthcare services to residents of the greater Princeton area including Mercer, Middlesex, and Somerset counties in central New Jersey.

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include allowance for doubtful accounts, estimated third-party retroactive adjustments, self-insurance and accrued employee benefits. Actual results could differ from those estimates.

Principles of Consolidation: The consolidated financial statements include the accounts of PHCSH, a not-for-profit holding corporation, its controlled member not-for-profit subsidiaries, Princeton HealthCare System (the “System”), Princeton HealthCare System Foundation, Inc. (the “Foundation”), Princeton Medical Properties, Inc. (“PMP”), Princeton Caregivers (“PCG”), its wholly owned for-profit subsidiaries Princeton Health, Inc. (“PHI”) and Princeton HealthCare Affiliated Physicians d/b/a Princeton Medicine.

All significant intercompany balances and transactions have been eliminated in consolidation. Although these entities have been consolidated for financial statement presentation, there may be limitations, due to the charitable nature of some of the consolidated entities or other factors, on the use of the consolidated entity’s net assets by another member of the affiliated group.

The System is comprised of three divisions. The University Medical Center of Princeton at Plainsboro (“UMCPP”) is an acute care facility licensed for 319 acute care beds (including 14 special care nursery bassinets and 17 physical rehabilitation beds). Princeton House Behavioral Health is a 110-bed psychiatric and behavioral health facility. Princeton HomeCare Services provides home nursing care, home rehabilitation, homemaker services, and operates a hospice program.

The Foundation supports and maintains programs, services, and facilities through the solicitation, receipt, administration and distribution of philanthropic gifts for the sole benefit of PHCSH.

PMP was formed for the purpose of acquiring, constructing, financing and holding property for the benefit of PHCSH.

PCG’s primary business activity is providing private duty home care services.

PHI is the sole shareholder of Princeton HealthCare Management Services, Inc. (“PMS”). PMS provides management and administrative support to physician practices owned by the System and to private physician practices. PHI is also a partner in joint ventures with Princeton Fitness & Wellness Center, Princeton Endoscopy Center, LLC and Princeton Fitness & Wellness Center at Plainsboro. The partnership with Princeton IVF Laboratory, LLC was dissolved on December 31, 2013.

Princeton Medicine is a Captive PC and is structured as a professional corporation pursuant to the provisions of the Professional Services Corporation Act of New Jersey. Princeton Medicine is incorporated outside of PHCSH. Because the System retains reserve power of control and authority, and because Princeton Medicine is financially dependent on the System for its operations and funding it is consolidated for financial reporting purposes. Princeton Medicine's purpose is to provide physician services to further the charitable and health care purposes of the System. During 2014, Princeton Medicine received a determination notice from the Department of the Treasury that, effective November 22, 2011, Princeton Medicine is an exempt organization under Section 501(c)(3) of the Revenue Code.

In the Other Supplemental Schedules, financial information of Princeton HealthCare System Obligated Group is included. The Obligated Group consists of the System and the Foundation and is the guarantor of PHCSH's long-term debt.

2. Summary of Significant Accounting Policies

The following is a summary of PHCSH's significant accounting policies:

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid short term investments purchased with original maturities of three months or less. PHCSH maintained cash balances in bank accounts that exceed insured limits set by the Federal Deposit Insurance Corporation (FDIC). PHCSH has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Bond Proceeds Held by Trustee: The balances of bond proceeds from Long Term Debt of the Obligated Group are reported as 'Bond proceeds held by trustee' on the Consolidated Balance Sheets. The Bank of New York Mellon serves as the Master Trustee of the bond offering and manages the short term investment and disbursement of funds pertaining to the construction of the replacement facility project. The proceeds are invested in a fixed income mutual fund.

Temporarily and Permanently Restricted Net Assets: PHCSH accounts for and reports donor restricted and unrestricted assets separately. Donor restricted assets are assets whose use is limited by the donor. Assets arising from the results of operations are set aside for board-designated purposes are not considered to be donor restricted. Restricted assets are available to support healthcare services. Cumulative losses to individual funds in excess of restricted amounts are classified as unrestricted net assets.

Temporarily restricted net assets are those whose use by PHCSH has been limited by donors to a specific time period and/or purpose. PHCSH's policy is to exclude from operating income, net assets released from capital restrictions. Net assets released from restrictions for noncapital purposes are included within other operating revenue. Investment losses related to restricted net assets are included in unrestricted net assets.

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

Property, Plant and Equipment: Property, plant and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Building and improvements	10–40 years
Fixed equipment	5–20 years
Moveable equipment	4–20 years
Information technology related	3–7 years

Capitalized leases are recorded at their present value of future cash flows at the inception of the lease. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the financial statements. Gains and losses resulting from the retirement of property, plant and equipment are included in the results of operations.

Gifts of long-lived assets such as property, plant and equipment are determined at the fair value at the date of the gift and reported as an increase to unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets*:* Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum for the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset. No impairment losses were recorded for the years ended December 31, 2014 and 2013.

Deferred Financing Costs: Deferred financing costs, included with other assets, were $614,837 and $653,777 at December 31, 2014 and 2013, respectively. Deferred financing costs are being amortized over the period the applicable obligation is outstanding using the straight-line method, which is not materially different than the effective interest method. Amortization expenses related to deferred financing costs were $38,940 in both years ended December 31, 2014 and 2013.

Investments in Other Entities: Investments in other entities in which the System and PHI have an ownership interest less than or equal to 50% are accounted for by the equity method. Under such method, the System's and PHI's share of net earnings (or losses) is included in the consolidated statements of operations.

Net Patient Service Revenue and Patient Accounts Receivable: Net patient service revenue is accounted for on the accrual basis in the period in which the service is provided. The System, Caregivers and Princeton Medicine are reimbursed from third party payers under various methodologies based on the level of care provided. Net revenues received are subject to audit and retroactive adjustments for which estimates are made and reserves are established.

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

- Medicare – Inpatient services and outpatient services rendered to Medicare program beneficiaries are paid prospectively at set rates. Inpatient rates only vary according to a patient classification system that is based on clinical, diagnostic and other factors. The System is reimbursed for certain items such as graduate medical education costs which are subject to base year limits at a tentative rate with final settlement determined after submission of the annual cost report and audits thereof by the Medicare fiscal intermediary. Services billed to the Medicare program are subject to external review for both medical necessity and billing compliance. Medicare cost reports for all years up to 2012 have been audited and final settled as of December 31, 2014. The 2013 Medicare cost report will be filed upon CMS' clarification of certain issues regarding bundled payments.

- Medicaid – inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Non-acute services such as rehabilitation and behavioral health services are paid based on a base year cost per case inflated forward. Most outpatient services are paid based upon a cost reimbursement methodology and certain services, such as outpatient behavioral health services, are paid based on a Medicaid fee schedule. The System is paid for reimbursable costs at a tentative rate with final settlement determined after submission of the annual cost report and audit thereof by the New Jersey Division of Medical Assistance and Health Services. Medicaid cost reports for all years up to 2012 have been final settled as of December 31, 2014.

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

Supplies*:* Supplies are carried at the lower of cost or market using the average cost method.

Other Current Assets: Other current assets are comprised primarily of prepaid expenses, inventory, and non-patient accounts receivable.

Other Noncurrent Assets: Other noncurrent assets are comprised primarily of estimated insurance recoverables and deferred financing cost.

Accrued Expenses: Accrued expenses include employee wage and benefit expenses as well as accruals for goods and services received but not yet invoiced.

Other Noncurrent Liabilities: Other noncurrent liabilities are comprised primarily of deferred revenues and estimated professional liability reserves.

Investments and Fair Value Measurement : Investments are measured at fair value at the balance sheet date. The investments are governed by the Board of Trustees and the Board's Investment Committee. The investment portfolio serves both as collateral for the outstanding bank debt of the Obligated Group and a general liquidity vehicle.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Fair value is generally determined by sales prices or bid-and-asked quotations that are available on a securities exchange registered with the Securities and Exchange Commission or in the over-the-counter market. For investments in mutual funds, the fair value per share, or unit, is the value that is determined and published and the basis for current transactions. Realized and unrealized gains and losses on investments, interest and dividends, are included in "Investment income" unless the income or loss is restricted by donor or law. Alternative investments include both Level 2 and Level 3 investments. Level 2 alternative investments are valued using net asset value (NAV) as a practical expedient. Level 3 alternative investments are considered funds where no immediate secondary market exists and prices cannot be substantiated by market data.

Noncurrent investments are investments restricted by donor.

In May 2014, the FASB issued a standard on fair value that provides a framework for measuring fair value and expands disclosures required for fair value measurements. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participant would use in pricing the asset or liability. As a basis for considering market participation assumptions in fair value measurements, the standard establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participation assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The standard classifies the inputs used to measure the fair value into the following hierarchy:

Level 1 Level 1 valuations are based on unadjusted quoted market based prices for identical assets, exchange traded securities, mutual funds and actual transactions in an active market. Mutual funds are valued daily with net asset values retrievable with pricing sources such as Bloomberg.

Level 2 Level 2 valuations include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. The hedge fund of funds invested with Grosvenor Capital Management, L.P. (Grosvenor) is categorized as Level 2 using net asset value as a practical expedient to estimate the fair value of the investment at the measurement date. Additionally, PHCSH has the ability to redeem with 90 days notice.

Level 3 Level 3 valuations relate to unobservable inputs derived from extrapolation or interpolation that cannot be substantiated by market data including other investment manager specific inputs such as projected cash flows. These investments are valued by the fund manager, based on the pro-rata interest in the net assets of the underlying investments, which approximates fair value, and by financial information provided by the manager. Only the pension plan has investments in private equity funds, which are categorized as Level 3 using net asset value as a practical expedient. The funds are illiquid and have a substantial lockup period.

Categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Donor Restricted Gifts*:* Signed unconditional gift agreements to give cash are reported at fair value at the date the agreement is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a temporary restriction expires, that is, when a stipulated time restriction ends or specific purpose restriction is accomplished, they are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Net assets released from restrictions for noncapital purposes are included within other operating revenue.

Performance Indicator: The consolidated statements of operations and changes in net assets include excess of revenue over expenses as the performance indicator. Consistent with industry practice, changes in unrestricted net assets excluded from excess of revenue over expenses include net assets released from restrictions for equipment purchases, forgiveness of debt of related party, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including donor restricted), and changes to the pension liability.

Self-Insurance Plan: PHCSH maintains self-insured medical and dental plans and a large deductible workers' compensation plan. Claim expenses are accrued as the incidents occur. Unpaid accrued claim expenses (including estimates of the ultimate costs for both reported claims and claims incurred but not reported) are estimated based upon standard industry reserve factors. Unpaid accrued claim expenses are reported as accrued expenses in the accompanying consolidated balance sheets. PHCSH purchases a stop loss commercial insurance policy to supplement its self-insured medical and pharmaceutical plans. This policy covers losses in excess of $300,000 per covered individual on an annual basis. Both estimated liabilities are included on the balance sheet in other noncurrent liabilities.

Professional Liability Insurance: PHCSH maintains a claims-made policy with various retroactive dates under several policies. The policies include a provision for prior acts coverage. Premiums are calculated based on PHCSH's exposures, loss experience and rates in effect at time of renewal. PHCSH also accrued estimated liabilities for instances that have occurred prior to the balance sheet date. As of December 31, 2014 and 2013, PHCSH recorded an insurance liability and corresponding receivable of $2.4 million and $2.1 million respectively for claims that have been reported to its commercial insurance carrier and PHCSH also recorded estimated accrued liabilities of $2.2 million and $2.0 million, respectively, for instances that have occurred prior to the balance sheet date for which a claim has not yet been made (incurred but not reported claims, also known as IBNR). Both estimated liabilities are included on the balance sheet in other noncurrent liabilities and the estimated insurance recoverable is included in other noncurrent assets.

Income Taxes: PHCSH, the System, Foundation, PMP, Princeton Medicine and PCG individually qualify as tax-exempt organizations under existing provisions of the Internal Revenue Code as described in Section 501(c). Per the requirement to assess for tax uncertainty, management has determined that it does not have any uncertain tax positions required to be accrued or reported.

Reclassifications: Certain prior year balances have been reclassified to be consistent with the current year presentation.

***New Accounting Pronouncement**:* In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2016. PHCSH is evaluating the impact this will have on the consolidated financial statements beginning in Fiscal Year 2018.

Subsequent Events: PHCSH has evaluated subsequent events in accordance with the Statements through April 28, 2015.

3. Fair Value Measurements

All PHCSH investments (pension and non-pension) are under management of SEI or Grosvenor. Both use a manager-of-manager platform. Valuations are based on identifiable market transactions leading to a price. SEI manages alternative investment pension investments along with Grosvenor (Note 11). PHCSH considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable and provided by an independent source actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the PHCSH perceived risk of those investments.

The Grosvenor funds, which are categorized as Level 2, are invested in a globally diversified, multi-strategy, multi-manager portfolio that allocates its assets to hedge fund managers that specialize in a wide range of alternative investment strategies including: credit, relative value, multi-strategy, event driven, equities, macro, commodities and portfolio hedges.

There are three primary investment objectives of Grosvenor as alternative investments: (1) to provide an additional source of investment diversification as these funds are less correlated to equity and fixed income markets, (2) to generate a superior absolute and risk-adjusted rate of return, with low performance volatility and low correlation with global equity and fixed income markets, over a full market cycle, and (3) to preserve capital during challenging market environments.

The pension plan investments in SEI's private equity are in the form of limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at net asset value, are not redeemable within 180 days and are categorized as Level 3.

The table below summarizes the non-pension assets that are measured at fair value on a recurring basis in the balance sheet, including $1,552 and $16,631 of accrued interest for 2014 and 2013, respectively. No liabilities exist that are subject to this guidance.

Investment Holdings – by Level
Basis of Fair Value Measurements as of December 31, 2014

	Total	Level 1	Level 2	Level 3
Fixed income mutual funds	$ 38,631,660	$ 38,631,660	$ -	$ -
Domestic equity mutual funds	17,756,412	17,756,412	-	-
International equity mutual funds	11,531,829	11,531,829	-	-
Hedge fund of funds	12,180,856	-	12,180,856	-
Total	$ 80,100,757	$ 67,919,901	$ 12,180,856	$ -
	100 %	85 %	15 %	0 %

Basis of Fair Value Measurements as of December 31, 2013

	Total	Level 1	Level 2	Level 3
Fixed income mutual funds	$ 35,420,118	$ 35,420,118	$ -	$ -
Equity (common stock)	3,192	3,192	-	-
Domestic equity mutual funds	15,853,732	15,853,732	-	-
International equity mutual funds	9,790,317	9,790,317	-	-
Hedge fund of funds	11,816,512	-	11,816,512	-
Total	$ 72,883,871	$ 61,067,359	$ 11,816,512	$ -
	100 %	84 %	16 %	0 %

Level 2 Disclosure 2014 and 2013	Alternative Investments 2014	Alternative Investments 2013
Fair Value Measurements using Significant Unobservable Inputs		
Balance as of January 1	$ 11,816,512	$ 10,272,836
Net realized gains (losses)	-	-
Net change in unrealized appreciation	502,552	1,670,898
Purchases	-	-
Sales	-	-
Fees	(138,208)	(127,222)
Balance as of December 31	$ 12,180,856	$ 11,816,512

The following provides additional fair value measurement information at December 31, 2014 and 2013 on the Level 2 investments above. Net asset value is calculated on a per share basis or its equivalent. There were no transfers between Levels 1 and 2.

Hedge Fund of Funds	Fair Market Value December 31, 2014	Fair Market Value December 31, 2013	Redemption Frequency (if currently available)	Redemption Notice Period
System (level 2)	$ 6,090,428	$ 5,908,256	quarterly	30-60 days
Foundation (level 2)	6,090,428	5,908,256	quarterly	30-60 days
Total	$ 12,180,856	$ 11,816,512		

No unfunded commitments existed on December 31, 2014 or 2013.

4. Net Assets

Effective June 10, 2009, PHCSH adopted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

PHCSH's endowment consists of twelve donor permanently restricted individual funds established for a variety of purposes. As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, are classified and reported based on the existence of donor-imposed restrictions. The Board of Trustees of the System has interpreted the State of New Jersey's enacted version of UPMIFA as requiring the preservation of the historic dollar value of donor-restricted endowment funds (absent explicit donor stipulations to the contrary). As a result of this interpretation, PHCSH classifies as permanently restricted net assets (a) the original value of gifts donated to the permanently restricted net assets (b) the original value of subsequent gifts to the permanent endowment (c) the net realizable value of future payments to permanently restricted net assets in accordance with the donor's gift instrument (outstanding endowment pledges net of applicable discount) and (d) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in permanently restricted net assets.

The Board of Trustees further understands that expenditure from a donor-restricted fund is limited to the uses and purposes for which the endowment fund is established and the use of net appreciation, realized gains (with respect to all assets) and unrealized gains (with respect only to readily marketable assets). Gains are limited to the extent that the fair value of a donor-restricted fund exceeds the historic dollar value of the fund (unless the applicable gift instrument indicates that net appreciation shall not be expended) subject to the following considerations. The expenditure is considered to be prudent if the long and short term needs of PHCSH in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

PHCSH's endowment investments fall under the investment policy guidelines as established, and reviewed annually, by the System's Investment Committee. PHCSH intends to expend a 4% drawdown from 2014 earnings in 2015, as approved by the System's Investment Committee.

For the years ended December 31, 2014 and 2013, a reconciliation of the beginning and ending balance of PHCSH's permanently restricted endowment in total is as follows:

Changes in endowment net assets	**Total Permanently Restricted**	
	2014	**2013**
Endowment net assets, beginning of year	$ 9,474,676	$ 7,139,647
Contributions and pledges	377,714	2,344,898
Amortization of pledge discounts and bad debt write off	68,153	(9,869)
Endowment net assets, end of year	$ 9,920,543	$ 9,474,676

Permanently restricted net assets, net of pledge discounts, are held in perpetuity as endowments for the following purposes:

	2014	2013
Community Health Center	$ 2,286,500	$ 2,006,500
Cardiac and pulmonary care center	2,000,000	2,000,000
Total joint replacement center	1,980,044	1,942,031
Geriatric care	1,976,700	1,954,100
Religious Ministries programs	902,495	902,195
Art Gallery at UMCPP	296,500	293,200
Nursing development	244,540	240,900
Orthopedic nursing education	98,900	97,600
Volunteer services	70,414	-
Medical grand rounds lecture	40,150	38,150
OR staff professional development	24,300	-
	$ 9,920,543	$ 9,474,676

5. Functional Expenses

PHCSH provides general healthcare services to residents within its geographic area. Expenses related to providing these services for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Healthcare services	$ 309,786,564	$ 302,525,924
General and administrative	96,980,718	94,898,871
Fundraising	2,061,629	2,993,945
	$ 408,828,911	$ 400,418,740

6. Reimbursement

PHCSH records gross patient service revenue on an accrual basis at established rates, with contractual and other allowances deducted from such amounts to determine net patient service revenue. PHCSH maintains policies and records to identify and monitor these contractual allowances and its level of charity care. These records include the amount of deductions from gross revenue due to qualified services provided under the State of New Jersey's charity care guidelines.

The process for estimating the collection of receivables involves significant assumptions and judgments. For each business entity, the System has implemented a monthly standardized approach to estimate and review the collectability of receivables by services based on (inpatient versus outpatient) the payer classification and the period from which the receivables have been outstanding. Account balances are written off against the allowance or bad debt expense (for self-pay balances) when management feels it is probable the receivable will not be recovered. Historical collection and payer reimbursement experience is an integral part of the estimation process related to reserves for doubtful accounts. In addition, the System assesses the current state of its billing functions in order to identify any known collection or reimbursement issues and assess the impact, if any, on reserve estimates.

PHCSH derives its gross patient service revenue for inpatient and outpatient services from the following payers at December 31:

	2014	2013
Medicare and Medicaid (Traditional and Managed)	45 %	43 %
Managed Care	15	15
Blue Cross	18	18
Aetna	13	13
Commercial and other	6	8
Self-pay patients	3	3
	100 %	100 %

Net patient service revenue consists of the following at December 31:

	2014	2013
Gross charges	$ 1,631,883,586	$ 1,526,948,922
Contractual and other allowances	(1,247,815,562)	(1,167,794,437)
Net patient service revenue	$ 384,068,024	$ 359,154,485

Charity Care

The System provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services ("DOHSS") without charge or at amounts less than its established rates. The majority of patients qualify for charity care where household income is less than 200% of the family federal poverty guidelines or their financial condition is such that requiring payment would impose a hardship on the patient. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The System's records identify and monitor the level of charity care it provides and the amount of charges foregone for services and supplies furnished. The costs associated with charity care during the years ended December 31, 2014 and 2013 were approximately $8,539,000 and $12,151,000, respectively. The estimated cost of providing charity services is based on valuing all charity care claims using the System's decision support system that utilizes cost to charge ratios derived from the most recently filed Medicare cost reports. DOHSS charity care guidelines require participation and specific documentation of the patient in order to be identified as a charity care account. In addition to charity care, the System provides a significant amount of community benefit that includes community outreach programs, subsidized medical education costs and unreimbursed costs of providing care to Medicare and Medicaid beneficiaries.

The New Jersey Health Care Subsidy Fund was established for various purposes including the distribution of charity care and hospital relief fund payments to hospitals statewide. As of December 31, 2014 and 2013, the System received subsidy amounts of $1,738,000 and $1,512,000, respectively, which are included in net patient service revenue.

Additionally, the State of New Jersey established a Mental Health Subsidy Fund to pay for specific behavioral health services. The System received $1,257,000 for these services in both 2014 and 2013.

7. Investments

Investments, at fair value, consist of the following at December 31:

	2014		2013	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Fixed income mutual funds	$ 38,720,144	$ 38,630,108	$ 35,401,687	$ 35,403,487
Equity (common stock)	-	-	1,187	3,192
Domestic equity mutual funds	15,495,970	17,756,412	13,879,212	15,853,732
International equity mutual funds	10,633,794	11,531,829	9,020,324	9,790,317
Alternative investments	9,551,456	12,180,856	9,689,664	11,816,512
Accrued interest	1,552	1,552	16,631	16,631
	$ 74,402,916	80,100,757	$ 68,008,705	72,883,871
Less: Current portion		71,136,849		67,627,787
Noncurrent investments		$ 8,963,908		$ 5,256,084

Investment income consists of the following at December 31:

	2014	2013
Net realized gains	$ 302,754	$ 3,420,227
Interest and dividend income	3,293,898	3,326,308
Net unrealized gains	824,479	1,797,061
	$ 4,421,131	$ 8,543,596

8. Investments in Other Entities

The net book value of the PHCSH's investments in other entities represents PHCSH's initial capital investment plus PHCSH's share of the income less PHCSH's share of the distributions received since the commencement of the joint venture.

The System is a 50% general partner in Princeton Radiology Oncology Center ("PROC"), a free-standing radiation oncology treatment center located in Monroe Township, New Jersey. The current amount of the investment was $823,286 and $1,691,824 at December 31, 2014 and 2013, respectively.

The System is a 50% general partner in Princeton Imaging Ventures ("PIV"), a free-standing imaging center with locations in Monroe Township and Princeton New Jersey. The System has guaranteed 50%, or approximately $406,000, of the partnership's outstanding debt at December 31, 2014. The remaining 50% has been guaranteed by PIV's other general partner. These debts are collateralized by the partnership's equipment and leasehold improvements. The current amount of the investment was $0 and $2,668,606 at December 31, 2014 and 2013, respectively.

The System is a 50% owner in Imaging Ventures of Princeton ("IVP"), a limited liability corporation imaging center. IVP also owns 50% of both Windsor Imaging Center ("WIC") and Hillsborough Imaging Center ('HIC"), which are free-standing imaging centers located in their respective towns in central New Jersey. The current amount of the investment in the corporation was $682,115 and $1,440,293 at December 31, 2014 and 2013, respectively.

The System has a 26.47% ownership in UMCP SurgiCenter Partners, LLC, a corporation formed with physicians and physician practices to provide administrative services, medical oversight, management services, equipment, supplies and certain nonclinical personnel to the outpatient surgery center owned by the System and located on UMCPP's Plainsboro campus. The current amount of the investment was $564,322 and $577,489 at December 31, 2014 and 2013, respectively.

The System has a 20% ownership in UMCP-Monroe Surgical Partners, LLC, a corporation formed with Forsgate ASC Partners, LLC to provide, among other things, certain administrative services, medical oversight, management services, equipment, supplies and certain non-clinical personnel to the outpatient surgery center owned by the System and located in Monroe Township, New Jersey. The current amount of the investment was $34,389 and $40,218 at December 31, 2014 and 2013, respectively.

PHI is a 25% partner in Princeton Fitness & Wellness Center ("PF&WC"), a for-profit joint venture located in Princeton, New Jersey. The current amount of the investment in PF&WC was $190,021 and $502,813 as of December 31, 2014 and 2013, respectively.

PHI is a 47.5% owner in Princeton Endoscopy Center, LLC, ("PEC") a for-profit corporation located in Princeton, New Jersey. The current amount of the investment in PEC was $229,599 and $254,049 as of December 31, 2014 and 2013, respectively.

In 2012, PHI became a 25% partner in Princeton Fitness & Wellness Center at Plainsboro ("PF&WCP"), a for-profit joint venture located on UMCPP's Plainsboro campus. The center opened to members in March 2013. The current amount of the investment in PF&WCP was $2,045,194 and $1,971,679 as of December 31, 2014 and 2013, respectively.

9. Property, Plant, Equipment and Construction-in-Progress

Property, plant, equipment and construction-in-progress consist of the following at December 31:

	2014	2013
Land	$ 50,990,190	$ 51,837,366
Land improvements	23,682,103	24,174,844
Buildings and leasehold improvements	472,848,855	494,673,646
Furniture and equipment	92,098,776	89,436,528
Information technology related	34,187,507	32,453,677
Construction-in-progress	2,095,427	1,565,342
	675,902,858	694,141,403
Less: Accumulated depreciation	154,212,583	108,768,558
Property, plant, equipment and construction-in-progress, net	$ 521,690,275	$ 585,372,845

Depreciation expense for the years ended December 31, 2014 and 2013 was $39,789,692 and $41,563,855, respectively.

10. Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations consists of the following at December 31:

	2014	2013
Long term debt		
Bank of America loan $125,000,000, Bank of America, was remarketed in 2011 from a weekly rate bond secured by a letter of credit to a taxable, direct loan with a variable weekly rate that ranged from 1.55% to 1.57% in 2014.	$ 107,329,553	$ 122,815,000
2010 Series B bond $55,000,000, TD Bank, was remarketed in 2011 from a weekly rate bond secured by a letter of credit to tax exempt, direct purchase bonds with a variable weekly rate that ranged from 2.08% to 2.09% in 2014.	47,235,000	54,040,000
2010 Series C bond $100,000,000, Wells Fargo Bank, was modified in 2011 from index rate bonds to 2.79% fixed rate bonds, but still tax exempt and directly purchased.	86,035,000	98,250,000
2010 Series D bond $75,000,000, JPMorgan Chase Bank, was modified in 2011 from index bonds to 2.7% fixed rate bonds, but still tax exempt and directly purchased.	64,405,000	73,690,000
Park Assessment Bond $7,120,000 Plainsboro Township special assessment. 15 year annual installments, terminating on April 1, 2026 with a 3.836% interest rate.	5,651,500	6,141,000
Wells Fargo Loan (PMP) $6,264,500 bank note, due on January 1, 2014 with a 1.5% interest rate.	-	3,273,654
Total long-term debt	310,656,053	358,209,654
Less: Current portion	7,034,500	10,223,154
Long-term debt, net of current portion	$ 303,621,553	$ 347,986,500
Capital lease obligations		
Canon Business Solutions commitment of $1,489,725 for Imagerunner equipment commenced on April 20, 2012 and will terminate on June 30, 2017.	$ 782,013	$ 1,073,602
Bank of America loan commitment of $1,051,650 for McKesson MedCarousel commenced on December 9, 2011, first payment due June 2012 and will terminate May 2017. The annual interest rate is 3.49%	531,185	738,232
Stryker Finance loan commitment of $448,393 for surgical medical equipment commenced on December 21, 2012, first payment due August 2013, and will terminate in July 2016. The annual interest rate is 2.25%.	240,417	387,910
TD Bank loan commitment of $613,924,32 for Modular EVO 7Plus System commenced on March 1, 2010, first payment due March 2010, and will terminate in February 2015. The annual interest rate is 4.73%.	15,850	153,792
TD Bank loan commitment of $1,523,082 for beds and stretchers commenced on December 7, 2009, first payment due January 2010, and terminated on December 31, 2014.The annual interest rate is 4.76%.	-	310,410
Olympus Financial Services loan commitment of $455,615 for an Endoscope commenced on April 1, 2009, first payment due April 2009, and terminated in March 2014. The annual interest rate is 4.73%.	-	25,572
Total obligation under capital leases	1,569,465	2,689,518
Less: Current portion	691,589	1,120,052
Obligation under capital leases, net of current portion	$ 877,876	$ 1,569,466

The variable bonds bear interest at a Weekly Rate not to exceed 12% (Maximum Interest Rate). The weighted average effective interest rate paid in 2014 approximated 2.26%. Each series of bonds is separately subject to redemption under the applicable Trust Agreement pursuant to which it was issued.

The master indenture pledges as collateral the gross revenues of PHCSH and the mortgages from the System on the new campus. Although the bonds mature on July 1, 2041, the debt is subject to a mandatory redemption by the banks on December 1, 2016. The Obligated Group is in compliance with all covenants required by the Authority and the Banks in the Loan Agreements.

According to the terms of the bank loan and the Series B, C, and D bonds, proceeds from real estate sales are to be directed towards the bond trustee for a contemporaneous and pro-rata reduction of the debt with each of the four banks. Accordingly, on March 17th, April 16th, July 14th, and August 14, 2014, $23,672,937, $9,285,000, $3,262,510, and $1,280,000 respectively, was disbursed from the bond trustee to each of the four lender banks to directly and immediately pre-pay outstanding principal on the long term debt. The proceeds used to reduce the debt were from the sale of the old hospital campus and the sale of land on the hospital's campus in Plainsboro. These real estate transactions resulted in a gain on disposal of asset of approximately $1,183,000 for PHCSH. The following table illustrates the scheduled repayments of debt and debt repayments from proceeds of the sale of real estate that occurred during 2014:

	2013	Scheduled Repayments	Real Estate Proceeds	2014
Bank of America Loan	$ 122,815,000	$ (2,275,000)	$ (13,210,447)	$ 107,329,553
2010 Series B bond	54,040,000	(1,000,000)	(5,805,000)	47,235,000
2010 Series C bond	98,250,000	(1,650,000)	(10,565,000)	86,035,000
2010 Series D bond	73,690,000	(1,365,000)	(7,920,000)	64,405,000
Park Assessment Bond	6,141,000	(489,500)	-	5,651,500
Wells Fargo Loan (PMP)	3,273,654	(3,273,654)	-	-
	$ 358,209,654	$ (10,053,154)	$ (37,500,447)	$ 310,656,053

The terms of the bank loan and the Series B, C, and D bonds include scheduled principal payments through 2041. Notwithstanding the 2016 mandatory redemption, the following five years' scheduled principal payments are included in the debt agreements under the assumption the obligations will be refinanced:

2015	$ 7,034,500
2016	7,309,500
2017	7,664,500
2018	7,969,500
2019	8,299,500
	$ 38,277,500

The fair value of PHCSH's long-term debt is based on fixed rates. The fair value of the System's debt at December 31, 2014 is approximately $314,729,000, based on publicly traded bonds of comparable characteristics (e.g. credit quality, taxable or tax-exempt and maturity) and would constitute a level 2 security.

The System has non-cancelable capital leases for medical equipment which have gross carrying values of $8.7 million at December 31, 2014 and 2013. Accumulated amortization related to these capital leases totaled $6.8 million and $5.7 million at December 31, 2014 and 2013, respectively.

11. Pension Plans

The System previously offered a defined benefit pension plan which was "frozen" as of December 31, 2011 and replaced by a self-directed 401(a) defined contribution plan effective January 1, 2012. Defined contribution plan funding for services earned in 2013 was funded in July of 2014, likewise, services earned in 2014 will be funded in 2015. Both plans cover substantially all of PHCSH's employees.

As of December 31, 2014 and 2013, the frozen defined benefit pension plan's assets were comprised of primarily equity, fixed income securities, and alternative investments.

The following table sets forth the funded status of the defined benefit plan at December 31:

	2014	2013
Change in projected benefit obligation		
Benefit obligation at beginning of year	$ 138,519,980	$ 145,546,046
Service cost	607,202	-
Interest cost	6,339,900	5,956,147
Actuarial loss (gain)	28,693,086	(5,958,702)
Benefits paid	(8,043,338)	(7,023,511)
Projected benefit obligation at end of year	166,116,830	138,519,980
Change in plan assets		
Fair value of plan assets at beginning of year	115,850,762	104,380,043
Actual return on plan assets	7,938,116	14,122,519
Employer contribution	4,714,847	4,800,086
Expenses	(636,335)	(428,375)
Benefits paid	(8,043,338)	(7,023,511)
Fair value of plan assets at end of year	119,824,052	115,850,762
Amounts included in the balance sheets	$ 46,292,778	$ 22,669,218

The net periodic pension cost includes the following components at December 31:

	2014	2013
Service cost/benefits earned during the year	$ 607,202	$ -
Interest cost on projected benefit obligation	6,339,900	5,956,147
Expected return on plan assets	(8,676,010)	(7,804,752)
Amortization of prior service cost	(1,274,490)	(1,274,490)
Amortization of net loss	3,511,289	5,018,357
Net periodic pension cost	$ 507,891	$ 1,895,262

The accumulated benefit obligation was $166,116,830 and $138,519,980 as of December 31, 2014 and 2013.

In 2014 the System re-evaluated the accounting for pension plan amendments made in 2011 and determined that the amendments should have resulted in a curtailment. Projected benefit obligation, fair value of plan assets and unrestricted net assets have been properly stated each and every year. This correction is not material to the financial statements and prior service cost credits were reduced accordingly. Amounts recognized in accumulated other comprehensive income consist of:

	2014	2013
Prior service cost (credit)	$ (1,274,490)	$ (2,546,871)
Net loss	73,624,815	47,068,789
	$ 72,350,325	$ 44,521,918

Assumptions used in determining net benefit pension cost and the periodic obligation at December 31 are as follows:

	2014	2013
Benefit obligations		
Discount rates	3.78 %	4.69 %
Net periodic benefit cost		
Discount rates	3.78 %	4.69 %
Expected return on assets	7.00 %	7.50 %

The following benefit payments, which reflect expected future service, as appropriate are expected to be paid as follows:

Estimated future benefit payments	
December 31, 2015	$ 9,587,000
December 31, 2016	10,954,000
December 31, 2017	8,900,000
December 31, 2018	8,511,000
December 31, 2019	8,209,000
December 31, 2020 through December 31, 2024	41,486,000

Plan assets consisted of the following at December 31:

	2014	2013
Plan assets		
Equity securities	50 %	48 %
Debt securities	36	38
Hedge fund of funds	10	10
Private equity funds	4	4
	100 %	100 %

All pension assets are managed by SEI with the exception of $11,955,860 of hedge fund of funds managed by Grosvenor. The fair values of pension plan investments included in pension plan assets as of December 31, 2014, utilizing the fair value hierarchy discussed in Note 3, *Fair Value Measurements*, are:

	Level 1	Level 2	Level 3	Total
Money market fund	$ 243,848	$ -	$ -	$ 243,848
Private equity	-	-	5,101,218	5,101,218
Hedge fund of funds	-	11,955,860	-	11,955,860
Equity and fixed income mutual funds	102,448,766	-	-	102,448,766
	$ 102,692,614	$ 11,955,860	$ 5,101,218	$ 119,749,692

The information below sets forth a summary of changes in the fair value of the Plans Level 3 Investment assets for the year ended December 31, 2014. Limited partnership purchases include $265,200 from Level 1 for private equity commitment fulfillment.

	Hedge fund of funds	Private equity	Total
Beginning balance, December 31, 2013	$ -	$ 4,077,910	$ 4,077,910
Realized gain/(loss)	-	47,281	47,281
Purchases	-	564,400	564,400
Sales	-	(448,800)	(448,800)
Unrealized gain/(loss) related to instruments	-	-	-
held at December 31, 2014	-	860,427	860,427
Ending balance, December 31, 2014	$ -	$ 5,101,218	$ 5,101,218

Pension	Fair Market Value December 31, 2014	Fair Market Value December 31, 2013	Redemption Frequency (if currently available)	Redemption Notice Period
Hedge fund of funds (Level 2)	$ 11,955,860	$ 11,590,391	quarterly	30-60 days
Private equity (Level 3)	5,101,218	4,077,910	quarterly	30-60 days
	$ 17,057,078	$ 15,668,301		

Unfunded commitments during the years ended December 31, 2014 and 2013 were $3,301,193 and $3,541,106, respectively.

The fair values of our pension plan assets of December 31, 2013, utilizing the fair value hierarchy discussed in Note 4, *Fair Value Measurements*, were:

	Level 1	Level 2	Level 3	Total
Money market fund	$ 61,008	$ -	$ -	$ 61,008
Private equity	-	-	4,077,910	4,077,910
Hedge fund of funds	-	11,590,391	-	11,590,391
Equity and fixed income mutual funds	100,078,539	-	-	100,078,539
	$ 100,139,547	$ 11,590,391	$ 4,077,910	$ 115,807,848

The information below sets forth a summary of changes in the fair value of the Plans Level 3 Investment assets for the year ended December 31, 2013.

	Hedge fund of funds	Private equity	Total
Beginning balance, December 31, 2012	$ 575,499	$ 3,443,755	$ 4,019,254
Realized gain/(loss)	238	-	238
Purchases	-	680,000	680,000
Sales	(575,737)	(591,600)	(1,167,337)
Unrealized gain/(loss) related to instruments held at December 31, 2013	-	545,755	545,755
Ending balance, December 31, 2013	$ -	$ 4,077,910	$ 4,077,910

Investment Policy and Strategy

The System's Investment Committee is responsible for establishing the investment policy for the Plan assets. A long-term actuarial return on plan assets of 7.0% was adopted by the Investment Committee in 2014 given a more conservative asset allocation. The Investment Committee reviews the investment policy guidelines annually in consultation with its investment managers. The current strategic asset allocation guidelines for Plan assets is 40% equities, 40% fixed income, and 20% alternative investments. The allocation between equities and fixed income may be adjusted from time to time within 10% bands based on market conditions and risk/return considerations. Alternative investments may not exceed 20% of the total allocation.

The expected long-term rate of return for the Plan's total assets is based on the current and expected future asset allocations and long-term historic and expected future investment returns and is consistent with assumptions used by plans of similar size.

Contributions

The System intends to contribute $4,743,090 to the defined benefit plan, and $4,384,359 to the defined contribution plan, in fiscal year 2015.

12. Concentration of Credit Risk

The System grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. Net accounts receivable from patients and third-party payers were as follows at December 31:

	2014	2013
Medicare and Medicaid	35 %	36 %
Managed care	17	20
Blue Cross	18	14
Aetna	11	11
Commercial and other	11	10
Self-pay patients (including balances after insurance)	8	9
	100 %	100 %

13. Operating Leases

PHCSH utilizes various types of equipment, office space and vehicles under separate operating leases. The related expenses for those leases for the years ended December 31, 2014 and 2013 were $16,611,000 and $15,282,000, respectively. Facility leases comprised 89% of the 2014 lease expenses, which included $8,213,000 related to the Power Plant and Medical Arts Pavilion ("MAP") leases.

The following is a projection of the future minimum payments for the next five years required under operating leases currently in effect:

Years ending December 31,	
2015	$ 14,485,000
2016	12,947,000
2017	12,521,000
2018	11,989,000
2019	11,768,000
	$ 63,710,000

14. Commitments and Contingencies

Various investigations, suits and claims arising in the normal course of operations are pending or are on appeal against PHCSH. Such suits and claims are either specifically covered by insurance or are not material. While the outcome of such actions cannot be determined at this time, legal counsel and management believe that any loss which may arise from these actions will not have a material effect on the financial position or results of operations of PHCSH.

In order to meet patient care needs within the community served by the System, it has provided assistance to third party organizations that provide certain medical related services. The System has guaranteed these organizations an annual income guaranty for the provision of services to patients. These revenue payments are to be refunded back to the System if the organization is unable to meet certain commitments. The System made payments of $702,407 in 2014 and $413,320 in 2013. In 2014 and 2013, the System recorded a 50% reserve against the guaranty balance. The net receivable balance is $970,878 at December 31, 2014.

15. Pledges

A summary of pledges receivable is as follows at December 31, 2014 and 2013:

	2014	2013
Unconditional promises expected to be collected in		
Less than one year	$ 3,969,837	$ 6,746,568
One year to five years	3,892,605	6,353,854
Over five years	1,150,000	1,450,000
Pledges receivable, gross	9,012,442	14,550,422
Less NPV discount	(343,806)	(483,954)
Less bad debt reserve	(180,249)	(290,408)
Pledges receivable, net	8,488,387	13,776,060
Less current portion	(3,890,440)	(6,612,237)
Long term pledges receivable	$ 4,597,947	$ 7,163,823

Outstanding pledge balances are discounted to their net present value, using discount rates between 1.82 % and 3.84%.

Supplemental Schedules

Princeton HealthCare System Holding, Inc.
Consolidating Balance Sheets
December 31, 2014

	Princeton HealthCare System	Princeton HealthCare System Foundation, Inc.	Princeton Medical Properties	Princeton Caregivers, Inc.	Princeton Health Inc.	Princeton HealthCare Management Services	Princeton Medicine	Subtotals	Eliminations	Total
Assets										
Current assets										
Cash and cash equivalents	$ 54,805,115	$ 2,509,608	$ 59,117	$ -	$ 113,263	$ 25,400	$ 888,950	$ 58,401,453	$ -	$ 58,401,453
Bond proceeds held by trustee	5,431	-	-	-	-	-	-	5,431	-	5,431
Patient accounts receivable,										
less allowance for doubtful accounts	49,559,634	-	-	438,991	-	-	1,385,777	51,384,402	-	51,384,402
Investments	40,669,661	30,467,188	-	-	-	-	-	71,136,849	-	71,136,849
Pledges receivable, current	-	3,890,440	-	-	-	-	-	3,890,440	-	3,890,440
Other current assets	14,399,710	220,807	64,191	-	60,434	316,746	235,513	15,297,401	-	15,297,401
Due from affiliates	1,605,757	-	-	1,406,150	-	773,831	-	3,785,738	(3,785,738)	-
Total current assets	161,045,308	37,088,043	123,308	1,845,141	173,697	1,115,977	2,510,240	203,901,714	(3,785,738)	200,115,976
Investments in other entities	2,088,097	-	-	-	2,097,112	-	-	4,185,209	-	4,185,209
Noncurrent investments	-	8,963,908	-	-	-	-	-	8,963,908	-	8,963,908
Property, plant, equipment and	-	-	-	-	-	-	-		-	
construction-in-progress, net	519,427,254	1,724,301	12,917	-	-	22,488	505,974	521,692,934	(2,659)	521,690,275
Pledges receivable, noncurrent	-	4,597,947	-	-	-	-	-	4,597,947	-	4,597,947
Other noncurrent assets	21,743,186	528,497	-	-	-	-	-	22,271,683	(18,052,140)	4,219,543
Total assets	$ 704,303,845	$ 52,902,696	$ 136,225	$ 1,845,141	$ 2,270,809	$ 1,138,465	$ 3,016,214	$ 765,613,395	$ (21,840,537)	$ 743,772,858
Liabilities and Net Assets										
Current liabilities										
Current portion of long-term debt	$ 7,034,500	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,034,500	$ -	$ 7,034,500
Accounts payable	21,205,517	12,489	84,485	-	-	12,560	1,270,914	22,585,965	-	22,585,965
Accrued expenses	24,937,623	80,011	3,300	500	56,325	891,801	2,066,155	28,035,715	-	28,035,715
Capital lease obligation	691,589	-	-	-	-	-	-	691,589	-	691,589
Accrued interest payable	2,385,218	-	-	-	-	-	-	2,385,218	-	2,385,218
Construction / retainage payable	-	-	-	-	-	-	-	-	-	-
Other current liabilities	3,803,891	-	-	-	-	-	-	3,803,891	-	3,803,891
Due to affiliates	2,179,981	584,469	-	-	1,021,288	-	-	3,785,738	(3,785,738)	-
Total current liabilities	62,238,319	676,969	87,785	500	1,077,613	904,361	3,337,069	68,322,616	(3,785,738)	64,536,878
Accrued benefit liability	51,167,590	-	-	-	-	-	-	51,167,590	-	51,167,590
Estimated third-party retroactive payable, net	5,293,607	-	-	-	-	-	-	5,293,607	-	5,293,607
Other noncurrent liabilities	13,411,427	70,651	-	-	-	-	-	13,482,078	-	13,482,078
Long-term debt, less current portion	303,621,553	-	-	-	-	-	-	303,621,553	-	303,621,553
Capital lease obligation, less current portion	877,876	-	-	-	-	-	-	877,876	-	877,876
Total liabilities	436,610,372	747,620	87,785	500	1,077,613	904,361	3,337,069	442,765,320	(3,785,738)	438,979,582
Net assets										
Unrestricted	249,956,878	31,716,458	48,440	1,844,641	-	-	(320,855)	283,245,562	1,370,526	284,616,088
Temporarily restricted	8,718,546	10,518,075	-	-	-	-	-	19,236,621	(8,979,976)	10,256,645
Permanently restricted	9,018,049	9,920,543	-	-	-	-	-	18,938,592	(9,018,049)	9,920,543
Common stock	-	-	-	-	1	10	-	11	(11)	-
Additional paid-in capital	-	-	-	-	1,669,440	-	-	1,669,440	(1,669,440)	-
Accumulated deficit	-	-	-	-	(476,245)	234,094	-	(242,151)	242,151	-
Total net assets	267,693,473	52,155,076	48,440	1,844,641	1,193,196	234,104	(320,855)	322,848,075	(18,054,799)	304,793,276
Total liabilities and net assets	$ 704,303,845	$ 52,902,696	$ 136,225	$ 1,845,141	$ 2,270,809	$ 1,138,465	$ 3,016,214	$ 765,613,395	$ (21,840,537)	$ 743,772,858

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

Princeton HealthCare System Holding, Inc.
Consolidating Balance Sheets
December 31, 2013

	Princeton HealthCare System	Princeton HealthCare System Foundation, Inc.	Princeton Medical Properties	Princeton Caregivers, Inc.	Princeton Health Inc.	Princeton HealthCare Management Services	Princeton Medicine	Subtotals	Eliminations	Total
Assets										
Current assets										
Cash and cash equivalents	$ 43,069,512	$ 4,448,591	$ 35,606	$ -	$ 36,813	$ (11,207)	$ 348,716	$ 47,928,031	$ -	$ 47,928,031
Bond proceeds held by trustee	5,824,471	-	-	-	-	-	-	5,824,471	-	5,824,471
Patient accounts receivable,										
less allowance for doubtful accounts	45,034,053	-	-	494,523	-	-	1,049,609	46,578,185	-	46,578,185
Investments	38,271,422	29,356,365	-	-	-	-	-	67,627,787	-	67,627,787
Pledges receivable, current	-	6,612,237	-	-	-	-	-	6,612,237	-	6,612,237
Other current assets	16,064,155	254,405	384,043	-	199,879	260,175	195,467	17,358,124	-	17,358,124
Due from affiliates	2,760,277	-	-	893,874	-	571,867	-	4,226,018	(4,226,018)	-
Total current assets	151,023,890	40,671,598	419,649	1,388,397	236,692	820,835	1,593,792	196,154,853	(4,226,018)	191,928,835
Investments in other entities	6,418,430	-	-	-	2,728,541	-	-	9,146,971		9,146,971
Noncurrent investments	-	5,256,084	-	-	-	-	-	5,256,084	-	5,256,084
Property, plant, equipment and										
construction-in-progress, net	580,917,110	1,812,362	2,105,807	-	-	29,022	511,201	585,375,502	(2,657)	585,372,845
Pledges receivable, noncurrent	-	7,163,823	-	-	-	-	-	7,163,823	-	7,163,823
Other noncurrent assets	26,238,839	533,655	-	-	-	-	-	26,772,494	(21,513,707)	5,258,787
Total assets	$ 764,598,269	$ 55,437,522	$ 2,525,456	$ 1,388,397	$ 2,965,233	$ 849,857	$ 2,104,993	$ 829,869,727	$ (25,742,382)	$ 804,127,345
Liabilities and Net Assets										
Current liabilities										
Current portion of long-term debt	$ 6,949,500	$ -	$ 3,273,654	$ -	$ -	$ -	$ -	$ 10,223,154	$ -	$ 10,223,154
Accounts payable	19,359,698	-	158,686	-	-	627,492	453,615	20,599,491	-	20,599,491
Accrued expenses	25,335,936	94,330	-	10,300	10,300	33,948	1,673,407	27,158,221	-	27,158,221
Capital lease obligation	1,120,053	-	-	-	-	-	-	1,120,053	-	1,120,053
Accrued interest payable	2,708,249	-	-	-	-	-	-	2,708,249	-	2,708,249
Construction / retainage payable	366,088	-	-	-	-	-	-	366,088	-	366,088
Other current liabilities	3,220,104	95,000	250,136	-	63,348	-	-	3,628,588	-	3,628,588
Due to affiliates	1,543,462	506,770	583,866	-	1,591,920	-	-	4,226,018	(4,226,018)	-
Total current liabilities	60,603,090	696,100	4,266,342	10,300	1,665,568	661,440	2,127,022	70,029,862	(4,226,018)	65,803,844
Accrued benefit liability	26,848,058	-	-	-	-	-	-	26,848,058	-	26,848,058
Estimated third-party retroactive payable, net	2,501,256	-	-	-	-	-	-	2,501,256	-	2,501,256
Other noncurrent liabilities	14,548,931	70,651	-	-	-	-	-	14,619,582	-	14,619,582
Long-term debt, less current portion	347,986,500	-	-	-	-	-	-	347,986,500	-	347,986,500
Capital lease obligation, less current portion	1,569,466	-	-	-	-	-	-	1,569,466	-	1,569,466
Total liabilities	454,057,301	766,751	4,266,342	10,300	1,665,568	661,440	2,127,022	463,554,724	(4,226,018)	459,328,706
Net assets										
Unrestricted	289,519,260	30,890,093	(1,740,886)	1,378,097	-	-	-	320,046,564	1,255,594	321,302,158
Temporarily restricted	12,449,227	14,306,002	-	-	-	-	-	26,755,229	(12,733,424)	14,021,805
Permanently restricted	8,572,481	9,474,676	-	-	-	-	-	18,047,157	(8,572,481)	9,474,676
Common stock	-	-	-	-	1	10	-	11	(11)	-
Additional paid-in capital	-	-	-	-	1,669,440	-	-	1,669,440	(1,669,440)	-
Accumulated deficit	-	-	-	-	(369,776)	188,407	(22,029)	(203,398)	203,398	-
Total net assets	310,540,968	54,670,771	(1,740,886)	1,378,097	1,299,665	188,417	(22,029)	366,315,003	(21,516,364)	344,798,639
Total liabilities and net assets	$ 764,598,269	$ 55,437,522	$ 2,525,456	$ 1,388,397	$ 2,965,233	$ 849,857	$ 2,104,993	$ 829,869,727	$ (25,742,382)	$ 804,127,345

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

Princeton HealthCare System Holding, Inc.
Consolidating Statement of Operations and Changes in Unrestricted Net Assets
Year Ended December 31, 2014

	Princeton HealthCare System	Princeton HealthCare System Foundation, Inc.	Princeton Medical Properties	Princeton Caregivers Inc.	Princeton Health Inc.	Princeton HealthCare Management Services	Princeton Medicine	Subtotal	Eliminations	Total
Operating revenue										
Net patient service revenue	$ 364,063,282	$ -	$ -	$ 3,453,568	$ -	$ -	$ 16,551,174	$ 384,068,024	$ -	$ 384,068,024
Other revenue	1,250,279	1,262,944	110,112	395	88,801	2,146,395	841,960	5,700,886	(1,483,179)	4,217,707
Net assets released from restrictions	1,698,708	1,839,372	-	-	-	-	-	3,538,080	(1,688,467)	1,849,613
Total operating revenue	367,012,269	3,102,316	110,112	3,453,963	88,801	2,146,395	17,393,134	393,306,990	(3,171,646)	390,135,344
Operating expenses										
Salaries and wages	136,507,441	1,244,977	109,605	2,160,836	-	1,156,037	19,252,639	160,431,535	-	160,431,535
Contracted labor	5,177,386	4,436	-	-	-	5,375	1,238,269	6,425,466	-	6,425,466
Employee benefits	40,163,795	349,839	30,800	294,220	-	326,376	2,936,926	44,101,956	-	44,101,956
Supplies	63,835,048	98,726	8,663	4,168	-	76,449	1,799,169	65,822,223	-	65,822,223
Fees, utilities and other	82,595,435	2,263,564	332,032	493,720	195,270	526,413	(3,842,843)	82,563,591	(3,171,646)	79,391,945
Depreciation and amortization	39,610,501	88,061	55,694	-	-	6,535	67,842	39,828,633	-	39,828,633
Insurance	3,904,859	3,984	3,830	34,476	-	3,525	1,413,272	5,363,946	-	5,363,946
Interest	7,463,055	-	152	-	-	-	-	7,463,207	-	7,463,207
Total operating expenses	379,257,520	4,053,587	540,776	2,987,420	195,270	2,100,710	22,865,274	412,000,557	(3,171,646)	408,828,911
Operating (loss) / income before non recurring transactions	(12,245,251)	(951,271)	(430,664)	466,543	(106,469)	45,685	(5,472,140)	(18,693,567)	-	(18,693,567)
(Loss) / gain on sale of assets	(7,179,656)	-	8,362,732	-	-	-	-	1,183,076	-	1,183,076
Operating (loss)/income	(19,424,907)	(951,271)	7,932,068	466,543	(106,469)	45,685	(5,472,140)	(17,510,491)	-	(17,510,491)
Investment income	2,477,944	1,943,187	-	-	-	-	-	4,421,131	-	4,421,131
(Deficit) / excess of revenues over expenses	(16,946,963)	991,916	7,932,068	466,543	(106,469)	45,685	(5,472,140)	(13,089,360)	-	(13,089,360)
Net assets reclassed to restriction	(32,694)	-	-	-	-	-	-	(32,694)	-	(32,694)
Forgiveness of debt of related party	(6,150,339)	-	977,024	-	-	-	5,173,315	-	-	-
Transfer of assets from related party	7,097,128	22,636	(7,119,764)	-	-	-	-	-	-	-
Net assets released from restriction	4,452,578	(188,187)	-	-	-	-	-	4,264,391	-	4,264,391
Change in minimum pension liability	(27,828,407)	-	-	-	-	-	-	(27,828,407)	-	(27,828,407)
Increase / (decrease) in unrestricted net assets	$ (39,408,697)	$ 826,365	$ 1,789,328	$ 466,543	$ (106,469)	$ 45,685	$ (298,825)	$ (36,686,070)	$ -	$ (36,686,070)

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

Princeton HealthCare System Holding, Inc.
Consolidating Statement of Operations and Changes in Unrestricted Net Assets
Year Ended December 31, 2013

	Princeton HealthCare System	Princeton HealthCare System Foundation, Inc.	Princeton Medical Properties	Princeton Caregivers Inc.	Princeton Health Inc.	Princeton HealthCare Management Services	Princeton Medicine	Subtotal	Eliminations	Total
Operating revenue										
Net patient service revenue	$ 341,339,678	$ -	$ -	$ 3,579,226	$ -	$ -	$ 14,235,581	$ 359,154,485	$ -	$ 359,154,485
Other revenue	7,586,502	1,786,068	727,534	-	466,570	2,060,633	448,337	13,075,644	(1,273,294)	11,802,350
Net assets released from restrictions	1,363,954	1,712,521	-	-	-	-	-	3,076,475	(1,294,352)	1,782,123
Total operating revenue	350,290,134	3,498,589	727,534	3,579,226	466,570	2,060,633	14,683,918	375,306,604	(2,567,646)	372,738,958
Operating expenses										
Salaries and wages	135,165,892	1,667,314	117,904	2,184,789	-	1,119,393	18,544,603	158,799,895	-	158,799,895
Contracted labor	5,351,474	-	-	-	-	5,258	583,942	5,940,674	-	5,940,674
Employee benefits	38,006,135	452,175	31,976	277,220	-	303,579	2,826,183	41,897,268	-	41,897,268
Supplies	63,480,790	146,037	-	4,336	-	82,025	1,247,597	64,960,785	-	64,960,785
Fees, utilities and other	76,677,318	739,319	1,299,463	471,646	516,021	520,368	(5,329,690)	74,894,445	(1,273,294)	73,621,151
Depreciation and amortization	41,057,066	88,782	385,136	-	-	6,535	65,277	41,602,796	-	41,602,796
Insurance	3,942,067	3,942	12,077	29,521	-	3,890	1,345,435	5,336,932	-	5,336,932
Interest	8,272,534	-	60,118	-	-	-	-	8,332,652	-	8,332,652
Total operating expenses	371,953,276	3,097,569	1,906,674	2,967,512	516,021	2,041,048	19,283,347	401,765,447	(1,273,294)	400,492,153
Operating (loss) / income before non recurring transactions	(21,663,142)	401,020	(1,179,140)	611,714	(49,451)	19,585	(4,599,429)	(26,458,843)	(1,294,352)	(27,753,195)
Decommissioning	73,413	-	-	-	-	-	-	73,413	-	73,413
(Loss) / gain on sale of assets	(388,667)	-	2,366,585	-	-	-	-	1,977,918	-	1,977,918
Operating (loss)/income	(21,978,396)	401,020	1,187,445	611,714	(49,451)	19,585	(4,599,429)	(24,407,512)	(1,294,352)	(25,701,864)
Investment income	4,377,836	4,165,760	-	-	-	-	-	8,543,596	-	8,543,596
(Deficit) / excess of revenues over expenses	(17,600,560)	4,566,780	1,187,445	611,714	(49,451)	19,585	(4,599,429)	(15,863,916)	(1,294,352)	(17,158,268)
Net assets reclassed to restriction	(83,898)	-	-	-	-	-	-	(83,898)	-	(83,898)
Forgiveness of debt of related party	(4,445,413)	-	-	-	-	-	4,445,413	-	-	-
Transfer of assets from related party	6,400,000	(1,000,000)	(5,400,000)	-	-	-	-	-	-	-
Net assets released from restriction	18,322,915	(5,243,621)	-	-	-	-	-	13,079,294	5,186,932	18,266,226
Change in minimum pension liability	15,591,961	-	-	-	-	-	-	15,591,961	-	15,591,961
Increase / (decrease) in unrestricted net assets	$ 18,185,005	$ (1,676,841)	$ (4,212,555)	$ 611,714	$ (49,451)	$ 19,585	$ (154,016)	$ 12,723,441	$ 3,892,580	$ 16,616,021

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

Other Supplemental Schedules

Princeton HealthCare System
Statement of Operations and Changes in Unrestricted Net Assets (by Business Unit)
Years Ended December 31, 2014 and 2013

	2014				2013			
	UMCPP	Princeton House Behavioral Health	Princeton HomeCare Services	Total	UMCPP	Princeton House Behavioral Health	Princeton HomeCare Services	Total
Operating revenue								
Net patient service revenue	$ 293,080,387	$ 59,737,408	$ 11,245,487	$ 364,063,282	$ 274,492,318	$ 54,206,643	$ 12,640,717	$ 341,339,678
Other revenue	246,312	971,722	32,245	1,250,279	6,497,954	962,045	126,503	7,586,502
Net assets released from restrictions	1,698,708	-	-	1,698,708	1,363,954	-	-	1,363,954
Total operating revenue	295,025,407	60,709,130	11,277,732	367,012,269	282,354,226	55,168,688	12,767,220	350,290,134
Operating expenses								
Salaries and wages	102,402,839	26,948,481	7,156,121	136,507,441	101,919,939	26,091,100	7,154,853	135,165,892
Contracted labor	4,666,380	482,611	28,395	5,177,386	4,874,748	474,114	2,612	5,351,474
Employee benefits	30,546,526	7,599,036	2,018,233	40,163,795	28,989,155	7,076,584	1,940,396	38,006,135
Supplies	61,890,289	1,254,215	690,544	63,835,048	61,502,138	1,251,825	726,827	63,480,790
Fees, utilities and other	61,536,816	18,878,153	2,180,466	82,595,435	55,956,178	17,898,379	2,749,348	76,603,905
Depreciation and amortization	37,639,066	1,958,531	12,904	39,610,501	39,136,516	1,911,141	9,409	41,057,066
Insurance	3,427,329	406,280	71,250	3,904,859	3,274,164	592,918	74,985	3,942,067
Interest	7,463,055	-	-	7,463,055	8,272,534	-	-	8,272,534
Total operating expenses	309,572,300	57,527,307	12,157,913	379,257,520	303,925,372	55,296,061	12,658,430	371,879,863
Operating income / (loss) before non recurring transactions	(14,546,893)	3,181,823	(880,181)	(12,245,251)	(21,571,146)	(127,373)	108,790	(21,589,729)
(Loss) / gain on sale of assets	(7,179,656)			(7,179,656)	(388,667)	-	-	(388,667)
Operating (loss) / gain income	(21,726,549)	3,181,823	(880,181)	(19,424,907)	(21,959,813)	(127,373)	108,790	(21,978,396)
Investment income	2,477,944			2,477,944	4,377,836	-	-	4,377,836
(Deficit)/excess of revenues over expenses	(19,248,605)	3,181,823	(880,181)	(16,946,963)	(17,581,977)	(127,373)	108,790	(17,600,560)
Net assets reclassed to temporarily restricted	(32,694)	-	-	(32,694)	(83,898)	-	-	(83,898)
Forgiveness of debt of related party	(6,150,339)	-	-	(6,150,339)	(4,445,413)	-	-	(4,445,413)
Transfer of assets from related party	7,097,128	-	-	7,097,128	6,400,000	-	-	6,400,000
Net assets released from temporarily restriction	4,452,577	-	-	4,452,577	18,322,915	-	-	18,322,915
Change in minimum pension liability	(27,828,407)	-	-	(27,828,407)	15,591,961	-	-	15,591,961
Increase (decrease) in unrestricted net assets	$ (41,710,340)	$ 3,181,823	$ (880,181)	$ (39,408,698)	$ 18,203,588	$ (127,373)	$ 108,790	$ 18,185,005

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

Princeton HealthCare System Holding Obligated Group
Balance Sheets
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 57,314,723	$ 47,518,103
Bond proceeds held by trustee	5,431	5,824,471
Patient accounts receivable, less allowance for doubtful accounts	49,559,634	45,034,053
Investments	71,136,848	67,169,077
Pledges receivable, current	3,890,440	6,612,237
Other current assets	14,620,517	16,318,560
Due from affiliates	1,021,288	2,175,786
Total current assets	197,548,881	190,652,287
Investments in other entities	2,088,098	6,418,430
Noncurrent investments	8,963,908	5,714,794
Property, plant, equipment and construction-in-progress, net	521,151,555	582,729,472
Pledges receivable, noncurrent	4,597,948	7,163,823
Other noncurrent assets	4,219,543	5,258,787
Total assets	$ 738,569,933	$ 797,937,593
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 7,034,500	$ 6,949,500
Accounts payable	21,218,006	19,359,698
Accrued expenses	25,017,634	25,430,266
Capital lease obligation	691,589	1,120,053
Accrued interest payable	2,385,218	2,708,249
Construction / retainage payable	-	366,088
Other current liabilities	3,803,891	3,315,104
Due to affiliates	2,179,981	1,465,741
Total current liabilities	62,330,819	60,714,699
Accrued benefit liability	51,167,590	26,848,058
Estimated third-party retroactive payable, net	5,293,607	2,501,256
Other noncurrent liabilities	13,482,078	14,619,582
Long-term debt, less current portion	303,621,553	347,986,500
Capital lease obligation, less current portion	877,876	1,569,466
Total liabilities	436,773,523	454,239,561
Net assets		
Unrestricted	281,619,221	320,201,551
Temporarily restricted	10,256,646	14,021,805
Permanently restricted	9,920,543	9,474,676
Total net assets	301,796,410	343,698,032
Total liabilities and net assets	$ 738,569,933	$ 797,937,593

The Obligated Group consists of the System and the Foundation.
The information presented is net of related eliminations.

Princeton HealthCare System Holding Obligated Group
Statements of Operations and Changes in Unrestricted Net Assets
Year Ended December 31, 2014 and 2013

	2014	2013
Unrestricted revenues, gains and other support		
Net patient service revenue	$ 364,063,282	$ 341,339,678
Other revenue	2,513,223	9,372,570
Net assets released from restrictions	1,849,613	1,782,123
Total operating revenue	368,426,118	352,494,371
Expenses		
Salaries and wages	137,752,417	136,833,206
Contracted labor	5,181,822	5,351,474
Employee benefits	40,513,634	38,458,310
Supplies	63,933,774	63,626,827
Fees, utilities and other	83,170,531	77,343,224
Depreciation and amortization	39,698,563	41,145,848
Insurance	3,908,842	3,946,009
Interest	7,463,055	8,272,534
Total operating expenses	381,622,638	374,977,432
Operating loss before non recurring transactions	(13,196,520)	(22,483,061)
Loss on sale of assets	(7,179,656)	(388,667)
Operating loss	(20,376,176)	(22,871,728)
Investment income	4,421,131	8,543,596
Deficit of revenues over expenses	(15,955,045)	(14,328,132)
Net assets reclassed to restriction	(32,694)	(83,898)
Forgiveness of debt of related party	(6,150,339)	(4,445,413)
Transfer of assets from related party	7,119,764	5,400,000
Net assets released from restriction	4,264,391	18,266,226
Change in minimum pension liability	(27,828,407)	15,591,961
(Decrease) / increase in unrestricted net assets	$ (38,582,330)	$ 20,400,744

The Obligated Group consists of the System and the Foundation.
The information presented is net of related eliminations.