BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidated Financial Statements
and Other Financial Information

September 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

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AND AFFILIATES

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and Other Financial Information

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

Board of Directors
Beth Israel Deaconess Medical Center, Inc. and Affiliates:

We have audited the accompanying consolidated financial statements of Beth Israel Deaconess Medical Center, Inc. and Affiliates, which comprise the consolidated balance sheets as of September 30, 2014 and 2013, the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Beth Israel Deaconess Medical Center, Inc. and Affiliates as of September 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Boston Massachusetts
December 17, 2014

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidated Balance Sheets

September 30, 2014 and 2013

(In thousands)

Assets		**2014**	**2013**
Current assets:			
Cash and cash equivalents	$	178,505	197,258
Investments		666,527	592,301
Patient accounts receivable, net of allowance for doubtful accounts of $34,557 in 2014 and $24,886 in 2013		225,283	205,212
Other current assets		73,388	68,265
Total current assets		1,143,703	1,063,036
Assets limited or restricted as to use:			
Held by trustees under debt and other agreements		37,695	28,149
Held for specific purposes and endowments		237,847	210,575
Total assets limited or restricted as to use		275,542	238,724
Long-term investments		33,366	28,737
Property and equipment, net		770,636	619,074
Professional liability reinsurance recoveries		92,321	92,441
Other assets		12,834	9,266
Total assets	$	2,328,402	2,051,278
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	25,941	23,757
Accounts payable and accrued expenses		289,692	233,959
Estimated settlements with third-party payors		47,828	44,360
Total current liabilities		363,461	302,076
Long-term debt, net of current portion		456,216	409,323
Professional liability		109,597	110,472
Employee benefit plan liabilities		63,298	36,460
Deferred gain on sale of real estate		17,026	17,735
Other liabilities		26,654	22,706
Total liabilities		1,036,252	898,772
Net assets:			
Unrestricted		1,054,303	941,931
Temporarily restricted		161,045	151,503
Permanently restricted		76,802	59,072
Total net assets		1,292,150	1,152,506
Total liabilities and net assets	$	2,328,402	2,051,278

See accompanying notes to consolidated financial statements.

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidated Statements of Operations

Years ended September 30, 2014 and 2013

(In thousands)

		2014	2013
Operating revenue:			
Net patient service revenue, net of provision for bad debt of $52,161 in 2014 and $39,249 in 2013	$	1,764,648	1,519,173
Research revenue		214,916	227,291
Other revenue		138,298	126,600
		2,117,862	1,873,064
Operating expenses:			
Salaries and benefits		1,253,332	1,070,186
Supplies and other expenses		722,947	646,615
Depreciation		94,063	84,931
Interest		22,163	19,806
		2,092,505	1,821,538
Income from operations		25,357	51,526
Nonoperating gains:			
Net realized gains on sales of investment securities		32,264	22,899
Unrealized change in equity interests in limited partnerships		2,819	34,560
Equity earnings from investment in affiliate		1,665	517
Effects of affiliation with Plymouth (note 17)		77,742	—
Nonoperating gains, net		114,490	57,976
Excess of revenue over expenses		139,847	109,502
Change in net unrealized gains and losses on investments		(795)	81
Net assets released from restrictions used for purchase of property and equipment		2,902	2,867
Change in funded status of employee benefit plans, other than net periodic benefit cost		(29,582)	106,710
Other		—	(755)
Increase in unrestricted net assets	$	112,372	218,405

See accompanying notes to consolidated financial statements.

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2014 and 2013

(In thousands)

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at September 30, 2012	$	723,526	136,844	53,369	913,739
Excess of revenue over expenses		109,502	—	—	109,502
Restricted contributions, net		—	5,627	5,703	11,330
Restricted investment income and gains		—	23,070	—	23,070
Change in net unrealized gains and losses on unrestricted investments		81	—	—	81
Net assets released from restrictions used for operations		—	(11,171)	—	(11,171)
Net assets released from restrictions used for purchase of property and equipment		2,867	(2,867)	—	—
Change in funded status of employee benefit plans, other than net periodic benefit cost		106,710	—	—	106,710
Other		(755)	—	—	(755)
		218,405	14,659	5,703	238,767
Net assets at September 30, 2013		941,931	151,503	59,072	1,152,506
Excess of revenue over expenses		139,847	—	—	139,847
Restricted contributions, net		—	9,537	3,587	13,124
Restricted investment income and gains		—	14,809	—	14,809
Change in net unrealized gains and losses on unrestricted investments		(795)	—	—	(795)
Net assets released from restrictions used for operations		—	(13,370)	—	(13,370)
Net assets released from restrictions used for purchase of property and equipment		2,902	(2,902)	—	—
Change in funded status of employee benefit plans, other than net periodic benefit cost		(29,582)	—	—	(29,582) —
Effects of affiliation with Plymouth (note 17)		—	1,468	14,311	15,779
Other		—	—	(168)	(168)
		112,372	9,542	17,730	139,644
Net assets at September 30, 2014	$	1,054,303	161,045	76,802	1,292,150

See accompanying notes to consolidated financial statements.

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2014 and 2013

(In thousands)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 139,644	238,767
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Effects of affiliation with Plymouth	(93,521)	—
Change in funded status of employee benefit plans, other than net periodic benefit cost	17,866	(142,877)
Depreciation	94,063	84,931
Amortization	(755)	(880)
Net gains on investments	(51,955)	(81,961)
Restricted contributions	(13,124)	(10,568)
Increase (decrease) in cash resulting from changes in:		
Patient accounts receivable	784	(2,226)
Other current assets	2,918	1,465
Accounts payable and accrued expenses	14,586	20,124
Estimated settlements with third-party payors	940	(26,477)
Other assets and liabilities	(692)	(1,866)
Net cash provided by operating activities	110,754	78,432
Cash flows from investing activities:		
Purchase of property and equipment	(114,291)	(76,551)
Plymouth’s cash at time of affiliation	5,117	—
Sales of investments and assets whose use is limited or restricted	21,701	36,604
Purchases of investments and assets whose use is limited or restricted	(29,320)	(54,590)
Net cash used in investing activities	(116,793)	(94,537)
Cash flows from financing activities:		
Payments on long-term debt	(25,838)	(22,855)
Restricted contributions	13,124	10,568
Net cash used in financing activities	(12,714)	(12,287)
Net decrease in cash and cash equivalents	(18,753)	(28,392)
Cash and cash equivalents at beginning of year	197,258	225,650
Cash and cash equivalents at end of year	$ 178,505	197,258

See accompanying notes to consolidated financial statements.

(1) Organization and Mission

The accompanying consolidated financial statements include the accounts of Beth Israel Deaconess Medical Center, Inc. (BIDMC) and its subsidiaries, Medical Care of Boston Management Corporation, d/b/a The Affiliated Physicians Group of Beth Israel Deaconess Medical Center (APG), Beth Israel Deaconess Hospital – Needham, Inc. (Needham), Beth Israel Deaconess Hospital – Milton, Inc. (Milton), and Beth Israel Deaconess Hospital – Plymouth, Inc. (Plymouth), as well as its controlled affiliate, Harvard Medical Faculty Physicians at Beth Israel Deaconess Medical Center, Inc. (HMFP), (collectively, the Medical Center).

Under an affiliation agreement effective January 1, 2014, BIDMC became the sole corporate member of Jordan Health Systems, Inc. and its affiliates, now known as Beth Israel Deaconess Hospital – Plymouth, Inc. No consideration was transferred in connection with the affiliation which was consummated to enhance an existing clinical affiliation and allow both institutions to further their common mission of promoting the health of the communities they serve. The consolidated financial statements include the accounts of Plymouth as of January 1, 2014. See note 17.

The Medical Center is an affiliate of CareGroup, Inc. (CareGroup), its sole corporate member. CareGroup is a regional healthcare delivery system comprised of teaching and community hospitals, physician groups, and other caregivers. It is committed to personalized, patient-centered care, and excellence in medical education and research. CareGroup serves the health needs of patients and communities extending from north and south of Boston to the western suburbs beyond the Route 495 belt, and is comprised of:

- Six hospitals – BIDMC, Needham, Milton, Plymouth, Mount Auburn Hospital, and New England Baptist Hospital;
- A committed medical staff offering community-based primary care and a wide range of specialty services; and
- A broad spectrum of comprehensive health services ranging from wellness programs to home care.

The CareGroup Obligated Group consists of CareGroup and certain of its subsidiaries and affiliates as follows: BIDMC and certain of its subsidiaries (APG and Needham), Mount Auburn Hospital and its subsidiary (Mount Auburn Professional Services) and New England Baptist Hospital.

In January 2013, the Medical Center and affiliated physician groups formed an accountable care organization, Beth Israel Deaconess Care Organization (BIDCO). Through BIDCO, the Medical Center, community hospitals, and physicians jointly contract with insurers and implement the care management systems necessary to provide quality care and manage global payment risk. The Medical Center accounts for its interest in BIDCO utilizing the equity method of accounting.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of the Medical Center and its affiliates. Intercompany balances and transactions are eliminated in consolidation.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Medical Center considers events or transactions that occur after the consolidated balance sheet date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on December 17, 2014 and subsequent events have been evaluated through that date.

(b) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts whose use is limited by internal designation or other arrangements under trust agreements or by donors.

(c) Inventories

Inventories, consisting primarily of pharmaceuticals and patient supplies, are stated at the lower of cost (first-in first-out) or market.

(d) Investments and Assets Limited or Restricted as to Use

Investments and assets limited or restricted as to use primarily include assets restricted by donors, assets set aside by the board and assets held by trustees under long-term debt and other agreements.

(e) Investments and Investment Income

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 5 for a discussion of fair value measurements.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) and unrealized changes in equity interests in limited partnerships are included in the excess of revenue over expenses unless the income is restricted by donor or law. Unrealized gains and losses on marketable investments are excluded from the excess of revenue over expenses. Periodically, the Medical Center reviews investments where the market value is substantially below cost, and in cases where the decline is considered to be “other than temporary,” an adjustment is recorded as a realized loss and a new cost basis is established.

Certain investments are included in investment pools managed by CareGroup. Pooled investment income and gains and losses are allocated to participating funds based upon the Medical Center's respective shares of the pool.

(f) Uncompensated Care and Provision for Bad Debts

The Medical Center provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy.

The Medical Center grants credit without collateral to patients, most of whom are local residents and are insured under third-party arrangements. Additions to the allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental health care coverage and other collection indicators.

In accordance with Accounting Standards Update (ASU) 2011-07, Health Care Entities (Topic 954), *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, the provision for bad debts associated with patient service revenue from an operating expense is reflected as a deduction from patient service revenue (net of contractual allowances and discounts). ASU 2011-7 also requires the Medical Center to provide enhanced disclosures about its sources of patient service revenue, policies for recognizing revenue, and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. See note 4.

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of depreciable assets, which range from three to forty years. Equipment under capitalized leases is stated at the present value of minimum lease payments and is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation expense.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support (unless explicit donor stipulations specify how the donated assets must be used) and are excluded from the excess of revenue over expenses. 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 these long-lived assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(h) Asset Retirement Obligations

The fair value of a liability for legal obligations associated with asset retirements is recognized in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. When a liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost associated with the retirement is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the actual cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations.

(i) Long-Lived Assets

Long-lived assets such as property plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be treated for possible impairment, the Medical Center first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

(j) Self-Insurance

The Medical Center is self-insured for certain health insurance and workers’ compensation benefit programs. Estimated losses and claims are accrued as incurred.

(k) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity.

The Medical Center has interpreted state law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a temporarily restricted net asset classification until appropriated by the board and expended. State law allows the board to appropriate so much of the net appreciation of permanently restricted net assets as is prudent considering the Medical Center’s long-and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Annually, the board appropriates an amount based upon a spending policy of between 5% and 6%.

(l) Excess of Revenue over Expenses

The consolidated statements of operations include the excess of revenue over expenses from operating and nonoperating activities. Operating revenues consist of those items attributable to the

(Continued)

care of patients, including contributions and investment income on unrestricted investments, which are utilized to provide charity and other operational support. Peripheral activities, including realized gains or losses on sales of securities and unrealized changes in equity interests in limited partnerships, are reported as nonoperating gains.

Changes in unrestricted net assets, which are excluded from the excess of revenue over expenses consistent with industry practice, include changes in unrealized gains or losses on marketable investments, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), transfers to or from affiliates, and changes in the funded status of employee benefit plans, other than net periodic benefit cost.

(m) Revenue Recognition

The Medical Center has entered into payment agreements with Medicare, Blue Cross, Medicaid, and various commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements varies, and includes prospectively determined rates per discharge or per visit, discounts from established charges, capitated rates, cost (subject to limits), fee screens, and prospectively determined daily rates.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement are subject to negotiation, audit, and/or final determination by the third-party payors. As a result, there is at least a reasonable possibility that the recorded estimates will change by a material amount in the near term. Variances between preliminary estimates of net patient service revenue and final third-party settlements are included in net patient service revenue in the year in which the settlement or change in estimate occurs. The Medical Center did not recognize any prior year revenue in either 2014 or 2013.

(n) Donations

Unconditional promises to give cash and other assets to the Medical Center are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the conditional promise becomes unconditional.

The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, such as when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and recorded as net assets released from restrictions (which are included with other revenue or as direct additions to net assets if for capital).

(Continued)

(o) Debt Issuance Costs

Debt issuance costs and original issue discounts are amortized over the period the related obligation is outstanding, generally using the interest method.

(p) Research Grants and Contracts

Revenue related to research grants and contracts is recognized as the related costs are incurred. Indirect costs relating to certain government grants and contracts are reimbursed at fixed rates negotiated with the government agencies. Amounts received in advance of incurring the related expenditures are recorded as unexpended research grants and are included with accounts payable and accrued expenses.

(q) Professional Liability

The Medical Center insures its professional liability risks on a claims-made basis in cooperation with several other Harvard-affiliated healthcare organizations through a captive insurance company, of which CareGroup holds a 10% ownership interest. The Medical Center maintains a program of self-insurance to cover professional liability claims incurred but not reported to the captive insurance company at year-end. The estimated amount of accrued unasserted claims has been determined by consulting actuaries on a discounted basis using an interest rate of 2.5% and 2.0% in 2014 and 2013, respectively.

(r) Income Tax Status

BIDMC, APG, Needham, Milton, Plymouth and HMFP have been determined by the Internal Revenue Service to be organizations described in Internal Revenue Code (the Code) Section 501(c)(3) and, therefore, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Medical Center recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount of benefit that is greater than fifty percent likely to be realized upon settlement. Changes in measurement are reflected in the period in which the change in judgment occurs. The Medical Center did not recognize the effect of any income tax positions in either 2014 or 2013.

(s) Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Long-term debt instruments are carried at cost. Fair values are estimated based on quoted market prices for the same or similar issues. Utilizing available market pricing information provided by a third party, the Medical Center's estimated fair value of long-term debt as of September 30, 2014 is approximately $506,200. The fair value of long-term debt is based on significant observable inputs and is categorized as Level 2 for purposes of valuation disclosure.

(Continued)

(t) Reclassifications

Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation.

(3) Community Service and Uncompensated Care

(a) Community Benefits

The Medical Center works in collaboration with residents of its service areas and with community-based organizations to identify the healthcare needs of the community and to develop strategies to improve the health status of community members. The Medical Center's community benefits program is focused particularly on underserved populations, and is designed to ensure that the Medical Center is a welcoming and culturally competent organization for all patients and employees.

The Medical Center works most closely with its seven affiliated community health centers to conduct community health needs assessments and to develop appropriate interventions. The priorities of the Medical Center's community benefits program are to increase access to community-based primary care and specialty services, to increase access to Medical Center specialty services, and to reduce racial and ethnic disparities in the health status of underserved populations.

The Medical Center provides an annual report describing its community benefit activities to the Massachusetts Attorney General's office. The report summarizes progress made during the past year as well as objectives and initiatives for the upcoming year. The Medical Center's most recent report for 2013 includes descriptions of community services and programs provided by the Medical Center at a cost of approximately $10,733 (in addition to the cost of charity care provided). The Medical Center is in the process of compiling its annual report for 2014.

(b) Charity Care

The Medical Center provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue except to the extent reimbursed by the Massachusetts Health Safety Net Trust (Health Safety Net Trust).

The Medical Center also makes payments to the Health Safety Net Trust to support the delivery of charity care to patients throughout Massachusetts. These payments are reported as a component of supplies and other expenses in the consolidated statements of operations.

(In thousands)

The Medical Center's net cost of charity care, determined using a ratio of cost to charge, including care for emergent services provided to nonpaying patients and including payments to and receipts from the Health Safety Net Trust, was $23,053 in 2014 and $23,580 in 2013 as follows:

		2014	2013
Charity care, at cost	$	20,977	23,582
Payments to Health Safety Net Trust		11,107	9,677
Payments from Health Safety Net Trust		(9,031)	(9,679)
Net charity care	$	23,053	23,580

(c) Other Uncompensated Care

The Medical Center provides care to patients who participate in other programs designed to support low-income families, including particularly the Medicaid program, which is jointly funded by federal and state governments. The Massachusetts Health Reform Law provided an initiative for expansion of Medicaid coverage to greater populations and for enrollment of uninsured patients in other insurance programs.

Payments from Medicaid and other programs which insure low-income populations do not cover the cost of services provided. In aggregate, the cost of care provided by the Medical Center for such services exceeded reimbursement by $61,484 and $59,291 in 2014 and 2013, respectively.

The Medical Center also provides care to patients who participate in the Medicare program, the federally sponsored health insurance program for elderly or disabled patients. Payments to the Medical Center for those services also do not cover the costs of services provided. In aggregate, the cost of care provided by the Medical Center for such services exceeded reimbursement by $56,736 and $47,228 in 2014 and 2013, respectively.

(d) Bad Debts

In addition to charity care and shortfalls in providing services to patients insured under state and federal programs, the Medical Center also incurs losses related to self-pay patients who fail to make payments for services or insured patients who fail to pay coinsurance or deductibles for which they are responsible under insurance contracts. Bad debts are included as a component of net patient service revenue in the consolidated financial statements, and include the provision for accounts anticipated to be uncollectible. The estimated cost of providing such services was $14,495 and $13,194 in 2014 and 2013, respectively.

(4) Patient Accounts Receivable and Related Allowance for Doubtful Accounts

Patient accounts receivable are reflected net of an allowance for doubtful accounts. In evaluating the collectibility of patient accounts receivable, the Medical Center analyzes its past collection history, business and economic conditions, trends in governmental and employee health care coverage, and other collection indicators for each of its major categories of revenue by payor to estimate the appropriate allowance for doubtful accounts. Management regularly reviews data about these major categories of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Throughout the year, the Medical Center, after all reasonable collection efforts have been exhausted, will write off patients' unmet or uncollected responsibility against the allowance for doubtful accounts. In addition to the review of the categories of revenue, management monitors the write offs against established allowances to determine the appropriateness of the underlying assumptions used in estimating the allowance for doubtful accounts.

The Medical Center's methodology for valuing the collectibility of accounts receivable remained substantially consistent in 2014 and 2013. The Medical Center's allowance for doubtful accounts represented approximately 12% of patient accounts receivable net of contractual allowances in 2014 and 11% in 2013.

(5) Investments and Assets Limited or Restricted as to Use

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

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. Level 1 includes debt and equity securities that trade in an active exchange market, as well as U.S. Treasury securities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data. This category generally includes certain U.S. governmental and agency mortgage-backed debt securities, corporate debt securities, and some alternative investments; and
- Level 3 – unobservable inputs are used when little or no market data is available. Significant professional judgment is used in determining the fair value assigned to such assets or liabilities. This category includes financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Investments that are included in this category generally include limited partnerships, private equity, real estate funds, and hedge funds.

Following is a description of the valuation methodologies used for assets at fair value:

Cash and cash equivalents: Money market funds are valued at the net asset value (NAV) reported by the financial institution.

Equities: Valued at the closing price reported on an active market on which the individual securities are traded.

Private equities, credit related, and real assets: The estimation of fair value of investments in investment companies for which investment does not have a readily determinable value is made using the NAV per share or its equivalent as a practical expedient.

The Medical Center owns interests in alternative investment funds rather than in the securities underlying each fund and, therefore, it is generally required to consider such investments as Level 2 or 3 for purposes of applying ASC 820-10, *Fair Value Measurements*, even though the underlying securities may not be difficult to value or may be readily marketable. The Medical Center has applied the provisions of Accounting Standards Update 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, for its alternative investments. This standard allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable value using NAV per share or its equivalent as a practical expedient. The Medical Center has utilized the NAV reported by each of the underlying funds as a practical expedient to estimate the value of the investment. Also, because the Medical Center uses NAV as a practical expedient to estimate fair value, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based primarily on the Medical Center's ability to redeem its interest in the fund at or near the date of the consolidated balance sheet. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.

Fixed income: The accounts invest principally in fixed income instruments and debt instruments. Account investments are primarily valued using market quotations or prices obtained from independent pricing sources which may employ various pricing methods to value the investments including matrix pricing.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(Continued)

(In thousands)

The following table sets forth the Medical Center's financial assets that were accounted for at fair value on a recurring basis as of September 30, 2014. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement and include related strategy, liquidity, and funding commitments:

		Level 1	Level 2	Level 3	Total	Redemption period frequency	Days notice
Investments:							
Domestic equities	$	27,898	35,774	—	63,672	Daily – Quarterly	1 – 60
Global equities		—	117,458	41,140	158,598	Weekly – Illiquid	2 – 120 and N/A
Private equity and venture capital		—	—	20,881	20,881	Illiquid	N/A
Absolute return and hedged equity		29,123	71,549	150,616	251,288	Daily – Illiquid	1 – N/A
Credit related		—	7,470	52,708	60,178	Annually – Illiquid	360 – N/A
Real assets		13,543	—	23,586	37,129	Daily – Illiquid	1 – N/A
Fixed income		2,971	23,460	19,956	46,387	Daily – Illiquid	1 – N/A
Cash and cash equivalents		301,788	—	—	301,788	Daily	1
Other		3,157	—	17,828	20,985	Monthly – Illiquid	30 – N/A
Total	$	378,480	255,711	326,715	960,906		

Global equities of $158,598 noted in the table above are comprised of the following strategies: 33% Developed Markets, 38% Global Value and 29% Emerging Markets (actively managed).

Absolute return and hedged equity of $251,288 noted in the table above are comprised of the following strategies: 40% Event Driven, 37% Global Long-Short, 8% Relative Value and 15% Open Mandate.

(In thousands)

The following table presents additional information about the changes in Level 3 assets measured at fair value for the year ended September 30, 2014:

	Fair value measurements using significant unobservable inputs						
	Beginning balance	**Net realized gains**	**Changes in net unrealized gains (losses)**	**Gross purchases**	**Gross sales**	**Net Transfers**	**Ending balance**
Global equities	$ 45,915	—	3,755	12,707	(6,721)	(14,516)	41,140
Private equity and venture capital	18,642	2,514	2,032	2,286	(4,593)	—	20,881
Absolute return and hedged equity	143,918	6,857	(1,784)	28,178	(12,648)	(13,905)	150,616
Credit related	71,950	15,061	(4,583)	12,269	(34,477)	(7,512)	52,708
Real assets	20,610	1,190	1,530	6,291	(6,035)	—	23,586
Fixed income	20,780	—	(641)	—	—	(183)	19,956
Other	7,173	7	651	—	(100)	10,097	17,828
Total	$ 328,988	25,629	960	61,731	(64,574)	(26,019)	326,715

The following table describes the redemption frequency or liquidity of investments as of September 30, 2014:

	Daily	**Weekly/ monthly**	**Quarterly**	**Annually**	**Greater than one year and illiquid**	**Total**
Domestic equities	$ 4,298	26,135	33,239	—	—	63,672
Global equities	—	87,880	28,734	15,169	26,815	158,598
Private equity and venture capital	—	—	—	—	20,881	20,881
Absolute return and hedged equity	29,123	—	26,609	97,286	98,270	251,288
Credit related	—	—	—	14,038	46,140	60,178
Real assets	13,544	—	—	—	23,585	37,129
Fixed income	26,014	—	9,774	—	10,599	46,387
Cash and cash equivalents	301,788	—	—	—	—	301,788
Other	3,157	—	—	—	17,828	20,985
Total	$ 377,924	114,015	98,356	126,493	244,118	960,906

(In thousands)

The following table sets forth the Medical Center's financial assets that were accounted for at fair value on a recurring basis as of September 30, 2013. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement and include related strategy, liquidity, and funding commitments:

	Level 1	Level 2	Level 3	Total	Redemption period frequency	Days notice
Investments:						
Domestic equities	$ 55,132	28,005	—	83,137	Daily – Quarterly	1 – 60
Global equities	—	107,029	45,915	152,944	Weekly – Illiquid	7 – 30 and N/A
Private equity and venture capital	—	—	18,642	18,642	Illiquid	N/A
Absolute return and hedged equity	—	54,229	143,918	198,147	Quarterly – Illiquid	30 and N/A
Credit related	—	—	71,950	71,950	Annually – Illiquid	N/A
Real assets	13,777	—	20,610	34,387	Daily – Illiquid	1 and N/A
Fixed income	5,105	19,639	20,780	45,524	Daily – Illiquid	1 – N/A
Cash and cash equivalents	236,131	—	—	236,131	Daily	1
Other	—	—	7,173	7,173	Illiquid	N/A
Total	$ 310,145	208,902	328,988	848,035		

Global equities of $152,944 noted in the table above are comprised of the following strategies: 26% Developed Markets, 46% Global Value and 28% Emerging Markets (actively managed).

Absolute return and hedged equity of $198,147 noted in the table above are comprised of the following strategies: 54% Event Driven, 24% Global Long-Short, 9% Relative Value and 13% Open Mandate.

(In thousands)

The following table presents additional information about the changes in Level 3 assets measured at fair value for the year ended September 30, 2013:

	Fair value measurements using significant unobservable inputs						
	Beginning balance	Net realized gains	Changes in net unrealized gains (losses)	Gross purchases	Gross sales	Net Transfers	Ending balance
Global equities	$ 24,139	—	3,668	18,108	—	—	45,915
Private equity and venture capital	16,686	839	421	2,338	(1,642)	—	18,642
Absolute return and hedged equity	158,330	4,024	2,979	15,724	(26,770)	(10,369)	143,918
Credit related	80,028	3,560	(469)	11,444	(22,613)	—	71,950
Real assets	33,594	1,205	(10,174)	5,764	(9,779)	—	20,610
Fixed income	17,347	3,080	2,918	3,917	(6,482)	—	20,780
Other	7,401	—	(228)	—	—	—	7,173
Total	$ 337,525	12,708	(885)	57,295	(67,286)	(10,369)	328,988

The following table describes the redemption frequency or liquidity of investments as of September 30, 2013:

	Daily	Weekly/ monthly	Quarterly	Annually	Greater than one year and illiquid	Total
Domestic equities	$ 29,996	27,554	25,587	—	—	83,137
Global equities	—	65,616	41,413	7,198	38,717	152,944
Private equity and venture capital	—	—	—		18,642	18,642
Absolute return and hedged equity	—	—	29,594	109,308	59,245	198,147
Credit related	—	—	—	31,857	40,093	71,950
Real assets	13,777	—	—	—	20,610	34,387
Fixed income	24,644	99	6,927	—	13,854	45,524
Cash and cash equivalents	236,131	—	—	—	—	236,131
Other equity securities	—	—	—	—	7,173	7,173
Total	$ 304,548	93,269	103,521	148,363	198,334	848,035

(In thousands)

Commitments

Private equity and venture capital, credit related, and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the Medical Center is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally up to ten years. At September 30, 2014, the Medical Center projects that the commitments to these partnerships will be exercised by the managers as follows:

Fiscal year		Non U.S. Equity	Private equity and venture capital	Absolute return hedged equity	Credit related	Real assets	Total
2015 – 2024	$	—	15,387	13,237	14,234	6,913	49,771

(6) Contributions Receivable

Contributions receivable, which are included within assets limited or restricted as to use in the consolidated balance sheets, consisted of the following:

		September 30	
		2014	2013
Due in less than one year	$	2,993	1,068
Due in one to five years		16,767	14,929
Due in more than five years		3,794	5,004
		23,554	21,001
Less:			
Discount to present value at rates ranging from .25% to 5.0%		(705)	(774)
Allowance for uncollectible amounts		(8,320)	(8,500)
	$	14,529	11,727

(In thousands)

(7) Property and Equipment

Property and equipment consisted of the following:

	September 30 2014	September 30 2013
Land	$ 47,211	35,032
Buildings and improvements	1,108,486	964,648
Equipment	1,306,115	1,223,003
Construction in progress	11,954	13,047
	2,473,766	2,235,730
Less accumulated depreciation, net of disposals	(1,703,130)	(1,616,656)
	$ 770,636	619,074

(8) Long-Term Debt

Long-term debt consisted of the following:

	September 30 2014	September 30 2013
Fixed-rate debt:		
Massachusetts Health and Educational Facilities		
Authority (MHEFA) Revenue Bonds:		
CareGroup Issue, Series B	$ 43,258	43,258
CareGroup Issue, Series E	198,045	211,840
Beth Israel Hospital Issue, Series H	1,280	2,465
Milton Issue, Series D	28,063	27,831
Plymouth Issue, Series D	22,880	—
Plymouth Issue, Series E	49,940	—
Massachusetts Development Finance		
Agency Revenue Bonds:		
CareGroup Issue, Series F	83,790	91,770
CareGroup Issue, Series G	49,910	49,910
Other	2,717	3,112
Net unamortized original issue premiums, net of discounts	2,274	2,894
	482,157	433,080
Less current portion	(25,941)	(23,757)
	$ 456,216	409,323

As defined in note 1, BIDMC and certain of its affiliates are members of the CareGroup Obligated Group. Members of the Obligated Group are jointly and severally liable for amounts outstanding under the

(Continued)

(In thousands)

CareGroup Series Revenue Bonds, which aggregated $546,385 at September 30, 2014. The Obligated Group is required to maintain a minimum number of days cash on hand, a minimum debt service coverage ratio, a maximum debt capitalization ratio, and comply with certain other covenants as specified in the Master Trust Indenture. In addition, the Revenue Bonds are collateralized by a lien on gross receipts from each member of the Obligated Group and a mortgage on certain property of each hospital in the Obligated Group. The Medical Center is also obligated under MHEFA Series H Revenue Bonds and Milton is obligated to similar requirements under MHEFA Series D Revenue Bonds.

At the time of the affiliation, Plymouth's debt included $2,475 of outstanding MHEFA Series B Revenue Bonds; in September 2014, Plymouth defeased the remaining $800 of the Series B Bonds.

In conjunction with its affiliation with the Medical Center, Plymouth's debt in the consolidated financial statements was adjusted to its then fair market value, resulting in recognition of a discount of $1,420.

Under the terms of the CareGroup Series B Bonds, the Medical Center has the option of recycling each annual principal payment into a new loan with a separate payment schedule, but with terms identical to the original debt. The Medical Center has historically elected to recycle these principal payments on an annual basis. The Medical Center intends to continue to recycle its principal payments and, therefore, has classified all of its Series B debt as long-term.

The Medical Center's revenue bonds bear interest, mature and are redeemable prior to maturity as follows:

Issue	Interest rate	Maturity	Redemption terms
CareGroup:			
Series B	5.4%	2028	Beginning in 2018 at 100%
Series E	4.0% to 5.4%	2038	Beginning in 2018 at 100%
Series F	2.1% to 3.1%	2022	Currently with conditions
Series G	2.2%	2025	Currently with conditions
Beth Israel Hospital:			
Series H	4.0% to 4.5%	2015	Not optionally redeemable
Milton			
Series D	5.3% to 5.5%	2041	Beginning in 2015 at 100%
Plymouth			
Series D	5.6%	2028	Currently redeemable
Series E	6.8%	2033	Currently redeemable

(In thousands)

Scheduled principal repayments and sinking fund requirements on long-term debt for the next five years are as follows:

Year ending September 30:		
2015	$	25,941
2016		25,168
2017		25,852
2018		27,725
2019		29,189

Interest paid on all outstanding debt amounted to $22,686 and $19,918 for 2014 and 2013, respectively.

(9) Assets Held by Trustees

Assets held by trustees include amounts held in trust under the requirements of various debt and other agreements. The terms of the Revenue Bonds require the establishment of certain reserve funds which are held by trustees. These funds, principally comprised of cash, cash equivalents, and government securities, are carried at fair market value and are as follows:

		September 30	
		2014	**2013**
Debt agreements:			
Debt service reserve funds	$	27,844	21,469
Debt service funds		9,851	6,680
	$	37,695	28,149

(In thousands)

(10) Leases

The Medical Center leases office and research space under various operating leases. Minimum lease payments under these noncancelable operating leases at September 30, 2014 were as follows:

2015	$	44,113
2016		43,339
2017		41,697
2018		41,817
2019		38,359
Thereafter		174,519
	$	383,844

The Medical Center has entered into agreements to sublease portions of its leased space, which will provide income of approximately $9,253 per year from 2015 through 2019. Rent expense amounted to $44,719 and $40,032 for the years ended September 30, 2014 and 2013, respectively.

(11) Employee Benefit Plans

(a) Pension Benefits

The Medical Center sponsors several noncontributory defined benefit pension plans and defined contribution plans covering substantially all of its employees.

Defined Benefit Plans

The Beth Israel Deaconess Medical Center Pension Plan (BIDMC Plan) covers employees of BIDMC, CareGroup, and certain other of its subsidiaries; the Milton Hospital Pension Plan (Milton Plan) covers employees of Milton; and the Plymouth Hospital Pension Plan (Plymouth Plan) covers employees of Plymouth (collectively referred to as the Plans). Benefits under the Milton Plan were frozen as of July 1, 2004. Benefits under the Plymouth Plan were frozen as of September 30, 1996.

Benefits under the BIDMC Plan were frozen as of January 1, 2013 and replaced with an enhancement to one of the defined contribution plans. As a result of the amendments to the BIDMC Plan, BIDMC recognized a curtailment gain of $14,728 for the year ended September 30, 2013, which is reflected as a reduction of salaries and benefits expense in the accompanying consolidated statement of operations. The gain represents the recognition of deferred gains from other prior year amendments (“prior service credits”) as a result of the discontinuation of any future benefit or service accrual period.

The Medical Center recognizes the funded status of its defined benefit pension plans, the difference between the fair value of the plan assets and the projected benefit obligation, as an asset or liability in its consolidated balance sheet and recognizes the change in that funded status in the year in which the change occurred through changes in unrestricted net assets.

(In thousands)

The measurement date used to determine pension assets and obligations was September 30. The following table sets forth the Plans' funded status and amounts recognized in the consolidated balance sheets:

		September 30	
		2014	**2013**
Change in benefit obligation:			
Benefit obligation at beginning of year	$	473,697	564,594
Plymouth benefit obligation at time of affiliation (note 17)		37,234	—
Service cost		—	5,147
Interest cost		23,281	20,323
Benefits paid		(20,648)	(17,532)
Plan amendments		—	(67,317)
Actuarial loss (gain)		35,646	(31,518)
Benefit obligation at end of year	$	549,210	473,697

		September 30	
		2014	**2013**
Change in plan assets:			
Fair value of plan assets at beginning of year	$	446,077	394,534
Plymouth plan assets at time of affiliation (note 17)		28,261	—
Actual return on plan assets		36,311	46,479
Employer contributions		2,845	22,733
Benefits paid		(20,648)	(17,532)
Administrative expenses		(466)	(137)
Fair value of plan assets at end of year	$	492,380	446,077
Funded status:			
Net pension liability at end of year	$	(56,830)	(27,620)

(In thousands)

Amounts not yet reflected in net periodic pension expense and included in the change in unrestricted net assets are as follows:

		September 30	
		2014	**2013**
Net actuarial loss	$	118,994	74,172

The estimated amount that will be amortized from unrestricted net assets into net periodic pension expense in 2015 is $6,579.

Net periodic pension (income) expense is comprised of the components listed below:

		Year ended September 30	
		2014	**2013**
Service cost for benefits earned during the year	$	—	5,147
Interest cost on projected benefit obligations		23,281	20,323
Expected return on plan assets		(35,871)	(31,819)
Amortization of net actuarial loss		3,884	9,213
Net amortization		—	(606)
Net periodic pension (income) expense	$	(8,706)	2,258

The following assumptions were used to determine net periodic pension expense and benefit obligations:

	September 30	
	2014	**2013**
Weighted average discount rate (pension cost)	4.45-4.80%	3.98%
Weighted average discount rate (benefit obligation)	3.91-4.70	4.70-4.80
Expected long-term rate of return on plan assets	5.95-8.00	8.00

The methodology for selecting the discount rates for the Plans is to match the plan's cash flow to that of a yield curve that provides the equivalent yield on zero-coupon corporate bonds for each maturity based on the expected duration of the benefit payments for the Plans as of the annual measurement date, subject to change each year.

The Plans' overall investment objective is to provide a long-term return that is expected to meet future benefit payment requirements. A long-term horizon has been adopted in establishing investment policy such that the likelihood and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The Plans' investment policy requires investments to be diversified across individual securities, industries, market capitalization, and valuation characteristics. In addition, various techniques are utilized to monitor, measure, and manage risk.

(In thousands)

The Plans' assets were invested in the following classes of securities:

	September 30	
	2014	**2013**
Equity securities	66%	66%
Fixed income	10	12
Real assets	5	6
Other	19	16
	100%	100%

The Plans' target allocation is determined taking into consideration the amounts and timing of projected liabilities, the Medical Center's funding policies and expected returns on various asset classes. At September 30, 2014 and 2013, the Plans' target allocation was 15% – 70% equity securities, 10% – 35% debt securities, 5% – 15% real estate, and 15% – 50% other.

Expected benefit payments for the next five years and total expected benefit payments for the five subsequent years are as follows:

2015	$ 28,822
2016	33,101
2017	34,934
2018	35,554
2019	37,106
2020 through 2024	194,948

(Continued)

(In thousands)

Defined Benefit Plan Fair Value Measurements

The following is a summary of the Plans' investments as of September 30, 2014 at fair value, using the hierarchy of values described in note 4:

		Level 1	Level 2	Level 3	Total
Investments:					
Domestic equities	$	16,831	31,638	—	48,469
Global equities		11,620	88,422	12,823	112,865
Private equity and venture capital		—	—	19,256	19,256
Absolute return and hedged equity		16,827	44,720	81,407	142,954
Credit related		—	6,543	17,676	24,219
Real assets		8,758	—	17,918	26,676
Fixed income		21,369	10,188	—	31,557
Cash and cash equivalents		86,384	—	—	86,384
Total	$	161,789	181,511	149,080	492,380

Global equities of $115,721 noted in the table above are comprised of the following strategies: 30% Developed Markets, 42% Global Value, 28% Emerging Markets (actively managed).

Absolute return and hedged equity of $142,954 noted in the table above are comprised of the following strategies: 49% Event Driven, 31% Global Long-Short, 8% Relative Value, and 12% Open Mandate.

The following table presents additional information about the changes in Level 3 assets measured at fair value for the year ended September 30, 2014:

		Fair value measurements using significant unobservable inputs						
		Beginning balance	Net realized gains	Changes in net unrealized gains (losses)	Gross purchases	Gross sales	Transfer out of Level 3	Ending balance
Global equities	$	16,675	—	1,374	3,700	—	(8,926)	12,823
Private equity and venture capital		18,918	2,899	1,499	1,133	(5,193)	—	19,256
Absolute return and hedged equity		86,927	6,211	(1,778)	2,791	(9,992)	(2,752)	81,407
Credit related		38,763	10,768	(7,405)	2,817	(20,724)	(6,543)	17,676
Real assets		17,931	1,083	1,229	1,301	(3,626)	—	17,918
Total	$	179,214	20,961	(5,081)	11,742	(39,535)	(18,221)	149,080

(In thousands)

The following is a summary of the Plans' investments as of September 30, 2013 at fair value, using the hierarchy of values described in note 4:

	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equities	$ 29,969	29,958	—	59,927
Global equities	4,015	65,187	16,675	85,877
Private equity and venture capital	—	—	18,918	18,918
Absolute return and hedged equity	—	44,855	86,927	131,782
Credit related	—	—	38,763	38,763
Real assets	9,124	—	17,931	27,055
Fixed income	3,424	9,110	—	12,534
Cash and cash equivalents	71,221	—	—	71,221
Total	$ 117,753	149,110	179,214	446,077

Global equities of $85,877 noted in the table above are comprised of the following strategies: 29% Developed Markets, 37% Global Value, 34% Emerging Markets (actively managed).

Absolute return and hedged equity of $131,782 noted in the table above are comprised of the following strategies: 57% Event Driven, 20% Global Long-Short, 8% Relative Value, and 15% Open Mandate.

The following table presents additional information about the changes in Level 3 assets measured at fair value for the year ended September 30, 2013:

	Fair value measurements using significant unobservable inputs						
	Beginning balance	Net realized gains	Changes in net unrealized gains (losses)	Gross purchases	Gross sales	Transfer out of Level 3	Ending balance
Global equities	$ 3,861	—	1,204	11,610	—	—	16,675
Private equity and venture capital	16,817	1,935	631	2,976	(3,441)	—	18,918
Absolute return and hedged equity	103,925	5,411	6,431	4,951	(10,178)	(23,613)	86,927
Credit related	49,227	6,625	(1,066)	2,234	(18,257)	—	38,763
Real assets	17,251	829	1,544	1,751	(3,444)	—	17,931
Total	$ 191,081	14,800	8,744	23,522	(35,320)	(23,613)	179,214

Defined Contribution Plans

The Medical Center has defined contribution plans under which it makes annual contributions based on specified percentages of annual compensation and employee contributions. The Medical Center contributed $59,886 and $33,424 to the plans in 2014 and 2013, respectively. The 2014 contribution included $23,789 which was associated with the January 2013 amendment to BIDMC's 401(k) Plan.

(In thousands)

(b) Postretirement Medical Benefits

BIDMC has a postretirement defined medical benefit plan covering certain of its former employees. The plan generally provides medical benefits to certain retired employees of BIDMC who meet age and years of service requirements. Eligibility under the plan was restricted to certain employees as of January 1, 1990. The plan is not funded.

Net periodic postretirement medical benefit expense (income) is comprised of the components listed below:

	Year ended September 30	
	2014	**2013**
Interest cost on projected benefit obligation	$ 392	341
Net amortization	(378)	(449)
Net periodic postretirement medical benefit expense (income)	$ 14	(108)

The following table sets forth the accumulated postretirement medical benefit obligation and amounts recognized in the consolidated balance sheets:

	September 30	
	2014	**2013**
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 9,723	10,068
Interest cost	392	341
Benefits paid	(430)	(764)
Actuarial (gain) loss	(2,583)	78
Benefit obligation at end of year included in employee benefit plans liabilities	$ 7,102	9,723

(In thousands)

Amounts not yet reflected in net periodic postretirement medical benefit cost and included in the change in unrestricted net assets are as follow:

		Year ended September 30	
		2014	2013
Prior service credit	$	—	(381)
Net actuarial (gain) loss		(1,581)	1,005
	$	(1,581)	624

In determining the accumulated postretirement medical benefit obligation, BIDMC used a discount rate of 3.8% and 4.2% in 2014 and 2013, respectively, and an assumed healthcare cost trend rate of 7.0%, trending down to 4.8% in 2021 and thereafter. Increasing the assumed healthcare cost trend rates by one percentage point in each year would increase the accumulated postretirement medical benefit obligation as of September 30, 2014 by $611 and the net periodic postretirement medical benefit cost for the year then ended by $23.

(12) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consisted of the following:

		September 30	
		2014	2013
Donor restricted for research and other	$	100,659	94,504
Accumulated net realized and unrealized gains on permanently restricted donations subject to spending policy		60,386	56,999
	$	161,045	151,503
Permanently restricted net assets consisted of the following:			
Donor restricted for research and other	$	76,802	59,072

(13) Endowment

The Medical Center’s endowment consists of approximately nine hundred individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

The Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) permits the governing board to exercise its discretion in determining the appropriate level of expenditures from a donor-restricted endowment fund in accordance with a set of guidelines about what constitutes prudent spending. UPMIFA permits the Medical Center to appropriate for expenditure or accumulate so much of an endowment fund as the Medical Center determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Seven criteria are to be used to guide the Medical Center in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the Medical Center and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the Medical Center; and 7) the investment policy of the Medical Center.

(In thousands)

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

In accordance with appropriate accounting standards, the Medical Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for spending by the board of directors.

Endowment net asset composition by type of fund consists of the following at September 30, 2014:

		Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds:				
Research	$	43,578	11,501	55,079
Teaching		19,933	6,626	26,559
Clinical		83,005	58,675	141,680
Total endowed net assets	$	146,516	76,802	223,318

(In thousands)

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

		Temporarily restricted	Permanently restricted	Total
Endowment net assets, September 30, 2013	$	139,776	59,072	198,848
Investment return:				
Investment income, net		14,809	—	14,809
Total investment return		14,809	—	14,809
Contributions		6,735	3,587	10,322
Appropriation of endowment assets for expenditure		(16,272)	(168)	(16,440)
Effects of affiliation with Plymouth		1,468	14,311	15,779
Endowment net assets, September 30, 2014	$	146,516	76,802	223,318

Endowment net asset composition by type of fund consists of the following at September 30, 2013:

		Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds:				
Research	$	43,799	11,978	55,777
Teaching		18,354	6,605	24,959
Clinical		77,623	40,489	118,112
Total endowed net assets	$	139,776	59,072	198,848

(In thousands)

Changes in endowment net assets for the year ended September 30, 2013 are as follows:

		Temporarily restricted	Permanently restricted	Total
Endowment net assets, September 30, 2012	$	125,813	53,369	179,182
Investment return:				
Investment income, net		23,070	—	23,070
Total investment return		23,070	—	23,070
Contributions		4,931	5,703	10,634
Appropriation of endowment assets for expenditure		(14,038)	—	(14,038)
Endowment net assets, September 30, 2013	$	139,776	59,072	198,848

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. There were no such deficiencies as of September 30, 2014 or 2013.

(c) Return Objectives and Risk Parameters

The Medical Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Medical Center must hold in perpetuity or for a donor-specified period. The primary investment objective of the management of the endowment fund is to maintain and grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees and administrative costs. Consistent with this goal, the Board of Directors and the Investment Committee intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk and reduce portfolio risk through asset allocation and diversification.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Medical Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The investment portfolio is designed in light of the endowment's needs for liquidity, preservation of purchasing power and risk tolerances. There is no limitation on the types of investments in which the endowment fund may be invested, and it is intended that the investment managers have the broadest flexibility as to the selection of investments for the endowment fund.

(In thousands)

The Medical Center targets a diversified asset allocation that places emphasis on investments in domestic and international equities, fixed income, real assets, private equity, and hedge funds strategies to achieve its long-term return objectives within prudent risk constraints.

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

Under the Medical Center's current long-term investment spending policy, which is within the guidelines specified under state law, 5% – 6% of the average of the fair value of qualifying long-term investments applied to a three-year moving average with a one-year lag is appropriated. The appropriation amounted to $3,645 and $3,117 for the years ending September 30, 2014 and 2013, respectively.

In establishing these policies, the Medical Center considered the expected return on its endowment and its programming needs. Accordingly, the Medical Center expects the current spending policy to allow its endowment to maintain its purchasing power and to provide a predictable and stable source of revenue to the annual operating budget. Additional real growth will be provided through new gifts or excess investment return.

(14) Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. Management estimates that patient accounts receivable, net of contractual allowances, were comprised as follows:

	September 30	
	2014	**2013**
Medicare	32%	30%
Medicaid	14	15
Blue Cross	21	19
Commercial insurance and managed care	25	27
Patient	6	7
Other	2	2
	100%	100%

The Medical Center maintains its cash accounts at various financial institutions. At September 30, 2014, the Medical Center had cash balances of $180,482 in uninsured accounts.

(In thousands)

The Medical Center has not experienced any losses in such accounts and evaluates the creditworthiness of the financial institutions with which it conducts business. Management believes the Medical Center is not exposed to any significant credit risk with respect to its cash balances.

(15) Functional Expenses

Total expenses by function consisted of the following:

		Year ended September 30	
		2014	**2013**
Patient care	$	1,493,436	1,251,609
Research		215,218	227,991
General and administrative		383,851	341,938
	$	2,092,505	1,821,538

(16) Related-Party Transactions

The Medical Center receives certain administrative and management services from CareGroup, and is allocated the cost of providing such services. Allocated costs, which are included in supplies and other expenses in the accompanying consolidated statements of operations, were $4,672 and $4,711 in 2014 and 2013, respectively.

The Medical Center is a partner in the CareGroup Investment Partnership, (the Partnership) which holds and manages certain investments on behalf of the Medical Center. The Medical Center contributed $9,625 and $35,120 to the Partnership in 2014 and 2013, respectively, and withdrew $7,995 and $6,014 from the Partnership in 2014 and 2013, respectively. The total market value of the Medical Center’s investments held by the Partnership was $713,665 at September 30, 2014.

In September, 2014, BIDMC and BID-Needham completed the construction of a building on the campus of BID-Needham which contains the BIDMC Cancer Center and the BID-Needham Surgical Center. The capital costs associated with the BIDMC Cancer Center, a total of $20,678, were paid by BIDMC and then transferred to BID-Needham in exchange for a forty-year lease on the facility. The capital costs associated with the BID-Needham Surgical Center, a total of $8,786, were paid by BIDMC and then transferred to BID-Needham in exchange for a five-year loan.

The entire value of the facility is included in BID-Needham’s property and equipment. BIDMC recorded the cost associated with the BIDMC Cancer Center as a prepaid lease and BID-Needham recorded a corresponding deferred rent liability. These balance sheet amounts will be amortized over the life of the lease and are eliminated within the consolidated balance sheet.

(In thousands)

In 2012, BIDMC loaned BID-Milton $6,484, and BID-Milton utilized the proceeds of the loan to defease the remaining balance of their Series C Bonds. The balance of the intercompany note payable at September 30, 2014 and September 30, 2013 was $3,036 and $4,646, respectively.

(17) Plymouth Affiliation

The following table summarizes the value assigned to the Plymouth net assets recognized as of the affiliation date:

Assets:		
Current assets	$	64,075
Property, plant and equipment		125,018
Other assets		28,253
Total assets		217,346
Liabilities:		
Current liabilities		39,660
Other liabilities		84,165
Total liabilities		123,825
Net assets recognized	$	93,521

As a result of the affiliation, the Medical Center has recognized $93,521 in its 2014 consolidated statement of operations and changes in net assets, classified as follows:

		Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets
Effects of Plymouth affiliation	$	77,742	1,468	14,311

(In thousands)

The Medical Center's consolidated statement of operations for the year ended September 30, 2014 includes Plymouth's activities subsequent to the affiliation date (January 1, 2014). The following table presents revenue, earnings (excluding the effects of the affiliation itself, which resulted in an increase in earnings of $77,742), and net assets of the consolidated entity as if the affiliation date had occurred on October 1, 2013 and October 1, 2012

	Revenues	Excess of Revenues over Expenses	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
Supplemental pro forma from October 1, 2013 to September 30, 2014	$ 2,169,014	60,272	1,054,303	161,045	76,802
Supplemental pro forma from October 1, 2012 to September 30, 2013	2,085,096	107,883	982,105	152,809	72,989

(18) Contingencies

The Medical Center is a party in various legal proceedings and potential claims arising in the ordinary course of its business. In addition, the healthcare industry as a whole is subject to numerous laws and regulations of 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 the time. Government investigations and allegations concerning possible violations by healthcare providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services.

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report on Other Financial Information

Board of Directors
Beth Israel Deaconess Medical Center, Inc. and Affiliates:

We have audited the consolidated financial statements of Beth Israel Deaconess Medical Center, Inc. and Affiliates as of and for the year ended September 30, 2014, and have issued our report thereon dated December 17, 2014 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Boston, Massachusetts
December 17, 2014

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidating Balance Sheet

September 30, 2014

(In thousands)

Assets		BIDMC	Needham	Milton	Plymouth	APG	HMFP	Eliminations	Total
Current assets:									
Cash and cash equivalents	$	126,068	950	1,807	5,567	2,607	41,506	—	178,505
Investments		503,375	11,533	14,458	28,700	—	108,461	—	666,527
Patient accounts receivable, net		152,819	7,531	8,239	23,446	4,765	28,483	—	225,283
Other current assets		58,921	2,086	2,943	3,964	8,622	10,323	(13,471)	73,388
Total current assets		841,183	22,100	27,447	61,677	15,994	188,773	(13,471)	1,143,703
Assets limited or restricted as to use:									
Held by trustees under debt and other agreements		22,380	2,906	2,939	9,470	—	—	—	37,695
Held for specific purposes and endowments		203,420	4,650	13,859	15,918	—	—	—	237,847
Total assets limited or restricted as to use		225,800	7,556	16,798	25,388	—	—	—	275,542
Long-term investments		—	—	—	—	—	33,366	—	33,366
Property and equipment, net		475,781	74,840	86,949	124,403	5,037	3,626	—	770,636
Professional liability reinsurance recoveries		41,894	2,941	1,586	3,028	—	42,872	—	92,321
Other assets		31,515	311	643	1,896	138	6,116	(27,785)	12,834
Total assets	$	1,616,173	107,748	133,423	216,392	21,169	274,753	(41,256)	2,328,402

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidating Balance Sheet

September 30, 2014

(In thousands)

Liabilities and Net Assets	BIDMC	Needham	Milton	Plymouth	APG	HMFP	Eliminations	Total
Current liabilities:								
Current portion of long-term debt	$ 23,270	705	677	1,289	—	—	—	25,941
Accounts payable and accrued expenses	193,894	9,853	11,256	34,038	19,815	34,307	(13,471)	289,692
Estimated settlements with third-party payors	43,018	1,141	2,196	1,473	—	—	—	47,828
Total current liabilities	260,182	11,699	14,129	36,800	19,815	34,307	(13,471)	363,461
Long-term debt, net of current portion	325,427	29,156	29,708	71,925	—	—	—	456,216
Professional liability	42,679	2,941	1,820	3,705	1,354	57,098	—	109,597
Employee benefit plans liabilities	39,912	—	13,861	9,525	—	—	—	63,298
Deferred gain on sale of real estate	17,026	—	—	—	—	—	—	17,026
Other liabilities	22,947	26,391	1,394	2,063	—	1,644	(27,785)	26,654
Total liabilities	708,173	70,187	60,912	124,018	21,169	93,049	(41,256)	1,036,252
Net assets:								
Unrestricted	704,580	32,911	58,652	76,456	—	181,704	—	1,054,303
Temporarily restricted	145,425	3,034	11,052	1,534	—	—	—	161,045
Permanently restricted	57,995	1,616	2,807	14,384	—	—	—	76,802
Total net assets	908,000	37,561	72,511	92,374	—	181,704	—	1,292,150
Total liabilities and net assets	$ 1,616,173	107,748	133,423	216,392	21,169	274,753	(41,256)	2,328,402

See accompanying independent auditors’ report on other financial information.

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidating Balance Sheet

September 30, 2013

(In thousands)

Assets		BIDMC	Needham	Milton	APG	HMFP	Eliminations	Total
Current assets:								
Cash and cash equivalents	$	158,240	677	2,308	2,147	33,886	—	197,258
Investments		461,877	12,642	13,551	—	104,231	—	592,301
Patient accounts receivable, net		153,662	6,264	9,273	3,976	32,037	—	205,212
Other current assets		60,354	2,223	3,764	6,207	7,827	(12,110)	68,265
Total current assets		834,133	21,806	28,896	12,330	177,981	(12,110)	1,063,036
Assets limited or restricted as to use:								
Held by trustees under debt and other agreements		22,327	2,893	2,929	—	—	—	28,149
Held for specific purposes and endowments		192,588	5,051	12,936	—	—	—	210,575
Total assets limited or restricted as to use		214,915	7,944	15,865	—	—	—	238,724
Long-term investments		—	—	—	—	28,737	—	28,737
Property and equipment, net		478,407	44,986	86,859	4,544	4,278	—	619,074
Professional liability reinsurance recoveries		43,565	3,105	1,212	—	44,559	—	92,441
Other assets		7,024	325	671	—	4,282	(3,036)	9,266
Total assets	$	1,578,044	78,166	133,503	16,874	259,837	(15,146)	2,051,278

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidating Balance Sheet

September 30, 2013

(In thousands)

Liabilities and Net Assets		BIDMC	Needham	Milton	APG	HMFP	Eliminations	Total
Current liabilities:								
Current portion of long-term debt	$	22,280	680	797	—	—	—	23,757
Accounts payable and accrued expenses		174,560	8,923	12,618	15,597	34,371	(12,110)	233,959
Estimated settlements with third-party payors		41,513	1,052	1,795	—	—	—	44,360
Total current liabilities		238,353	10,655	15,210	15,597	34,371	(12,110)	302,076
Long-term debt, net of current portion		349,342	29,835	30,146	—	—	—	409,323
Professional liability		44,453	3,105	1,322	1,277	60,315	—	110,472
Employee benefit plans liabilities		25,778	—	10,682	—	—	—	36,460
Deferred gain on sale of real estate		17,735	—	—	—	—	—	17,735
Other liabilities		22,456	—	3,036	—	250	(3,036)	22,706
Total liabilities		698,117	43,595	60,396	16,874	94,936	(15,146)	898,772
Net assets:								
Unrestricted		687,339	29,520	60,171	—	164,901	—	941,931
Temporarily restricted		137,931	3,435	10,137	—	—	—	151,503
Permanently restricted		54,657	1,616	2,799	—	—	—	59,072
Total net assets		879,927	34,571	73,107	—	164,901	—	1,152,506
Total liabilities and net assets	$	1,578,044	78,166	133,503	16,874	259,837	(15,146)	2,051,278

See accompanying independent auditors’ report on other financial information.

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidating Statement of Operations

Year ended September 30, 2014

(In thousands)

	BIDMC	Needham	Milton	Plymouth	APG	HMFP	Eliminations	Total
Operating revenue:								
Net patient service revenue	$ 1,113,507	68,948	81,662	153,297	63,013	284,221	—	1,764,648
Research revenue	214,916	—	—	—	—	30,783	(30,783)	214,916
Other revenue	94,445	1,317	3,856	3,642	9,653	174,443	(149,058)	138,298
	1,422,868	70,265	85,518	156,939	72,666	489,447	(179,841)	2,117,862
Operating expenses:								
Salaries and benefits	683,502	31,877	43,968	82,222	72,391	409,150	(69,778)	1,253,332
Supplies and other expenses	611,166	30,689	34,394	67,717	17,576	71,278	(109,873)	722,947
Depreciation	75,671	4,122	4,637	6,676	1,416	1,541	—	94,063
Interest	14,983	1,577	2,299	3,490	—	4	(190)	22,163
	1,385,322	68,265	85,298	160,105	91,383	481,973	(179,841)	2,092,505
Income (loss) from operations	37,546	2,000	220	(3,166)	(18,717)	7,474	—	25,357
Nonoperating gains:								
Net realized gains on sales of investment securities	23,789	310	1,025	109	—	7,031	—	32,264
Unrealized change in equity interests in limited partnerships	1,950	(7)	226	—	—	650	—	2,819
Equity earnings from investment in affiliate	—	—	—	—	—	1,665	—	1,665
Effects of affiliation with Plymouth (note 17)	—	—	—	77,742	—	—	—	77,742
Nonoperating gains, net	25,739	303	1,251	77,851	—	9,346	—	114,490
Excess (deficiency) of revenue over expenses	63,285	2,303	1,471	74,685	(18,717)	16,820	—	139,847
Change in net unrealized gains and losses on investments	(788)	(13)	(337)	360	—	(17)	—	(795)
Net assets released from restrictions used for purchase of property and equipment	1,539	1,101	—	262	—	—	—	2,902
Change in funded status of employee benefit plans, other than net periodic benefit cost	(25,078)	—	(3,653)	(851)	—	—	—	(29,582)
Transfers (to) from affiliates	(21,717)	—	1,000	2,000	18,717	—	—	—
Increase in unrestricted net assets	$ 17,241	3,391	(1,519)	76,456	—	16,803	—	112,372

See accompanying independent auditors' report on other financial information.

BETH ISRAEL DEACONESS MEDICAL CENTER, INC.
AND AFFILIATES

Consolidating Statement of Operations

Year ended September 30, 2013

(In thousands)

	BIDMC	Needham	Milton	APG	HMFP	Eliminations	Total
Operating revenue:							
Net patient service revenue	$ 1,051,482	63,252	80,077	57,887	266,475	—	1,519,173
Research revenue	227,291	—	—	—	31,139	(31,139)	227,291
Other revenue	86,908	834	6,431	7,163	148,693	(123,429)	126,600
	1,365,681	64,086	86,508	65,050	446,307	(154,568)	1,873,064
Operating expenses:							
Salaries and benefits	629,716	30,005	42,072	64,121	369,257	(64,985)	1,070,186
Supplies and other expenses	590,258	27,467	32,111	14,940	71,422	(89,583)	646,615
Depreciation	73,673	3,776	4,544	1,232	1,706	—	84,931
Interest	15,732	1,603	2,454	—	17	—	19,806
	1,309,379	62,851	81,181	80,293	442,402	(154,568)	1,821,538
Income (loss) from operations	56,302	1,235	5,327	(15,243)	3,905	—	51,526
Nonoperating gains:							
Net realized gains on sales of investment securities	16,497	3	1,520	—	4,879	—	22,899
Unrealized change in equity interests in limited partnerships	27,352	33	128	—	7,047	—	34,560
Equity earnings from investment in affiliate	—	—	—	—	517	—	517
Nonoperating gains, net	43,849	36	1,648	—	12,443	—	57,976
Excess (deficiency) of revenue over expenses	100,151	1,271	6,975	(15,243)	16,348	—	109,502
Change in net unrealized gains and losses on investments	847	8	(1,166)	—	392	—	81
Net assets released from restrictions used for purchase of property and equipment	2,195	527	145	—	—	—	2,867
Change in funded status of employee benefit plans, other than net periodic benefit cost	102,103	—	4,607	—	—	—	106,710
Other	—	—	—	—	(755)	—	(755)
Transfers (to) from affiliates	(18,243)	1,000	2,000	15,243	—	—	—
Increase in unrestricted net assets	$ 187,053	2,806	12,561	—	15,985	—	218,405

See accompanying independent auditors' report on other financial information.