Genesis Health, Inc. and Affiliates d/b/a Brooks Rehabilitation

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

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation

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December 31, 2015 and 2014

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
Genesis Health, Inc. and Affiliates
d/b/a Brooks Rehabilitation
Jacksonville, Florida

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Genesis Health, Inc. and Affiliates, d/b/a Brooks Rehabilitation ("Brooks") as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 Brooks' 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 Brooks' 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 consolidated financial position of Genesis Health, Inc. and Affiliates, d/b/a Brooks Rehabilitation as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

DHG
DIXON HUGHES GOODMAN LLP

Supplemental Information

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information in the supplemental schedules are presented for purposes of additional analysis of the consolidated financial statements rather than to present the consolidating balance sheets, consolidating results of operations of the individual entities, and the consolidating changes in net assets and are not a required part of the basic 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.

Dixon Hughes Goodman LLP

April 14, 2016
Greenville, South Carolina

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation
Consolidated Balance Sheets
December 31, 2015 and 2014

Assets	**2015**	**2014**
Current assets:		
Cash and cash equivalents	$ 5,221,789	$ 6,237,216
Patient receivables, net of allowance for doubtful accounts of approximately $1,495,000 in 2015 and $792,000 in 2014	18,993,640	13,678,631
Other current assets	5,831,461	8,207,846
Total current assets	30,046,890	28,123,693
Investments	273,397,382	278,469,258
Assets limited as to use	56,081,750	33,049,997
Property and equipment, net	121,065,960	105,870,118
Land held for development	22,042,178	16,817,242
Other investments	5,603,675	5,219,159
Other assets, net	2,198,031	1,330,502
Goodwill	25,514,862	10,417,016
Intangible assets, net	11,369,763	6,685,687
Total assets	$ 547,320,491	$ 485,982,672
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 25,924,632	$ 20,816,910
Lines of credit	42,204,805	33,725,069
Current portion of long-term debt	4,741,953	4,119,585
Estimated third-party payor settlements	1,132,635	1,054,466
Other current liabilities	1,312,682	697,123
Total current liabilities	75,316,707	60,413,153
Long-term debt, net of current portion	226,116,433	176,950,923
Other liabilities	13,358,887	8,328,206
Total liabilities	314,792,027	245,692,282
Net assets:		
Unrestricted	230,967,399	239,017,446
Temporarily restricted	1,561,065	1,272,944
Total net assets	232,528,464	240,290,390
Total liabilities and net assets	$ 547,320,491	$ 485,982,672

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

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation
Consolidated Statements of Operations
For the Years Ended December 31, 2015 and 2014

	2015	2014
Unrestricted revenues, gains, and other support:		
Net patient service revenue	$ 141,891,952	$ 121,997,635
Contract service revenue	14,457,100	13,238,433
Investment income, net	17,277,249	25,346,283
Other	7,511,337	6,163,268
Total unrestricted revenues, gains, and other support	181,137,638	166,745,619
Expenses:		
Salaries, wages and benefits	110,874,945	94,668,655
Supplies	4,087,419	3,484,221
Depreciation and amortization	7,813,629	7,779,998
Leases and rentals	3,649,782	3,249,832
Interest	7,616,297	7,191,218
Professional fees	2,432,888	1,503,177
Insurance	919,807	764,025
Purchased services	7,448,830	7,392,877
Bad debts, net of recoveries	1,195,740	902,189
Other	23,371,289	20,389,164
Total expenses	169,410,626	147,325,356
Operating income	11,727,012	19,420,263
Other (losses) gains:		
Community programs and other support	(3,143,262)	(307,342)
Ineffective change in interest rate swap	1,114,138	3,227,924
Net unrealized losses on investments	(18,432,366)	(14,035,730)
Other gains	561,247	1,915,219
Total other losses	(19,900,243)	(9,199,929)
(Deficit) excess of revenues over expenses	$ (8,173,231)	$ 10,220,334

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

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	2015	2014
Unrestricted net assets:		
(Deficit) excess of revenues over expenses	$ (8,173,231)	$ 10,220,334
Net assets released from restrictions	252,059	405,953
Effective change in fair value of interest rate swaps	(128,875)	(2,803,895)
Change in non-controlling interest	-	3,339,593
(Decrease) increase in unrestricted net assets	(8,050,047)	11,161,985
Temporarily restricted net assets:		
Net assets released from restrictions	(252,059)	(405,953)
Contributions	540,180	562,001
Increase in temporarily restricted net assets	288,121	156,048
(Decrease) increase in net assets	(7,761,926)	11,318,033
Net assets, beginning of year	240,290,390	228,972,357
Net assets, end of year	$ 232,528,464	$ 240,290,390

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

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
(Decrease) increase in net assets from operations	$ (7,761,926)	$ 11,318,033
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Restricted contributions	(540,180)	(562,001)
Net unrealized losses on investments	18,432,366	14,035,730
Net realized gains on investments	(11,056,104)	(18,932,061)
Depreciation and amortization	7,813,629	7,779,998
Gain on disposal of property and equipment	(375,434)	(642,759)
Bad debts	1,195,740	902,189
Effective change in fair value of interest rate swaps	128,875	2,803,895
Ineffective change in interest rate swaps	(1,114,138)	(3,227,924)
Changes in pledges payable	1,322,978	(640,667)
Changes in operating assets and liabilities:		
Patient receivables, net	(5,270,997)	(3,403,995)
Estimated third-party payor settlements	78,169	(53,502)
Other current assets	2,515,885	(4,229,129)
Other assets, net	62,028	17,843
Accounts payable and accrued expenses	(27,875)	1,857,623
Other current liabilities	615,559	-
Other liabilities	(574,734)	(205,467)
Net cash provided by operating activities	5,443,841	6,817,806
Cash flows from investing activities:		
(Increase) decrease in assets limited as to use	(23,023,104)	322,769
Purchase of AmeriCare, net of cash received	(14,968,814)	-
Additions to property and equipment	(18,771,574)	(12,275,033)
Purchase of land held for development	(5,224,936)	-
Equity in loss from Halifax	(384,516)	(3,193,639)
Proceeds from sale of property and equipment	473,990	888,150
Sales of investments	139,571,631	114,780,219
Purchases of investments	(141,884,666)	(103,381,636)
Net cash used by investing activities	(64,211,989)	(2,859,170)

(continued)

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from financing activities:		
Advances from lines of credit	$ 28,662,048	$ 4,222,000
Repayment of lines of credit	(20,182,312)	(1,750,000)
Issuance of long-term debt, net of discount	53,802,341	-
Repayment of long-term debt	(4,119,585)	(3,997,722)
Payment of debt issuance costs	(949,951)	-
Extinguishment of bonds	-	(8,574)
Restricted contributions	540,180	562,001
Net cash provided (used) by financing activities	57,752,721	(972,295)
Net (decrease) increase in cash and cash equivalents	(1,015,427)	2,986,341
Cash and cash equivalents beginning of the year	6,237,216	3,250,875
Cash and cash equivalents end of the year	$ 5,221,789	$ 6,237,216

Supplemental Cash Flow Information

	2015	2014
Cash paid for interest during the year	$ 8,377,129	$ 7,745,205
Accrued property and equipment	$ 3,615,966	$ 931,087

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

1. Organization and Significant Accounting Policies

Organization and Basis of Presentation - Genesis Health, Inc. d/b/a Brooks Rehabilitation ("BHS") and its affiliates (together as "Brooks") includes the following not-for-profit corporations as described in Section 501 (c)(3) of the Internal Revenue Code:

- Genesis Rehabilitation Hospital, Inc. d/b/a Brooks Rehabilitation Hospital ("BRH")
- The Genesis Health Foundation, Inc. d/b/a Brooks Health Foundation ("the Foundation")
- Genesis Health Development, Inc. d/b/a Brooks Health Development ("BHD")
- Brooks Home Health, d/b/a Brooks AmeriCare Home Health ("BAHH") formerly Brooks Home Care Advantage ("BHCA")
- Brooks Skilled Nursing, Inc. ("BSN")
- Brooks Skilled Nursing Facility A, Inc. ("BSNFA")
- Brooks Skilled Nursing Facility A Holdings, Inc. ("BSNFAH")
- Brooks Skilled Nursing Facility B, Inc. ("BSNFB")
- Brooks Skilled Nursing Facility B Holdings, Inc. ("BSNFBH")
- Brooks Rehabilitation Clinical Research Center, Inc. ("BRCRC")
- Physical Medicine Specialists, Inc. d/b/a Brooks Rehabilitation Medical Group ("BRMG")

BHS is the sole member of BRH, the Foundation, BSN, BHD, BAHH, and BRCRC. Brooks operates a rehabilitation hospital located in Jacksonville, Florida, along with hospital-based outpatient centers. Brooks also operates regional outpatient centers located throughout Florida, a home health agency, a skilled nursing unit, skilled nursing facility, assisted living facility, memory care, physician practice, and research center.

Brooks also includes the operations of GH Holdings, Inc. d/b/a BH Holdings, Inc. ("Holdings"), a taxable entity. Included in Holdings are the following taxable entities:

- GH Management, Inc. d/b/a BH Management ("BHM")
- GH Medical Services, Inc. d/b/a BH Medical Services ("BMD")
- St. Augustine MOB, Ltd. ("MOB")

Holdings, through its ownership of Penman Plaza Ltd, owns 100% in Penman Plaza Associates, LLLP ("PPA"), which is organized for the purpose of developing and managing a commercial real estate property in Jacksonville, Florida. Holdings accounts for its investment in PPA using the consolidation method.

BHD maintains a 50% equity in HB Rehabilitative Services, Inc. ("HBRS"). HBRS is organized for the purpose of managing and operating a 40-bed rehabilitation unit in an unrelated acute care hospital in Daytona Beach, Florida. BHD accounts for its investment in HBRS using the equity method.

All significant intercompany transactions among the entities have been eliminated from the consolidated financial statements. For consolidating purposes, the Foundation and Holdings are included within BHS.

These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to show Brooks as a whole, and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets - permanently restricted, temporarily restricted, or unrestricted as follows:

- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by Brooks. Generally, the donor of these assets permits Brooks to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets as of December 31, 2015 and 2014.

- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met by actions of Brooks and/or the passage of time.

- *Unrestricted net assets* - Net assets which represent resources generated from operations, unrestricted donations, lapse of temporary restrictions, and are not subject to donor-imposed stipulations.

Use of Estimates - The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents - Brooks considers cash, treasury bills, certificates of deposit, and other short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments - All investments in debt and marketable equity securities with readily determinable fair values are measured at fair value in the accompanying consolidated balance sheets. Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends) is included in the (deficit) excess of revenues over expenses for trading securities unless the income or loss is restricted by donor or law.

Assets Limited as to Use - Assets limited as to use include assets held by trustees under indenture agreements and board restricted funds for self-insurance trust arrangements. Assets limited as to use are classified as trading securities and stated at fair value. Amounts consist of cash and cash equivalents, fixed income securities, and mutual funds.

Charitable Gift Annuity - During 1991, the Foundation entered into a gift annuity program known as a Section 170 plan. The Foundation charitable gift annuity program stopped receiving additional gifts during 2010. The gift annuity program is a general obligation of the Foundation. The annuities are not issued by an insurance company, are subject only to limited regulation by the State of Florida, and are not protected or otherwise guaranteed by any government agency. The Foundation is contractually obligated to make annuity payments to its gift annuitants regardless of investment performance or current market conditions. The liabilities are discounted using the expected rate of return of the related investments which amounted to approximately 6% for the years ending December 31, 2015 and 2014. The estimated liability for these gift annuities, which are reflected in other non-current liabilities, amounted to approximately $2,033,000 and $1,929,000 as of December 31, 2015 and 2014, respectively.

Contributions and Pledges - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is executed. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is executed.

Property and Equipment - Property and equipment have been recorded at historical cost at the date of acquisition or fair market value at the date of donation. Brooks capitalizes assets with a minimum cost or fair value of $500 and a minimum useful life of two years. Assets are depreciated using the straight-line method over their estimated useful lives. Major asset classifications and useful lives are consistent with those recommended by the American Hospital Association as follows:

Land improvements	5 – 10 years
Buildings and improvements	20 – 40 years
Equipment	3 – 15 years

Capitalized Interest - Interest costs incurred on borrowed funds during the period(s) of capital asset construction are capitalized as a component of the cost of acquisition.

Other Assets - Other assets are comprised primarily of capitalized debt issuance costs. Debt issuance costs will be amortized to interest expense using the effective interest method over the debt term.

Bond Discounts - Bond discounts are being amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Amortization of bond discounts is included in depreciation and amortization expense on the consolidated statements of operations for the years ended December 31, 2015 and 2014.

Unamortized bond discounts of approximately $3,200,000 and $2,012,000 are included with the related debt on the consolidated balance sheets at December 31, 2015 and 2014, respectively.

Goodwill and Intangible Assets - Brooks is required to test goodwill and indefinite-lived intangible asset for impairment at least annually, absent some triggering event that would accelerate an impairment assessment. Brooks compares the fair value of each reporting unit with its carrying amount to determine if there is a potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss would be recorded to the extent that the fair value within the reporting unit is less than its carrying value.

Brooks amortizes the cost of intangible assets with finite useful lives over their respective estimated useful lives. Brooks also review these assets for impairment whenever events or changes in circumstances indicate Brooks may not be able to recover the asset's carrying amount.

The range of estimated useful lives and the amortization basis for intangible assets, excluding goodwill, are as follows:

	Estimated Useful Life and Amortization Basis
Certificates of need	40 years, once placed in service
Licenses	15 years
Non-Compete	5 years
Trade Names	Indefinite-lived asset

Goodwill is the excess of Brooks' purchase price over the fair value of the net assets of acquired businesses. In accordance with authoritative bodies, Brooks no longer amortizes goodwill as of January 1, 2010. Goodwill is subject to at least an annual assessment for impairment by applying a fair-value based test.

There is no impairment charge for goodwill or intangible assets for the years ended December 31, 2015 and 2014.

Derivative Financial Instruments - Brooks has entered into interest rate swap agreements as part of its interest rate risk management strategy. These agreements are accounted for under the provisions of FASB ASC 815, *Derivatives and Hedging*. FASB ASC 815 establishes accounting and reporting standards requiring that derivative instruments be recorded at fair value as either an asset or liability.

For derivative instruments that are designed and qualify as a cash flow hedge (i.e., hedging the exposure of variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of unrestricted net assets. The ineffective component, if any, is recorded in (deficit) excess of revenues over expenses in the period in which the hedge transaction affects earnings. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, gains or losses on the derivative are recorded in (deficit) excess of revenues over expenses. For derivative instruments not designated as hedging instruments, the unrealized gain or loss is recognized in other gains (losses) during the period of change.

Brooks is exposed to credit loss in the event of nonperformance by the counterparty in relation to its interest rate swap agreements. Management believes that the counterparty will be able to fully satisfy its obligations under the agreement. Credit exposure exists in relation to all of Brooks' financial instruments, and is not unique to derivatives.

Income Taxes - BRH is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Holdings is a for-profit holding corporation which is the parent company for Brooks' for-profit businesses. As Holdings has accumulated federal net operating loss carryforwards ("NOLs") of approximately $14,025,000 for tax purposes, no amounts have been reflected as tax liabilities on the accompanying consolidated balance sheets as of December 31, 2015. Due to uncertainties as to future utilization of these NOLs, no amounts have been recorded as a deferred tax asset. Brooks has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2015.

Estimated Self-Insurance Liabilities - Brooks is self-insured and retains a portion of the risk for certain employee health insurance claims, workers' compensation claims, and professional liability claims. The provision for estimated employee health insurance claims, workers' compensation and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The estimated self-insurance liabilities, included in other liabilities and accrued expenses on the consolidated balance sheets, include the estimate of the self-insured portion on employee health insurance, workers' compensation and professional liability claims. Brooks also maintains an incurred but not reported reserve for each self- insurance category.

Compensated Absences - Brooks accrues for compensated absences according to the authoritative bodies, which dictates a liability exists for an employee's compensation of future absences if all of the following conditions are met: a) an obligation exists for services rendered; b) the obligation relates to rights that vest or accumulate; c) payment is probable, and d) the amount can be reasonably estimated. For the years ended December 31, 2015 and 2014, Brooks has accrued approximately $3,128,000 and $2,805,000, respectively, related to compensated absences, which is classified as accrued expenses on the consolidated balance sheets.

Impairment of Long-Lived Assets - Management regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment in the value of long-lived assets. In accordance with authoritative bodies, if there is an indication that the carrying amount of an asset is not recoverable, Brooks estimates the projected undiscounted cash flows from the use and eventual disposition of the asset to determine if an impairment loss should be recognized. The amount of impairment loss, if any, is determined by comparing the historical carrying value of the asset to its estimated fair value.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining estimated useful lives of its long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over the remaining estimated useful lives. There is no impairment charge for the years ended December 31, 2015 and 2014.

Other Investments - Profits and losses on other investments have been recorded using the equity method for investments in which Brooks has a 20% or greater ownership and does not control the organization. The cost method is used for all investments in which Brooks has an ownership interest of less than 20%.

Net Patient Service Revenue - Brooks has agreements with third-party payors that provide for payments at amounts different than established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are estimated and accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contract Service Revenue - Contract service revenue is reported at the estimated net realizable amounts due from hospitals and health systems for contract management and rehabilitative services.

Charity Care - Brooks provides care to patients who meet certain criteria under its charity care policy without charge. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Because Brooks does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Functional Expense - Brooks does not present expense information by functional classification because their resources and activities are primarily related to providing healthcare services. Further, since Brooks receives substantially all of its resources from providing healthcare services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities.

(Deficit) Excess of Revenues Over Expenses - The consolidated statements of operations include (deficit) excess of revenues over expenses as Brooks' performance indicator. As is consistent with industry practice, changes in unrestricted net assets, including the fair value change of effective interest rate swaps, change in non-controlling interest, and contributions of long-lived assets are excluded from (deficit) excess of revenues over expenses.

Concentrations of Credit Risk - Brooks maintains its cash and cash equivalents with several large financial institutions. All accounts at each financial institution are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per financial institution. Brooks has cash deposits which exceed the federally insured deposited amount. Management does not anticipate nonperformance by any of the financial institutions.

2. Acquisitions

In accordance with the authoritative bodies, Brooks recognizes assets acquired and liabilities assumed, including contingent liabilities, based on fair value estimates as of the date of acquisition and the probability of the contingent liabilities being paid. Any excess of purchase price over the fair value of the net assets acquired is recorded as goodwill.

In July of 2015, Brooks Home Care Advantage Inc. ("BHCA") completed the acquisition of 100% of the home health agency operations of AmeriCare Home Therapy, Inc. ("AmeriCare"). AmeriCare is a regionally focused home health care provider with eight service areas and serving 23 counties in North East and Central Florida. Brooks funded the cash purchase price utilizing an existing short term loan facility which was subsequently refinanced with the Series 2015 Bond issue. With this acquisition, Brooks has expanded their ability to offer comprehensive, cost effective and high-quality services across new and existing service areas.

Brooks accounted for this transaction under the acquisition method of accounting and reported the results of operations of AmeriCare from August 1, 2015. Assets acquired, liabilities assumed and calculated contingent payments were recorded at their estimated fair values as of the acquisition date. Estimated fair values calculated were based primarily on various valuation methodologies including an income approach utilizing primarily discounted future cash flows and various market approach utilizing market transactions method and guideline public companies method. As it related to intangibles, Brooks utilized the with-and-without method for non-competes and licenses, and the relief-from-royalty method for the tradename. The aforementioned income approach method utilizes management's estimate of future operating results and cash flows, discounted using a weighted average cost of capital that reflects market participant assumptions. Property and Equipment is recorded at the estimated fair value at the time of the acquisition along with the related debt assumed by Brooks. For all other assets and liabilities, the fair value was assumed to represent carrying value due to their short maturities and in accordance with the Asset Purchase Agreement. The excess of the fair value of the consideration conveyed over the fair value of the net assets acquired was recorded as goodwill.

The fair values recorded were based upon a preliminary valuation. Estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of the preliminary valuation that are not yet finalized relate to the fair values of residual goodwill and contingent payments.

The preliminary fair values of the assets acquired and liabilities assumed at the acquisition date were as follows:

	July 31, 2015
Cash and cash equivalents	$ 1,596,614
Accounts receivable	1,239,752
Prepaid and deposits	139,500
Property and equipment	358,047
Identifiable intangible assets	
Non-competes (useful lives 5 years)	485,000
Trade name (Indefinite life)	2,977,000
Licenses (useful lives 15 years)	1,459,000
Goodwill	15,097,846
Total assets acquired	$ 23,352,759
Accounts payable	$ 151,395
Accrued payroll	190,844
Other accrued expenses	1,021,404
Capitalized leases	155,988
Deferred purchase price liability	2,660,800
Contingent payments	2,606,900
Total liabilities assumed	$ 6,787,331
Net assets acquired	$ 16,565,428

Information regarding the net cash paid for the acquisition of AmeriCare is as follows:

Fair value of assets acquired, net of $1,596,614 of cash acquired	$ 6,658,299
Goodwill	15,097,846
Fair value of liabilities assumed	(6,787,331)
Net cash paid for acquisitions	$ 14,968,814

The following table summarizes the unaudited results of operations of the above mentioned transactions from their respective dates of acquisition included in the consolidated results of operations and the unaudited pro forma results of operations of AmeriCare had the date of acquisitions been January 1, 2015 or January 1, 2014.

	Net operating revenues	**Operating income attributable to Brooks**
AmeriCare from acquisition date to December 31, 2015 (unaudited)	$ 9,451,912	$ 1,250,053
Combined entity: Supplemental pro forma from 1/1/15-12/31/15 (unaudited)	$ 194,348,780	$ 14,536,651
Combined entity: Supplemental pro forma from 1/1/14-12/31/14 (unaudited)	$ 187,174,466	$ 21,367,387

The information presented above is for illustrative purposes only and is not necessarily indicative of results that would have been achieved if the acquisitions had occurred as of the beginning of the 2014 reporting period. For the acquisition, the unaudited pro forma information above includes adjustments for acquisition costs, amortization of identifiable intangible assets and interest on debt incurred to fund the acquisition.

3. Fair Value Measurements

Brooks adopted the authoritative guidance for fair value measurements pertaining to financial assets and liabilities as of January 1, 2008, and for nonfinancial assets and liabilities as of January 1, 2009. The authoritative guidance establishes a framework for measuring fair value for financial and nonfinancial assets and liabilities and expands disclosures about fair value measurements. Fair value is defined as the “exit price”, the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 includes observable inputs which are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of Brooks, in an active market with sufficient volume and frequency of transactions.

- Level 2 includes financial instruments for which there are inputs other than quoted prices included within Level 1 that are observable for the instruments such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets with insufficient volume or infrequent transactions (less active markets) or model-driven valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data, including market interest rate curves, referenced credit spreads and pre-payment rates.

- Level 3 includes financial instruments derived from unobservable inputs for which there is little or no market data, which require Brooks to develop its own assumptions and use valuation techniques including pricing models and discounted cash flow models in which one or more significant inputs are unobservable, including Brooks' own assumptions.

The guidance for measuring assets and liabilities at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- The market approach generates prices and other relevant information by market transactions involving identical or comparable assets or liabilities;

- The cost approach takes the amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

- The income approach uses techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

On a recurring basis, Brooks is required to measure trading securities at fair value. The fair values of trading securities are determined based on quoted market prices in active markets and based upon the marketability of those assets or model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data. Each series of cash flows is discounted by market rates of interest.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk and correlations of such inputs. The interest rate swaps have inputs which can generally be corroborated by market data and are therefore classified within Level 2.

Charitable gift annuities are valued at the present value of the future distributions expected to be made over the term of the agreement. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Brooks believes its valuation methods to determine the fair value of the beneficial trusts are appropriate and consistent; the use of different methodologies or assumptions to determine the fair value could result in a different estimate of fair value at the reporting date.

The following table presents disclosures about fair value measurements at December 31, 2015 and 2014 using significant unobservable inputs (Level 3).

	Charitable Gift Annuity	Goodwill and Intangible Assets
Balance at December 31, 2013	$ (1,902,463)	$ 17,185,517
Additions	(62,707)	57,000
Amortization	-	(139,814)
Annual scheduled payments	35,725	-
Balance at December 31, 2014	$ (1,929,445)	$ 17,102,703
Additions	(138,823)	20,018,846
Amortization	-	(236,924)
Annual scheduled payments	35,725	-
Balance at December 31, 2015	$ (2,032,543)	$ 36,884,625

The fair values of financial and non-financial assets and liabilities that are measured on a recurring and nonrecurring basis at December 31 are as follows:

		Fair value measurements at December 31, 2015 using:		
	Fair value at December 31, 2015	**Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)**	**Quoted prices for similar assets and liabilities (Level 2 inputs)**	**Significant unobservable inputs (Level 3 inputs)**
Assets measured at fair value:				
Cash and cash equivalents	$ 5,221,789	$ 5,221,789	$ -	$ -
Investments and assets limited as to use	$ 329,479,132	$ 236,261,403	$ 93,217,729	$ -
Goodwill and intangible assets	$ 36,884,625	$ -	$ -	$ 36,884,625
Liabilities measured at fair value:				
Interest rate swaps	$ 3,171,149	$ -	$ 3,171,149	$ -
Charitable gift annuity	$ 2,032,543	$ -	$ -	$ 2,032,543

		Fair value measurements at December 31, 2014 using:		
	Fair value at December 31, 2014	**Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)**	**Quoted prices for similar assets and liabilities (Level 2 inputs)**	**Significant unobservable inputs (Level 3 inputs)**
Assets measured at fair value:				
Cash and cash equivalents	$ 6,237,216	$ 6,237,216	$ -	$ -
Investments and assets limited as to use	$ 311,519,255	$ 223,695,727	$ 87,823,528	$ -
Goodwill and intangible assets	$ 17,102,703	$ -	$ -	$ 17,102,703
Liabilities measured at fair value:				
Interest rate swaps	$ 4,156,412	$ -	$ 4,156,412	$ -
Charitable gift annuity	$ 1,929,445	$ -	$ -	$ 1,929,445

4. **Investments and Assets Limited as to Use**

Investments consist of marketable securities held for operating and long-term investment purposes. Investments consist of the following as of December 31:

	2015	2014
Cash and cash equivalents	$ 2,891,828	$ 1,874,161
Marketable equity securities	37,908,571	31,637,130
Mutual funds – fixed income securities	22,510,797	28,151,346
Mutual funds – equity securities	116,868,457	128,983,093
Funds of funds	93,217,729	87,823,528
	$ 273,397,382	$ 278,469,258

Investment income net of, gains and losses on cash and cash equivalents, investments and assets limited as to use are comprised of the following for the years ended December 31:

	2015	2014
Interest and dividend income	$ 6,221,145	$ 6,414,222
Net realized gains	11,056,104	18,932,061
Investment income, net	$ 17,277,249	$ 25,346,283
Net unrealized losses on investments included as a component of (deficit) excess of revenues over expenses	$ (18,432,366)	$ (14,035,730)

Investments and assets limited as to use in mutual funds are carried at fair value using net asset values per share. The following table includes information related to Brooks' investments in those mutual funds that calculate a net asset value per share.

		Fair Value Using Net Asset Values Per Share at:	
Investment Category	**Investment Category Includes**	**December 31, 2015**	**December 31, 2014**
Fixed income	Investments in funds that invest in domestic and global bonds and debt instruments in both corporate and municipal vehicles	$ 24,431,729	$ 30,107,913
Equity	Investments in equity and commodity linked derivative instruments	$116,868,457	$128,983,093
Funds of funds	Funds that invest in other funds, primarily emerging country markets	$ 93,217,729	$ 87,823,528

Redemptions are available daily and there are no unfunded commitments.

The composition of assets limited as to use consists of the following as of December 31:

	2015	2014
Cash and cash equivalents	$ 54,160,818	$ 31,093,430
Mutual funds – fixed income securities	1,920,932	1,956,567
	$ 56,081,750	$ 33,049,997

Assets limited as to use consist of the following:

	2015	2014
Board designated for self-insurance funds	$ 1,952,068	$ 1,943,419
Assets held by Bond Trustee	54,129,682	31,106,578
	$ 56,081,750	$ 33,049,997

5. **Net Patient Service Revenue**

Brooks has agreements with third-party payors that provide for reimbursement at amounts different from its established rates. Brooks is reimbursed for inpatient services under the Medicare Prospective Payment System methodology based on diagnosis related case mix groups. Inpatient, outpatient, and skilled nursing services provided to Medicaid program beneficiaries by Brooks are reimbursed based upon a cost reimbursement methodology. Under the cost reimbursement methodology, Brooks is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by Brooks and audits by the Medicare and Medicaid fiscal intermediary. Outpatient services rendered to Medicare program beneficiaries, BHD Medicaid beneficiaries and physician services are reimbursed according to prospectively determined fee schedules. The Medicare and Medicaid combined utilization rates for years December 31, 2015 and 2014 were approximately 55% and 56%, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

Brooks' Medicare cost reports for all years through 2014 have been filed. The Medicare cost reports for all years through 2012 have been examined and final settlements have been determined by the governmental agency intermediary. Brooks' Rehabilitation Medicaid cost reports for all years through 2014 have been filed. The cost reports for all years through 2006 have been examined and final settlements have been determined by the governmental agency intermediary. For Brooks Skilled Nursing, cost reports were filed, and a review of the 2013 cost report is being completed. There were no other adjustments recorded as an increase in net patient service revenue related to third-party settlements for prior years in 2015 or 2014.

Brooks has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The bases for reimbursement under these agreements include prospectively determined rates-per-discharge, discounts from established charges, prospectively determined per-diem rates and fee schedules.

The components of net patient service revenue for the years ended December 31 are as follows:

	2015	**2014**
Gross patient service charges	$ 293,881,572	$ 262,144,108
Contractual adjustments and other deductions	(151,989,620)	(140,146,473)
Net patient service revenue	$ 141,891,952	$ 121,997,635

6. **Property and Equipment**

A summary of property and equipment is as follows at December 31:

	2015	**2014**
Land and land improvements	$ 38,128,965	$ 33,674,057
Buildings and building improvements	104,216,486	100,902,446
Equipment	47,133,046	42,185,389
	189,478,497	176,761,892
Less: Accumulated depreciation	(81,702,553)	(74,472,163)
	107,775,944	102,289,729
Construction in progress	13,290,016	3,580,389
Property and equipment, net	$ 121,065,960	$ 105,870,118

Depreciation expense for the years ended December 31, 2015 and 2014 was approximately $7,451,000 and $7,538,000, respectively.

In 2015, BHS began construction of a 111 bed skilled nursing facility located at the main campus of BHS. The facility is expected to open in the Fall of 2016. At December 31, 2015, an approximate commitment of $10,263,000 remained on the construction contract of $14,206,000.

7. **Land Held for Development**

In November 2015, BHS purchased a parcel of land in Clay County, Florida, for future use. The acquisition cost was approximately $5,225,000 and was financed through lines of credit (Note 9).

A parcel of land held for development is related to a 2005 purchase and includes a parcel of land in Southern Duval County, Florida. During 2015, there were no triggering events that would require Brooks to test that land for impairment. The value of the undeveloped land related to this purchase as of December 31, 2015 and 2014 is approximately $16,817,000.

The carrying value of land held for development as of December 31, 2015 and 2014 is $22,042,178 and $16,817,242, respectively.

8. Intangible Assets

Intangible assets consist of the following at December 31:

	2015			
	Gross Carrying Value	**Accumulated Amortization**	**Net Carrying Value**	**Weighted Average Remaining Life (Years)**
Trade Name - AmeriCare	$ 2,977,000	$ -	$ 2,977,000	N/A
Licenses - AmeriCare	1,459,000	(48,611)	1,410,389	14.6
Non-Compete – AmeriCare	485,000	(48,500)	436,500	4.6
License – Glenwood	2,658,535	-	2,658,535	40
License – Bartram	4,142,598	(478,310)	3,664,288	37.5
Service Agreement - Greenhouse	190,000	(21,375)	168,625	11.8
A+ Acquisition	171,872	(117,446)	54,426	1.6
	$ 12,084,005	$ (714,242)	$ 11,369,763	

	2014			
	Gross Carrying Value	**Accumulated Amortization**	**Net Carrying Value**	**Weighted Average Remaining Life (Years)**
License – Glenwood	$ 2,658,535	$ -	$ 2,658,535	40
License – Bartram	4,142,598	(382,371)	3,760,227	38.5
Service Agreement - Greenhouse	190,000	(11,875)	178,125	12.8
A+ Acquisition	171,872	(83,072)	88,800	2.6
	$ 7,163,005	$ (477,318)	$ 6,685,687	

In July 2015, BHS purchased the home care licenses and trade name of AmeriCare, Inc. (Note 2), and acquired non-compete agreements as part of the acquisition. The trade name has an indefinite life. The licenses and non-compete agreements are amortized over the useful lives of 15 years and 5 years, respectively.

In August 2011, Brooks purchased 119 licensed skilled nursing beds from Glenwood for approximately $3,578,000 with the intent to use 32 at Bartram Crossing Skilled Nursing Facility and the remainder to be held for future Skilled Nursing Facilities. In July 2013, Brooks allocated out 32 of the 119 licensed skilled nursing beds to Bartram Crossing, combining with the existing licenses from San Marco Terrace. The amortization period was reset to 40 years in July 2013. The remaining 87 licenses are held as an unamortized intangible asset until placed into service.

9. Lines of Credit and Long Term Debt

BHS entered into a revolving $10,000,000 line of credit dated July 7, 2014, to finance the purchase of land, land improvements, building, building improvements, equipment, and start-up costs for an outpatient clinic in Clay County, Florida. This line of credit expires on June 22, 2016.

During 2005, BMD entered into a $17,000,000 line of credit to finance the land, land improvements, building, building improvements, equipment, and start-up costs of the medically based fitness center. The line of credit was increased to $18,500,000 on January 31, 2007. In October 2012, the original BMD line of credit was closed, paid off, and absorbed by Brooks by issuance of a revolving unsecured line of credit for $18,000,000, which expired on October 29, 2013. This revolving line of credit was renewed in November 2013, structured as two loan accounts of $9,000,000 each, with both scheduled to expire in November 9, 2016.

Brooks had a line of credit with a financial institution, due on demand, related to its investment in PPA. In October 2012, the original PPA line of credit was closed, paid off, and absorbed by Brooks by issuance of a $12,500,000 revolving unsecured line of credit, which expired on October 28, 2013. This revolving line of credit was renewed in November 2013, structured as two loan accounts of $6,250,000 each, with both scheduled to expire in November 2, 2016.

BRH entered into a revolving unsecured $2,000,000 line of credit dated June 28, 2011 to fund short-term operating needs. The line of credit expires on June 22, 2016.

BSNFA entered into a $1,000,000 revolving unsecured line of credit on July 26, 2011, to finance working capital costs associated with the acquisition of San Marco Terrace. The line of credit expires on June 22, 2016.

BSNFAH entered into a revolving unsecured $800,000 line of credit dated May 28, 2010 to finance the purchase of San Marco Terrace assets from Senior Care Group and has been renewed annually. The line of credit expires on June 22, 2016.

The line of credit agreements do contain financial and non-financial covenants.

The following is a summary of lines of credit outstanding at December 31:

	2015	2014
BHS $10,000,000 line of credit, interest of one month LIBOR rate plus 1.00%. Interest rate on December 31, 2015 and 2014 was 1.43% and 1.17%, respectively.	$ 8,479,736	$ 2,000,000
Brooks $9,000,000 line of credit, interest of one month LIBOR rate plus 0.97%. Interest rate on December 31, 2015 and 2014 was 1.40% and 1.14%, respectively.	8,666,150	8,666,150
Brooks $9,000,000 line of credit, interest of one month LIBOR rate plus 0.97%. Interest rate on December 31, 2015 and 2014 was 1.40% and 1.14%, respectively.	9,000,000	9,000,000
Brooks $6,250,000 line of credit, interest of one month LIBOR rate plus 0.97%. Interest rate on December 31, 2015 and 2014 was 1.40% and 1.14%, respectively.	6,250,000	6,250,000
Brooks $6,250,000 line of credit, interest of one month LIBOR rate plus 0.97%. Interest rate on December 31, 2015 and 2014 was 1.40% and 1.14%, respectively.	6,249,910	6,249,910
BRH $2,000,000 line of credit, interest of one month LIBOR plus 1.25%. Interest rate on December 31, 2015 was 1.68%.	2,000,000	-
BSNFA $1,000,000 line of credit, interest of one month LIBOR rate plus 1.25%. Interest rate on December 31, 2015 and 2014 was 1.68% and 1.42%, respectively.	773,383	773,383
BSNFAH $800,000 line of credit, interest of one month LIBOR rate plus 1.25%. Interest rate on December 31, 2015 and 2014 was 1.68% and 1.42%, respectively.	785,626	785,626
	$ 42,204,805	$ 33,725,069

Long-Term Debt

The Jacksonville Health Facilities Revenue Bonds, Series 2015 (Series 2015 Bonds) were issued September 2015 in the amount of $55,095,000. Series 2015 Bond proceeds will be used to (i) refinance the acquisition of certain home health care assets, (ii) finance the construction and equipping of a new outpatient rehabilitation clinic in Orange Park, Florida, (iii) finance the construction and equipping of a new inpatient family housing facility at the main campus of BRH, (iv) finance additional costs to complete a skilled nursing facility at the main campus of BRH, (v) finance additional capital expenditures for BRH and its affiliates, (vi) refinance certain debt, and (vii) pay the costs of issuance of the Series 2015 Bonds.

The Series 2015 Bonds consists of $7,430,000 of Serial Bonds and $47,665,000 of Term Bonds. The principal payments for the Serial Bonds are due in various amounts from November 2016 through November 2027, with interest rates that vary between 3% and 5%. The Term Bonds are payable various amounts from November 2034 through November 2040 at an interest rate of 4%. The carrying value of the bonds is approximately $53,820,000 at December 31, 2015, net of unamortized discount, which approximates the fair value. The Series 2015 bonds are collateralized through mortgaged property.

The Jacksonville Economic Development Commission Health Care Revenue Bond was approved at $35,000,000. The draw for $35,000,000 ("2013 Private Issue Debt") was in July 2013. The purpose of the draw was to (i) repay two lines of credit that were related to HBRS, and (ii) fund the construction of Brooks University Crossings.

For the 2013 Private Issue Debt, payments of $183,089 are made monthly. The interest rate was 2.36% for both years ended December 31, 2015 and 2014. The carrying value of the 2013 Private Issue Debt was approximately $31,473,000 and $32,898,000 at December 31, 2015 and 2014, respectively. The 2013 Private Issue Debt is collateralized through mortgaged property. The 2013 Private Issue Debt matures in June 2033.

For the 2011 Private Issue Debt, payments of $141,929 are made monthly. The interest rate was 3.63% for both years ended December 31, 2015 and 2014. The carrying value of the 2011 Private Issue Debt was approximately $28,144,000 and $28,799,000 at December 31, 2015 and 2014, respectively. The 2011 Private Issue Debt is collateralized through mortgaged property. The 2011 Private Issue Debt matures in June 2026.

The Jacksonville Economic Development Commission Health Care Revenue Bonds were approved at $65,000,000 to be disbursed in three separate draws. The first draw was for $34,100,000 (“2010 Private Issue Debt”) in August 2010. The purpose of the draw was to (i) finance a portion of the cost of capital improvements, (ii) refinance certain indebtedness of Brooks which financed the acquisition of Brooks Home Care Advantage, Inc. and (iii) pay the costs associated with the issuance of the debt. The capital improvements consisted of (i) building the infrastructure on land held for investment, (ii) improvements at Brooks’ existing inpatient rehabilitation hospital and (iii) routine capital improvements to health care facilities of Brooks. The remaining draws were issued in May 2011 (“2011 Private Issue Debt”). The first draw of $3,300,000 was used to refinance the acquisition by BSNFA and BSNFAH. The remaining $27,600,000 was drawn down for the construction of post-acute care facilities at Bartram Park.

For the 2010 Private Issue Debt, payments of $149,046 are made monthly. The interest rate was 3.24% for both years ended December 31, 2015 and 2014. The carrying value of the 2010 Private Issue Debt was approximately $30,151,000 and $30,936,000 at December 31, 2015 and 2014, respectively. The 2010 Private Issue Debt is collateralized through mortgaged property. The 2010 Private Issue Debt matures in August 2025.

The Jacksonville Health Facilities Authority Hospital Revenue Bonds, Series 2007 (“Series 2007 Bonds”) were issued in the amount of $95,000,000 for the purpose of (i) financing a portion of the cost of the capital improvements, (ii) refinancing certain indebtedness of BRH which financed the acquisition of unimproved land for future use, (iii) refunding the Jacksonville Health Facilities Authority Hospital Revenue and Refunding Bonds (“Series 1996 Bonds”) previously issued to provide financing for the benefit of BRH, (iv) funding a debt service reserve fund in connection with the Series 2007 Bonds, and (v) paying costs associated with the issuance of the Series 2007 Bonds. The capital improvements consisted of (i) improvements at Brooks’ existing inpatient rehabilitation hospital, (ii) the acquisition and construction of an administrative support building, and (iii) routine capital improvements to health care facilities of Brooks. Land purchased by Brooks is expected to be used by Brooks or its affiliates as the future site for post-acute care and related health care facilities.

For the Series 2007 Bonds, principal payments are to be made in various amounts through November 2038. Interest rates vary between 4.25% and 5.25% based on maturity. The effective interest rate was 5.18% and 5.16% for the years ended December 31, 2015 and 2014, respectively. The carrying value of the bonds is approximately $87,271,000 and $88,438,000 at December 31, 2015 and 2014, respectively, net of unamortized discount. The Series 2007 Bonds are collateralized through mortgaged property.

A summary of long-term debt at December 31:

	2015	2014
Series 2015 Bonds	$ 55,095,000	$ -
Series 2013 Private Issue Debt	31,472,879	32,898,349
Series 2011 Private Issue Debt	28,144,348	28,798,510
Series 2010 Private Issue Debt	30,150,731	30,935,684
Series 2007 Bonds	89,195,000	90,450,000
	234,057,958	183,082,543
Less: Net unamortized bond discount	(3,199,572)	(2,012,035)
Total debt	230,858,386	181,070,508
Less current portion	(4,741,953)	(4,119,585)
Long-term portion	$ 226,116,433	$ 176,950,923

Scheduled maturities on long-term debt during the next five years and thereafter are summarized as follows:

2016	$ 4,741,953
2017	4,912,177
2018	5,072,404
2019	5,276,134
2020	5,460,170
Thereafter	208,595,120
	234,057,958
Net unamortized bond discount	(3,199,572)
	$ 230,858,386

The Series 2007 Bonds, the 2010 Private Issue Debt, the 2011 Private Issue Debt, the 2013 Private Issue Debt and the Series 2015 Bonds agreements contain financial and non-financial covenants.

The fair values of the Series 2015 Bonds are based on their face value adjusted for issuance discounts. The fair value of the Series 2015 Bond was approximately $54,660,000 at December 31, 2015.

The fair value of the 2013 Private Issue Debt, 2011 Private Issue Debt and 2010 Private Issue Deb approximates the carrying value.

The fair values of the Series 2007 Bonds were approximately $93,037,000 and $95,596,000 at December 31, 2015 and 2014, respectively.

10. Derivative Instruments

In September 2015, Brooks entered into a forward swap agreement in order to mitigate cash flow risk in anticipation of the refunding of the Series 2007 bonds in November 2017. The swap agreement will commence in November 2017. Brooks will pay a fixed rate interest of 2.38%, and will receive a variable interest rate of 85% USD-LIBOR-BBA on the notational amount of the debt. For the year ended December 31, 2015, the swap valuation loss of approximately $845,000 was included in other losses on the consolidated statement of operations.

In 2011, Brooks entered into two interest swaps in order to mitigate the cash flow risk associated with the 2011 Private Issue Debt. For the years ending December 31, 2015 and 2014, the swaps valuation loss of approximately $32,000 and $1,411,000, respectively, was included in changes in unrestricted net assets.

In 2010, Brooks entered into an interest rate swap in order to mitigate the cash flow risk associated with the 2010 Private Issue Debt. For the years ending December 31, 2015 and 2014, the swap valuation loss of approximately $97,000 and $1,393,000, respectively, was included in changes in unrestricted net assets.

In 2008, Brooks entered into an interest rate swap in order to mitigate cash flow risk associated with the interest payments on the Series 2007 Bonds. Due to the nature of the swap, it does not qualify for hedge accounting treatment according to the regulatory authority. For the years ended December 31, 2015 and 2014, the swap valuation gain of approximately $1,959,000 and $3,228,000, respectively, was included in other (losses) gains on the consolidated statements of operations.

Excluding the 2015 forward rate swap, the derivative financial instrument agreements that were outstanding as of December 31, 2015 and 2014 are set forth in the tables below:

December 31, 2015

Notional Amount	Pay (1)	Receive	Maturity Date	Fair Value
$ 3,005,707	3.63%	65.0% USD-LIBOR-BBA+ 1.20%	Through 06/01/2026	$ (293,941)
$ 25,138,641	3.63%	65.0% USD-LIBOR-BBA+ 1.20%	Through 06/01/2026	$ (2,458,412)
$ 30,150,731	3.24%	65.0% USD-LIBOR-BBA+ 1.20%	Through 08/01/2025	$ (1,893,777)
$ 89,195,000	SIFMA	67.0% USD-LIBOR-BBA+ 0.51%	Through 11/01/2038	$ 2,320,235

December 31, 2014

Notional Amount	**Pay (1)**	Receive	**Maturity Date**	**Fair Value**
$ 3,075,569	3.63%	65.0% USD-LIBOR-BBA+ 1.20%	Through 06/01/2026	$ (290,538)
$ 25,722,941	3.63%	65.0% USD-LIBOR-BBA+ 1.20%	Through 06/01/2026	$ (2,429,956)
$ 30,935,684	3.24%	65.0% USD-LIBOR-BBA+ 1.20%	Through 08/01/2025	$ (1,796,761)
$ 90,450,000	SIFMA	67.0% USD-LIBOR-BBA+ 0.51%	Through 11/01/2038	$ 360,843

(1) Securities Industry and Financial Markets Association ("SIFMA")

As of December 31, Brooks had the following derivative instruments:

	2015		**2014**	
	Consolidated Balance Sheet Location	**Fair Value**	**Consolidated Balance Sheet Location**	**Fair Value**
Derivatives designated as effective hedging instruments under ASC 815	Other liabilities	$ 4,646,130	Other liabilities	$ 4,517,225
Derivatives not designated as effective hedging instruments under ASC 815	Other liabilities	$ (1,474,981)	Other liabilities	$ (360,843)

	Amount of Loss Recognized in Net Assets	
	2015	**2014**
Derivatives designated as effective hedging instruments under ASC 815	$ 128,875	$ 2,803,895

	Amount of Gain Recognized in (Deficit) Excess of Revenues Over Expenses	
	2015	**2014**
Derivatives not designated as effective hedging instruments under ASC 815	$ 1,114,138	$ 3,227,924

11. Benefit Plans

Brooks maintains a defined contribution plan (the "Plan") for substantially all full-time employees. The annual contribution under the Plan is based on a fixed percentage of salary of 3%, with an additional matching contribution made by Brooks for a portion of the voluntary employee contributions, subject to limits which begins after one year of service. Upon completion of the one year waiting period, step vesting occurs at 20% per year. The contribution expense under the Plan amounted to approximately $2,902,000 and $2,084,000 for the years ended December 31, 2015 and 2014, respectively.

Forfeitures are taken to offset employer contributions; if there are not enough contributions in the applicable Plan, forfeitures are not taken. Forfeitures may also be used to offset and pay the cost of administration fees. Forfeitures amounted to approximately $112,000 and $571,000 for the years ended December 31, 2015 and 2014, respectively.

Supplemental Executive Retirement Plan

Brooks also maintains a nonqualified, unfunded deferred compensation plan for the benefit of certain management employees of the organization. At December 31, 2015 and 2014, management estimated that the net present value of the contingent estimated obligation for supplemental executive retirement benefits approximated $1,061,000 and $786,000, respectively, which was recorded in other liabilities on the consolidated balance sheet. Expenses related to the contingent supplemental executive retirement benefit plan were approximately $281,000 and $180,000 for the years ending December 31, 2015 and 2014, respectively. The contingent benefits expected to be paid in the future subject to a 10 year vesting period are estimated as follows:

2016	$ 421,586
2017	469,368
2018	521,609
2019	578,699
2020	641,059
Thereafter	709,145
	$ 3,341,466

12. Other Investments

Brooks and its affiliates have other investments as of December 31, 2015 and 2014 as follows:

	Ownership		Investment	
	2015	**2014**	**2015**	**2014**
HBRS	50%	50%	$ 5,483,675	$ 5,099,159
BMD Investment in D1	10%	10%	100,000	100,000
Other	-	-	20,000	20,000
			$ 5,603,675	$ 5,219,159

13. Purchased Services

Memorial Hospital Jacksonville ("MHJ"), which is owned by Hospital Corporation of America ("HCA"), is an acute care hospital located adjacent to BRH which provides certain administrative and ancillary services to BRH subject to a contract between the parties. In 2012, Brooks renegotiated the contract to a cost per charge for ancillary services and a cost per unit for facility and administrative services. The contract, which details the provision of services, is renewed annually. These costs, which are included in purchased services on the consolidated statements of operations, were approximately $7,449,000 and $7,393,000 for the years ended December 31, 2015 and 2014, respectively.

Amounts payable to MHJ were approximately $564,000 and $601,000 at December 31, 2015 and 2014, respectively, and are included in accounts payable and accrued expenses on the consolidated balance sheets.

14. Pledges Payable

Brooks will periodically contribute funds to local, not-for-profit organizations.

In 2015, Brooks pledged to give $2,750,000 to Jacksonville University ratably over a five year period to continue the build-out and support of the viability of the Brooks Rehabilitation Speech-Pathology Program, including the hiring of new faculty, development, advancement, and laboratory resources for faculty and students, branding and research and development, and other support. It is also to be used for the expansion of the 2016 undergraduate Speech-Language Pathology distance learning degree to include branding and faculty recruitment; launch of the Masters in Health Informatics on campus and online; launch of Masters in Mental Health Counseling; launch of Masters in Kinesiology; development of a cohort program under the clinical leadership, management, clinical sciences plan; and the development of Science and Technology Labs in the College of Arts and Sciences.

In 2013, Brooks pledged to give $1,000,000 to Jacksonville University to sponsor a major new program with the College of Health Science – The Brooks Rehabilitation Speech-Language Pathology Program. This will be paid in equal installments over the next five years. This program was designed for students planning careers as speech-language pathologists with a primary goal to develop professionals who are knowledgeable and skilled in the assessment, diagnosis, and treatment of speech, voice, swallowing, language, and cognitive disorders with emphasis on the practice of medical speech-language pathology.

In 2012, Brooks pledged to give $2,500,000 to local healthcare organizations over a period of six years in order to fund programs that would improve healthcare and outcomes for the common patient population. These programs ultimately focus on reducing hospital readmissions, preserving independence and quality of life in the elderly, and maintaining excellence in orthopedic surgery and rehabilitation.

All other pledges made are to organizations that align their values and mission with those of Brooks.

The portion that is to be paid within one year is recorded in other current liabilities on the consolidated balance sheet, and the remaining amount is held in other liabilities on the consolidated balance sheet.

Pledges made in 2015 are recorded at a discount rate of 1.02% that is amortized over the period of the pledge. Pledges made during 2013 are recorded at a discount rate of 1.04% that is amortized over the period of the pledge. Pledges made during 2012 are recorded at a discount rate of .82% that is amortized over the period of the pledge.

Future payments of the pledges, by year, consist of the following at December 31, 2015:

Years ending:	
2016	$ 1,216,807
2017	1,136,667
2018	500,000
2019	500,000
Total	3,353,474
Less: unamortized discount	(64,998)
Total balance	$ 3,288,476

15. Operating Leases

Certain outpatient centers are being rented by Brooks from unaffiliated third parties under noncancelable operating leases through 2021. Future minimum lease payments, by year, consist of the following at December 31, 2015:

Years ending:	
2016	$ 2,731,738
2017	2,075,282
2018	1,598,111
2019	1,358,072
2020	1,316,531
Thereafter	831,242
	$ 9,910,976

Leases and rental expenses for all operating leases were approximately $3,550,000 and $3,250,000 for the years ended December 31, 2015 and 2014, respectively.

16. Concentration of Credit Risk

Brooks grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

The net mix of receivables from patients and third-party payors for BRH as of December 31, 2015 and 2014 was as follows:

	2015	**2014**
Medicare	32%	33%
Medicaid	3	4
Managed care	44	39
Other third-party payors	19	22
Self-pay	2	2
	100%	100%

The Medicare component of accounts receivable for other affiliates as of December 31, 2015 and 2014 was as follows:

	2015	**2014**
BHD	39%	35%
BAHH	51%	57%
BSNFA	73%	70%

17. Financial Assistance

Brooks maintains records to identify and monitor the level of charity care it provides. These recorded amounts include the amount of charges forgone for services and supplies furnished under its charity care policy. The estimated total cost of charity care provided was approximately $1,984,000 and $2,308,000 for the years ended December 31, 2015 and 2014, respectively. The total cost estimate is based on total direct and indirect costs per equivalent service statistic.

Unsponsored Community Benefit

Community benefit is a planned, managed, organized and measured approach to a health care organization's participation in meeting identified community health needs. It implies collaboration with a “community” to “benefit” its residents, particularly the poor and other underserved groups, by improving health status and quality of life. Community benefit projects and services are identified by health care organizations in response to findings of a community health assessment, strategic, and/or clinical priorities and partnership areas of attention.

Community benefit categories include financial assistance, community health services, health professions education, research and contributions. Brooks has policies providing financial assistance for patients requiring care but who have limited or no means to pay for that care. These policies provide free or discounted health and health-related services to persons who qualify under certain income and asset assistance; they are not reported as net patient service revenue. Brooks maintains records to identify and monitor the level of financial assistance it provides.

In addition to financial assistance, Brooks provides benefits for the broader community. The cost of providing these community benefits can exceed the revenue sources available. Examples of the benefits provided by Brooks and general definitions regarding those benefits are described below:

- Community health services include activities carried out to improve community health. They extend beyond patient care activities and are usually subsidized by the health care organization. Examples include community health education, counseling and support services.
- Health professions education includes education provided in clinical settings such as internships and programs for physicians, therapists, nurses and allied health professionals.
- Research includes unreimbursed studies focused on the rehabilitation and human performance needs of individuals with disabling conditions.
- Contributions and other support include funds benefiting the community-at-large.

Brooks' valuation of financial assistance provided and actual expenses incurred related to the benefits for the broader community for the years ended December 31 are as follows:

	2015	2014
Financial assistance provided (net of government support)	$ 1,984,246	$ 2,308,002
Benefits for the broader community:		
Community health services	5,447,616	2,305,489
Health professions education	821,083	657,562
Research	628,881	662,923
Contributions and other support	252,170	405,951
	$ 9,133,996	$ 6,339,927

18. **Contingencies**

Professional Liabilities

Brooks is involved in litigation and unasserted claims arising from the ordinary course of business. Claims alleging malpractice have been asserted against Brooks and are currently in various stages of litigation. Brooks insures its malpractice risk on a claims-made basis. Coverage limits for the policies are $1,000,000 per occurrence and $3,000,000 in the aggregate. There is a self-insurance retention limit per claims of: $500,000 – Hospital, $100,000 – Skilled Nursing, and $50,000 – Home Health. As of December 31, 2015 and 2014, respectively, Brooks has recorded approximately a $979,000 and $1,338,000 liability in other liabilities on the consolidated balance sheets for its estimated uninsured losses.

Workers Compensation Insurance

The self-insurance fund is reported in assets limited as to use in the accompanying consolidated balance sheets and includes the estimate of self-insured claims for workers' compensation. Self-insurance claims for workers' compensation are recorded at their present value using a 4% discount rate at December 31, 2015 and 2014.

Brooks has recorded approximately a $785,000 and $881,000 liability in non-current other liabilities, accounts payable and accrued expenses on the consolidated balance sheets for its estimated workers compensation losses at December 31, 2015 and 2014, respectively.

Health Insurance

Beginning January 2011, Brooks became self-insured for health and medical coverage for its employees. Amounts contributed by Brooks and its employees to the plan are determined by the level of benefits coverage selected by each employee. Expenses related to the self-insured health and medical plan for the years ended December 31, 2015 and 2014, were approximately $6,662,000 and $6,546,000, respectively. The estimated claims incurred, payments on claims, and the balance of the reserve for health insurance claims for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Claims liabilities, January 1	$ 488,507	$ 406,536
Expense	6,661,577	6,545,661
Claim payments	(6,320,658)	(6,463,690)
Claims liabilities, December 31	$ 829,426	$ 488,507

It is the opinion of management that its insurance coverages and self-insurance liabilities at December 31, 2015 and 2014 are adequate to provide for potential losses resulting from outstanding claims and pending or threatened litigation.

19. **Subsequent Events**

Brooks has evaluated subsequent events through April 14, 2016, the date the consolidated financial statements were available for distribution. No such events were noted.

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation
Consolidating Balance Sheet

December 31, 2015

Assets	Brooks Health System (Parent Company)	Brooks Rehabilitation Hospital	Brooks Health Development	Brooks Skilled Nursing	Brooks Home Health	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	$ 3,256,480	$ 800,143	$ 123,930	$ 244,708	$ 796,528	$ -	$ 5,221,789
Patient accounts receivable, net of allowance for doubtful accounts of approximately $1,495,000	-	11,408,900	863,486	1,380,011	5,341,243	-	18,993,640
Due from affiliates	12,593,910	84,532,893	-	6,942,236	-	(104,069,039)	-
Other current assets	2,297,756	984,779	1,823,324	559,734	165,868	-	5,831,461
Total current assets	18,148,146	97,726,715	2,810,740	9,126,689	6,303,639	(104,069,039)	30,046,890
Investments	273,397,382	-	-	-	-	-	273,397,382
Assets limited as to use	52,106,394	3,771,353	204,003	-	-	-	56,081,750
Property and equipment, net	52,480,817	25,368,618	2,281,835	40,134,851	799,839	-	121,065,960
Land held for development	22,042,178	-	-	-	-	-	22,042,178
Investment in affiliate	48,930,851	-	-	-	-	(48,930,851)	-
Other investments	120,000	-	5,483,675	-	-	-	5,603,675
Other assets, net	1,596,609	337,143	55,726	128,748	79,805	-	2,198,031
Goodwill	-	-	644,127	-	24,870,735	-	25,514,862
Intangible assets, net	-	54,426	-	6,491,448	4,823,889	-	11,369,763
Total assets	$ 468,822,377	$ 127,258,255	$ 11,480,106	$ 55,881,736	$ 36,877,907	$ (152,999,890)	$ 547,320,491

(continued)

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation
Consolidating Balance Sheet (Continued)
December 31, 2015

Liabilities and Net Assets	Brooks Health System (Parent Company)	Brooks Rehabilitation Hospital	Brooks Health Development	Brooks Skilled Nursing	Brooks Home Health	Eliminations	Consolidated
Current liabilities:							
Accounts payable and accrued expenses	$ 7,399,976	$ 10,226,260	$ 2,564,642	$ 3,871,907	$ 1,861,847	$ -	$ 25,924,632
Lines of credit	38,645,796	2,000,000	-	1,559,009	-	-	42,204,805
Current portion of long-term debt	2,866,506	834,097	66,198	675,743	299,409	-	4,741,953
Due to affiliates	43,676,416	-	14,808,498	31,808,559	13,775,566	(104,069,039)	-
Estimated third-party payor settlements	378,217	585,862	-	128,924	39,632	-	1,132,635
Other current liabilities	1,216,807	-	-	-	95,875	-	1,312,682
Total current liabilities	94,183,718	13,646,219	17,439,338	38,044,142	16,072,329	(104,069,039)	75,316,707
Long-term debt, net of current portion	137,085,695	47,365,696	3,328,015	27,468,605	10,868,422	-	226,116,433
Other liabilities	5,024,500	(412,206)	25,087	2,752,353	5,969,153	-	13,358,887
Total liabilities	236,293,913	60,599,709	20,792,440	68,265,100	32,909,904	(104,069,039)	314,792,027
Net assets (deficit):							
Unrestricted	230,967,399	66,658,546	(9,312,334)	(12,383,364)	3,968,003	(48,930,851)	230,967,399
Temporarily restricted	1,561,065	-	-	-	-	-	1,561,065
Total net assets (deficit)	232,528,464	66,658,546	(9,312,334)	(12,383,364)	3,968,003	(48,930,851)	232,528,464
Total liabilities and net assets	$ 468,822,377	$ 127,258,255	$ 11,480,106	$ 55,881,736	$ 36,877,907	$ (152,999,890)	$ 547,320,491

See Independent Auditors' Report.

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation
Consolidating Statement of Operations
For the Year Ended December 31, 2015

	Brooks Health System (Parent Company)	Brooks Rehabilitation Hospital	Brooks Health Development	Brooks Skilled Nursing	Brooks Home Health	Eliminations	Consolidated
Unrestricted revenues, gains, and other support:							
Net patient service revenue	$ -	$ 91,583,135	$ 8,220,804	$ 18,822,700	$ 23,265,313	$ -	$ 141,891,952
Contract service revenue	-	3,651,771	8,650,866	2,154,463	-	-	14,457,100
Investment income, net	12,750,539	2,928,358	1,481,124	44,443	72,785	-	17,277,249
Other	20,624,498	335,015	2,067,760	748,614	1,877	(16,266,427)	7,511,337
Total unrestricted revenues, gains, and other support	33,375,037	98,498,279	20,420,554	21,770,220	23,339,975	(16,266,427)	181,137,638
Expenses:							
Salaries, wages and benefits	12,329,681	50,106,617	16,886,783	13,795,267	17,756,597	-	110,874,945
Supplies	179,037	1,972,692	204,101	1,287,706	443,883	-	4,087,419
Depreciation and amortization	2,385,529	3,098,339	425,651	1,466,287	437,823	-	7,813,629
Leases and rentals	146,164	1,648,985	1,423,542	172,189	369,374	(110,472)	3,649,782
Interest	3,248,541	2,037,438	363,176	1,295,263	671,879	-	7,616,297
Professional fees	1,044,881	507,213	50,672	119,680	791,242	(80,800)	2,432,888
Insurance	167,039	470,265	92,064	78,970	111,469	-	919,807
Purchased services	-	7,448,830	-	-	-	-	7,448,830
Bad debts, net of recoveries	-	713,094	51,181	57,935	373,530	-	1,195,740
Other	7,450,025	23,042,594	544,895	4,973,657	3,435,273	(16,075,155)	23,371,289
Total expenses	26,950,897	91,046,067	20,042,065	23,246,954	24,391,070	(16,266,427)	169,410,626
Operating income (loss)	6,424,140	7,452,212	378,489	(1,476,734)	(1,051,095)	-	11,727,012
Other gains (losses):							
Equity in income from other investments	6,371,770	-	-	-	-	(6,371,770)	-
Community programs and other support	(3,143,262)	-	-	-	-	-	(3,143,262)
Ineffective change in interest rate swap	195,191	871,681	47,266	-	-	-	1,114,138
Net unrealized losses on investments	(18,432,366)	-	-	-	-	-	(18,432,366)
Other gains	309,188	-	-	-	-	252,059	561,247
Total other (losses) gains	(14,699,479)	871,681	47,266	-	-	(6,119,711)	(19,900,243)
(Deficit) excess of revenues over expenses	$ (8,275,339)	$ 8,323,893	$ 425,755	$ (1,476,734)	$ (1,051,095)	$ (6,119,711)	$ (8,173,231)

See Independent Auditors' Report.

GENESIS HEALTH, INC. AND AFFILIATES
d/b/a Brooks Rehabilitation
Consolidating Statement of Changes in Net Assets
For the Year Ended December 31, 2015

	Brooks Health System (Parent Company)	Brooks Rehabilitation Hospital	Brooks Health Development	Brooks Skilled Nursing	Brooks Home Health	Eliminations	Consolidated
Unrestricted net assets:							
(Deficit) excess of revenue over expenses	$ (8,275,339)	$ 8,323,893	$ 425,755	$ (1,476,734)	$ (1,051,095)	$ (6,119,711)	$ (8,173,231)
Net assets released from restrictions	252,059	-	-	-	-	-	252,059
Effective change in fair value of interest rate swaps	(26,767)	(30,160)	(4,154)	(31,858)	(35,936)	-	(128,875)
(Decrease) increase in unrestricted net assets	(8,050,047)	8,293,733	421,601	(1,508,592)	(1,087,031)	(6,119,711)	(8,050,047)
Temporarily restricted net assets:							
Net assets released from restrictions	(252,059)	-	-	-	-	-	(252,059)
Contributions	540,180	-	-	-	-	-	540,180
Increase in temporarily restricted net assets	288,121	-	-	-	-	-	288,121
(Decrease) increase in net assets	(7,761,926)	8,293,733	421,601	(1,508,592)	(1,087,031)	(6,119,711)	(7,761,926)
Net assets (deficit), beginning of year	240,290,390	58,364,813	(9,733,935)	(10,874,772)	5,055,034	(42,811,140)	240,290,390
Net assets (deficit), end of year	$ 232,528,464	$ 66,658,546	$ (9,312,334)	$ (12,383,364)	$ 3,968,003	$ (48,930,851)	$ 232,528,464

See Independent Auditors' Report.