SENTARA HEALTHCARE AND SUBSIDIARIES

Consolidated Financial Statements and
Supplementary Schedules

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

SENTARA HEALTHCARE AND SUBSIDIARIES

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KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Board of Directors
Sentara Healthcare:

We have audited the accompanying consolidated financial statements of Sentara Healthcare and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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 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 Sentara Healthcare and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplementary information included in schedules 1 through 10 is presented for 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, this information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Norfolk, Virginia
March 29, 2017

SENTARA HEALTHCARE AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(In thousands)

Assets		**2016**	**2015**
Current assets:			
Cash and cash equivalents	$	642,786	741,533
Receivables, net		652,827	579,261
Investments and assets whose use is limited		407,635	310,460
Inventories		73,670	71,773
Prepaid expenses and other current assets		38,197	32,545
Total current assets		1,815,115	1,735,572
Investments and assets whose use is limited		2,837,229	2,642,461
Property, plant, and equipment, net		1,883,820	1,853,527
Land held for future use, at cost		24,568	24,568
Other assets, net		96,811	133,573
Total assets	$	6,657,543	6,389,701
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	125,108	157,497
Employee compensation and benefits		193,195	171,556
Medical claims accrued and payable		86,326	78,563
Current installments of long-term debt		23,397	24,173
Long-term debt subject to current remarketing provisions		303,650	309,470
Estimated third-party payor settlements		21,042	20,863
Other current liabilities		151,249	161,702
Total current liabilities		903,967	923,824
Long-term debt, excluding current installments		988,415	988,749
Retirement obligations		251,161	281,851
Other long-term liabilities		303,879	316,011
Total liabilities		2,447,422	2,510,435
Net assets:			
Unrestricted		4,091,364	3,761,870
Temporarily restricted		68,577	67,335
Permanently restricted		20,711	19,911
Total net assets attributable to Sentara Healthcare		4,180,652	3,849,116
Noncontrolling interest		29,469	30,150
Total net assets		4,210,121	3,879,266
Total liabilities and net assets	$	6,657,543	6,389,701

See accompanying notes to consolidated financial statements.

SENTARA HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2016 and 2015

(In thousands)

	2016	2015
Operating revenues, gains, and other support:		
Net patient service revenue (net of contractual allowances and discounts)	$ 3,807,059	3,507,937
Provision for bad debts	(343,411)	(245,283)
Net patient service revenue less provision for bad debts	3,463,648	3,262,654
Premium and capitation revenue	1,479,174	1,434,038
Other operating revenue	132,947	128,339
Net assets released from restrictions for operations	7,640	8,881
Total operating revenues, gains, and other support	5,083,409	4,833,912
Operating costs and expenses:		
Salaries, wages and benefits	1,993,855	1,957,547
Medical claims	1,078,759	924,895
Other operating	1,526,651	1,451,390
Interest	40,136	41,071
Depreciation and amortization	210,196	196,230
Total operating costs and expenses	4,849,597	4,571,133
Net operating income	233,812	262,779
Nonoperating gains (losses), net	135,746	(42,698)
Excess of revenues over expenses before noncontrolling interest	369,558	220,081
Noncontrolling interest	(10,574)	(8,561)
Excess of revenues over expenses attributable to Sentara Healthcare	358,984	211,520
Net assets released from restricted funds for capital purchases	3,335	1,537
Change in funded status of retirement obligations	(32,825)	(73,806)
Increase in unrestricted net assets	$ 329,494	139,251

See accompanying notes to consolidated financial statements.

SENTARA HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2016 and 2015

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Noncontrolling interest	Total
Balance at December 31, 2014	$ 3,622,619	66,383	19,703	30,790	3,739,495
Excess of revenues over expenses	211,520	—	—	8,561	220,081
Net assets released from restricted funds for capital purchases	1,537	(1,537)	—	—	—
Change in funded status of pension liability	(73,806)	—	—	—	(73,806)
Distribution to noncontrolling interest	—	—	—	(9,201)	(9,201)
Contributions	—	11,907	281	—	12,188
Net assets released from restrictions	—	(8,881)	—	—	(8,881)
Investment losses, net	—	(537)	(73)	—	(610)
Change in net assets	139,251	952	208	(640)	139,771
Balance at December 31, 2015	3,761,870	67,335	19,911	30,150	3,879,266
Excess of revenues over expenses	358,984	—	—	10,574	369,558
Net assets released from restricted funds for capital purchases	3,335	(3,417)	—	82	—
Change in funded status of pension liability	(32,825)	—	—	—	(32,825)
Distribution to noncontrolling interest	—	—	—	(11,337)	(11,337)
Contributions	—	9,331	513	—	9,844
Net assets released from restrictions	—	(7,640)	—	—	(7,640)
Investment earnings, net	—	2,968	287	—	3,255
Change in net assets	329,494	1,242	800	(681)	330,855
Balance at December 31, 2016	$ 4,091,364	68,577	20,711	29,469	4,210,121

See accompanying notes to consolidated financial statements.

SENTARA HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

(In thousands)

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	330,855	139,771
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Distribution to noncontrolling interest		11,337	9,201
Provision for bad debts		343,411	245,283
Depreciation and amortization		210,196	196,230
Loss on refunding of debt		24,417	—
Net realized and unrealized (gains) losses on investments		(89,843)	83,003
(Gain) loss on disposal of property, plant, and equipment		(120)	4,212
Amortization of bond (premium) discount, net		(162)	162
Change in fair value of derivative instruments		(3,950)	142
Equity in earnings of limited investment companies		(52,055)	4,202
Equity in earnings of joint ventures		(6,383)	(7,648)
Restricted contributions received		(9,844)	(12,188)
Gain on sale of business line		(84)	—
Changes in operating assets and liabilities:			
Receivables, net		(416,701)	(274,902)
Inventories		(2,429)	(8,923)
Prepaid expenses and other current assets		(5,652)	6,906
Accounts payable and accrued expenses		(32,389)	30,563
Employee compensation and benefits		21,639	10,181
Medical claims accrued and payable		7,763	144
Estimated third-party payor settlements		179	6,427
Retirement obligations		(30,690)	42,332
Other liabilities		(20,588)	20,467
Net cash provided by operating activities		278,907	495,565
Cash flows from investing activities:			
Capital expenditures		(245,888)	(279,102)
Purchases of investments, net		(117,333)	(191,160)
Net changes in other assets		9,910	(3,964)
Proceeds from the sale of business line		5,190	—
Proceeds from the disposal of property, plant, and equipment		3,145	3,408
Net cash used in investing activities		(344,976)	(470,818)
Cash flows from financing activities:			
Restricted contributions received		9,844	12,188
Distribution to noncontrolling interest		(11,337)	(9,201)
Proceeds from issuance of long-term debt		474,184	—
Repayments on long-term debt		(505,026)	(28,877)
Payments on capital lease obligations		(343)	(329)
Net cash used in financing activities		(32,678)	(26,219)
Net decrease in cash and cash equivalents		(98,747)	(1,472)
Cash and cash equivalents at beginning of year		741,533	743,005
Cash and cash equivalents at end of year	$	642,786	741,533
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	43,466	41,208
Cash paid during the year for income taxes		1,052	1,098

See accompanying notes to consolidated financial statements.

(1) Description of Organization

(a) Corporate Organization and Mission

Sentara Healthcare (Sentara) is a nonstock, nonprofit, 501(c)(3) tax-exempt Virginia Corporation formed to coordinate, promote, and plan for the provision of health services, medical education, and the economic development of Virginia and North Carolina.

The mission of Sentara is "We improve health every day." Sentara recognizes that the public trust in its hospitals and services represents both a privilege and a commitment. As the region's not-for-profit health partner, Sentara is recognized as a leader in providing high quality healthcare regardless of a patient's ability to pay.

(b) Principles of Consolidation

Sentara is affiliated with its subsidiaries through the legal relationship of sole "member" or sole "stockholder." As sole member/stockholder, Sentara has those rights and powers prescribed by law and provided in the subsidiaries' Articles of Incorporation and Bylaws. All significant intercompany balances and transactions have been eliminated in consolidation. Noncontrolling interests have been recorded to recognize the portion of the net assets and operating results of affiliates not wholly owned by Sentara.

The consolidated financial statements include the subsidiaries of Sentara organized into the following lines of business:

- Sentara Healthcare Corporate (SHC) provides overall administration for all Sentara subsidiaries and includes Bay Primex Insurance Company, Ltd. (Bay Primex), a captive insurance company, which insures professional and general liability risks, and Medical Practice Buildings (MPB), which operates medical office buildings.
- Sentara Hospitals (Hospitals), located in the Hampton Roads, Northern Virginia, Blue Ridge, and South Boston areas of Virginia, as well as the Elizabeth City area of North Carolina, provides acute care hospital services and operates Sentara Norfolk General Hospital (SNGH), Sentara Virginia Beach General Hospital (SVBGH), Sentara Leigh Hospital (SLH), Sentara CarePlex Hospital (SCPH), Sentara Williamsburg Regional Medical Center (SWRMC), Sentara Obici Hospital (SOH), Sentara Princess Anne Hospital (SPAH), Sentara Northern Virginia Medical Center (SNVMC), Sentara RMH Medical Center (SRMH), Sentara Martha Jefferson Hospital (SMJH), Sentara Halifax Regional Hospital (SHRH), and Sentara Albemarle Regional Medical Center (SAMC).
- Sentara Enterprises (SE) administers various outpatient healthcare programs, including home health services and patient transportation.
- Sentara Life Care Corporation (SLCC) provides geriatric care services and operates long-term care and assisted living facilities.
- Optima Health Plan (OHP) is a health maintenance organization.

(Continued)

- Sentara Holdings, Inc. (SHI) includes the subsidiaries Sentara Health Plans, Inc. (SHP), Sentara Ventures, Inc. (SVI), Sentara Health Insurance Company of North Carolina, Inc. (SHIC NC), Sentara Health Plans of Ohio, Inc. (SHP OH), and Obici Professional Center (OPC). SHP provides and administers medical services to subscribers and includes Optima Health Group (OHG), a health maintenance organization, Optima Behavioral Health Services (OBHS), a mental health services company, and Optima Health Insurance Company (OHIC), a health insurance company. SVI has been organized to carry on taxable healthcare activities. SHIC NC is licensed to provide health insurance in the state of North Carolina. OPC operates medical office buildings and includes Obici Medical Management Services (OMMS), which owns and operates physician practices and urgent care centers.
- Sentara Medical Group (SMG) owns and operates physician practices and urgent care centers. SMG Innovations (SMGI) is a subsidiary of SMG and owns and operates specialized physician practices.

(2) Joint Venture

SPAH is a 160-bed acute care hospital that serves southern Virginia Beach, as well as neighboring Chesapeake and northeastern North Carolina communities. SPAH commenced operations in August 2011 as a joint venture between Sentara and Bon Secours Health System, Inc. (Bon Secours) (collectively, the Members). Pursuant to the joint venture agreement, Sentara and Bon Secours hold ownership interests in SPAH of 70% and 30%, respectively. Distributions to the Members occur in accordance with the respective membership interests based on an accumulation of days cash on hand above certain thresholds.

The financial position and results of operations of SPAH are included in the consolidated financial statements of Sentara. Bon Secours' interest is reflected as a noncontrolling interest in the consolidated financial statements. An excess of revenues over expenses related to SPAH of $24,674 and $10,574 was attributable to Sentara and to the noncontrolling interest, respectively, for the year ended December 31, 2016. An excess of revenues over expenses related to SPAH of $19,987 and $8,561 was attributable to Sentara and to the noncontrolling interest, respectively, for the year ended December 31, 2015.

(3) Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less, excluding amounts held in investments.

At December 31, 2016 and 2015, unrestricted cash and cash equivalents totaling $47,438 and $35,432, respectively, and unrestricted investments totaling $177,551 and $192,352, respectively, were held by Sentara's insurance subsidiaries, OHP, OHIC, and OHG. Transfers of funds by these entities to other Sentara affiliates are subject to approval by the Virginia State Corporation Commission Bureau of Insurance.

(b) *Investments and Assets Whose Use is Limited*

Investments in readily marketable debt and equity securities are carried at fair value. All investments, except for the portion required for payment of current liabilities, are classified as noncurrent assets. Readily marketable investments are deemed to be trading securities; therefore, investment income or loss (including realized and unrealized gains and losses) is included in nonoperating gains (losses), net, unless restricted as to use by donor or law.

Sentara invests in alternative investments in the form of limited liability companies or partnerships. Alternative investments are accounted for at net asset value (NAV) per share based on Sentara's interest in their underlying net assets. Alternative investments are typically not readily marketable and, accordingly, their fair value may be different from their carrying value and that difference could be material. Sentara's share of alternative investment gains and losses is included in nonoperating gains (losses), net. Alternative investments are included in investments and assets whose use is limited in the consolidated balance sheets.

Sentara's investments are exposed to several risks, including interest rate, currency, market, and credit risks. It is at least reasonably possible that changes in the values of investment securities will occur in the near term due to these risks and such changes could materially affect the amounts reported in the consolidated financial statements.

Sentara has invested in a number of joint ventures, limited liability corporations, and other nonpublic entities that provide specialty healthcare services or engage in other activities. Investments where Sentara has between a 20% and up to a 50% ownership interest are accounted for using the equity method. Sentara's equity in their earnings, which totaled $6,383 and $7,648 for the years ended December 31, 2016 and 2015, respectively, is included in other operating revenue in the accompanying consolidated statements of operations. These investments are included in other assets, net, in the accompanying consolidated balance sheets and totaled $39,820 and $34,222 at December 31, 2016 and 2015, respectively.

Assets limited as to use include assets held by trustees under debt agreements, malpractice funding arrangements, derivative financial instrument agreements, or internally designated as endowment funds.

(c) *Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost at the date of acquisition or fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease, or the useful life of the asset, whichever is shorter. Estimated useful lives range from 3 to 25 years for land improvements; 10 to 50 years for buildings, fixed equipment, and leasehold improvements; and 3 to 20 years for major movable equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Gains or losses on disposal of property, plant, and equipment are included in net operating income. Repairs and maintenance costs are expensed as incurred.

(d) Impairment of Long-Lived Assets

Sentara assesses long-lived assets for impairment by determining whether their carrying values can be recovered through the undiscounted future operating cash flows generated by the assets. The amount of impairment, if any, is measured by comparison of the fair value of the assets to their carrying value. Fair value is determined using market data or projected discounted future operating cash flows using a discount rate reflecting Sentara's weighted average cost of capital.

(e) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies. In accordance with Accounting Standards Update (ASU) 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions*, Sentara no longer amortizes goodwill, but tests the carrying value of goodwill annually for impairment. Total goodwill recognized on acquisitions, less accumulated amortization, was $35,867 and $32,636 as of December 31, 2016 and 2015, respectively, and is included in other assets, net in the accompanying consolidated balance sheets.

(f) Medical Claims Accrued and Payable

Claims unpaid by Sentara's insurance subsidiaries include amounts billed and not paid and an estimate of costs incurred for unbilled services provided. The estimated liability for unbilled services is based principally on historical payment patterns using actuarial techniques. Unpaid claims adjustment expenses are accrued based on an estimate of the costs necessary to process unpaid claims. Claims unpaid are reviewed and adjusted periodically and, as adjustments are made, differences are included in current operations.

(g) Derivative Financial Instruments

Sentara recognizes the fair value of derivative financial instruments, currently consisting of interest rate swap agreements in the accompanying consolidated balance sheets. Sentara has elected not to use hedge accounting with respect to any of its derivative financial instruments. Accordingly, the change in fair value of these instruments is included in nonoperating gains (losses), net. Net cash settlement amounts are included in interest expense.

(h) Temporarily and Permanently Restricted Net Assets

Net assets and their related changes are classified based on the existence or absence of donor-imposed restrictions. Temporarily restricted net assets have been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity as endowments. Related income on endowment assets is classified as temporarily restricted until appropriated for expenditure. Temporarily restricted net assets have been restricted primarily for the provision of various healthcare services.

(i) Nonoperating Gains, Net and Excess of Revenues over Expenses

Activities related to the provision of healthcare services are reported as operating revenues and expenses. Activities that result in gains or losses unrelated to Sentara's primary mission are considered to be nonoperating.

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include changes in the funded status of defined-benefit pension plans, contributions of long-lived assets (including assets acquired using donor-restricted contributions), and capital contributions from noncontrolling interests.

(j) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes to estimates become known and tentative and final settlement adjustments are determined.

(k) Charity Care

Sentara provides care to patients that meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Sentara does not pursue collection of amounts determined to qualify as charity care, related charges are not reported as revenue or included in receivables.

(l) Premium and Capitation Revenue

Premium and capitation payments are recognized as revenue during the coverage period Sentara's insurance subsidiaries are obligated to provide healthcare services. Premium billings are billed in the month preceding the coverage period and are recorded as unearned revenue until earned. Payments received by the Hospitals from SHP are eliminated in consolidation.

Certain insurance subsidiaries participate in the risk adjustment, reinsurance, and risk corridor programs, established by the Affordable Care Act (ACA). The overall goal of these programs is to provide certainty and protect against adverse insurance plan selection while stabilizing premiums as exchanges launched in 2014. Premium revenue and a corresponding receivable of $71,326 and $66,050 were estimated and recorded related to these programs for the years ended December 31, 2016 and 2015, respectively. The laws and regulations governing these programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change in the near term.

(m) Medical Claims Expense

Medical claims expense for Sentara's insurance subsidiaries is recognized as services are provided, including estimated amounts for claims incurred but not yet reported. These expenses are reported net of subscriber copay and deductible amounts and net of reimbursement from coordination of benefits. Reinsurance premiums, net of recoveries, are included in medical claims expense in the accompanying consolidated statements of operations.

(n) Income Taxes

Sentara and its not-for-profit subsidiaries have been recognized by the Internal Revenue Service as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code, and therefore, related income is generally not subject to federal and or state income taxes.

SHI, its incorporated subsidiaries, and SMGI account for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*, whereby income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

Sentara accounts for uncertain tax positions in accordance with ASC Topic 740.

(o) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation allowances for receivables, recoverability of long-lived assets and goodwill, medical claims liabilities, derivatives, alternative investments, ACA receivables, self-insurance accruals, third-party payor settlements, and retirement obligations. Actual results could differ from those estimates.

(p) Fair Value of Financial Instruments

The fair value of a financial instrument is the amount 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. FASB ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses, employee compensation and benefits, estimated third-party payor settlements, and other liabilities reported in the consolidated balance sheets approximate fair value (classified as Level 1), in all significant respects, at December 31, 2016 and 2015.

(In thousands)

(q) Recently Adopted Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Liabilities*. This ASU removes the requirement to disclose the fair value of financial instruments that are measured at amortized cost. Sentara adopted ASU 2016-01 in 2016 and removed the fair value disclosure from note 8 for its revenue and refunding bonds and commercial paper revenue notes.

In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. Sentara adopted ASU 2015-07 in 2016 and removed these investments from the summary of levels within the fair value hierarchy note disclosure from note 6.

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. Sentara adopted ASU 2015-03 in 2016 and reclassified the December 31, 2015 unamortized bond issuance cost balance of $4,826 from other assets, net, to long-term debt, excluding current installments.

(r) Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation. The reclassifications had no effect on net operating income, excess of revenue over expenses or net assets as of and for the year ended December 31, 2015.

(s) Subsequent Events

Sentara has evaluated subsequent events for recognition and disclosure through March 29, 2017, the date the consolidated financial statements were issued.

(4) Net Patient Service Revenue

Net patient service revenue, before provision for bad debts, is computed as follows for the years ended December 31:

		2016	2015
Gross patient charges	$	11,263,920	10,280,706
Charity care		662,328	670,254
Gross patient service revenue		10,601,592	9,610,452
Deductions:			
Medicare, Medicaid, and Tricare contractual deductions		4,113,876	3,747,287
Other discounts and adjustments		2,680,657	2,355,228
Total	$	3,807,059	3,507,937

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

Medicare: Under the Medicare program, Sentara receives reimbursement under a prospective payment system (PPS) for inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group (DRG). When the estimated cost of treatment for certain patients is significantly higher than the average, providers typically will receive additional "outlier" payments. SRMH and SAMC are considered sole-community service providers by Medicare and its prospective payment rates may be adjusted for inpatient operating costs. The majority of outpatient services provided to Medicare beneficiaries are prospectively reimbursed based on service groups called ambulatory payment classifications (APCs). The remainder of outpatient services are paid on a cost basis or based on a fee schedule. Educational costs are reimbursed by the Medicare program on a reasonable cost basis. The Hospitals are paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. All Hospitals have final settled with the Medicare program through the 2013 cost report year, except for SNGH, SAMC, and SHRH, which have all settled through the 2012 cost report year.

Medicaid: The Medicaid program is administered by the Department of Medical Assistance Services (DMAS) of the Commonwealth of Virginia, pursuant to federal and state laws and regulations. DMAS receives funding for program expenditures from both the federal government and the Commonwealth of Virginia. Federal or state law or regulations may affect limits on Medicaid payment. The majority of Medicaid recipients in Sentara's primary service area are enrolled in health maintenance organizations (HMOs). These HMOs contract with the Medicaid program to provide primary and acute care services to enrolled Medicaid recipients. The Hospitals are paid for substantially all services rendered to Medicaid HMO beneficiaries on a prospective payment basis. There are certain Medicaid patients excluded from the HMO program for which the Hospitals are reimbursed based on a DRG-based PPS, which is subject to certain limitations and possible retroactive adjustment. All hospitals have final settled with the Medicaid program through the 2014 cost report year, except for SCH, SAMC and SHRH. SCH has settled through the 2015 cost report year, while SAMC and SHRH have settled through the 2012 cost report year.

In addition to Medicare and Medicaid discussed above, Sentara also provides services to beneficiaries of numerous other third-party payors. These payors pay based on negotiated contractual rates, which include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term. During 2016 and 2015, the effect of these settlement adjustments was to increase net patient service revenue by approximately $5,395 and $3,390, respectively, related to activity from previous periods.

Due to the nature of the governmental cost report settlement process, the complexities of governmental and nongovernmental patient billing and other financial statement exposures that are inherent in the provision of healthcare services, Sentara has established financial accounting and reporting policies that formally govern the establishment of associated liability estimates beyond those related to specifically identifiable events containing a high level of uncertainty. The establishment of related liabilities is based on a number of factors, including net patient service revenue volumes. Sentara believes that such policy properly provides for Sentara's routine and nonroutine exposures. These estimated liabilities are included in other long-term liabilities in the accompanying consolidated balance sheets in the amounts of $94,536 and $106,768 as of December 31, 2016 and 2015, respectively. During 2016 and 2015, the effect of the change in these estimates was to increase net patient service revenue by approximately $10,430 and $434, respectively, related to activity from previous periods.

(In thousands)

The Health Information Technology for Economic and Clinical Health (HITECH) Act that was enacted as part of the American Recovery and Reinvestment Act of 2009 was signed into law in February 2009. Within the context of the HITECH Act, certain healthcare entities must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and "meaningful use" of health information technology (HIT). Understanding the strategic importance of an EHR system, Sentara invested in a certified EHR system prior to the HITECH Act. The HITECH Act includes significant monetary incentives to encourage the adaptation of a certified EHR system. During 2016 and 2015, Sentara recognized incentive payments totaling $1,825 and $3,683, respectively, which are included in other operating revenue in the accompanying consolidated statements of operations.

(5) Receivables, Net

Receivables, net, are summarized as follows at December 31:

		2016	2015
Patient accounts receivable	$	1,539,723	1,357,511
Less:			
Contractual allowances for third-party payors		835,359	726,158
Allowance for bad debts		263,022	242,564
Patient accounts receivable, net		441,342	388,789
Premium and capitation receivables, net		81,338	76,930
Estimated third-party payor settlements		16,981	12,190
ACA receivables		71,326	66,050
Other receivables		41,840	35,302
Receivables, net	$	652,827	579,261

Patient accounts receivable are reduced by an allowance for bad debts. In evaluating the collectibility of accounts receivable, Sentara analyzes historical collections and write-offs and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for bad debts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for bad debts. For receivables associated with services provided to patients who have third-party coverage, Sentara analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients or with balances remaining after third-party coverage, Sentara records a provision for bad debts in the period of service on the basis of its historical collections, which indicates that many patients are unwilling or unable to pay the portion of their bill for which they are financially responsible. The difference between the discounted rates and the amounts collected after all reasonable collection efforts have been exhausted is charged off against the allowance for bad debts.

(In thousands)

The activity in the allowance for bad debts is summarized as follows for the years ended December 31:

		2016	2015
Beginning balance as of January 1	$	242,564	239,137
Provision for bad debts		343,411	245,283
Less writeoffs, net of recoveries		(322,953)	(241,856)
Ending balance as of December 31	$	263,022	242,564

The change in the allowance for bad debts during 2016 is attributable to increased self-pay patient volumes and trends experienced in the collection of the related patient receivables.

(6) Investments and Assets Whose Use is Limited

Investments and assets whose use is limited at December 31 at estimated fair value and NAV comprise the following:

		2016	2015
Unrestricted investments	$	3,079,123	2,805,808
Donor-restricted investments		68,251	62,258
Assets whose use is limited under indenture, self-insurance funding arrangement, and derivative financial instrument agreements held by trustee		76,074	71,700
Assets internally designated as endowment fund		21,416	13,155
		3,244,864	2,952,921
Less portion required to pay current liabilities		407,635	310,460
	$	2,837,229	2,642,461

(Continued)

(In thousands)

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets

Level 2 – Quoted prices for similar instruments in active markets; for identical instruments in markets that are not active; and model-driven valuations whose inputs are observable either indirectly or directly

Level 3 – Unobservable inputs that are significant to the fair value of the assets or liabilities

NAV – Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated balance sheets.

The following tables present Sentara's fair value hierarchy for those assets measured at estimated fair value on a recurring basis as of December 31, 2016 and 2015, respectively:

		2016		
	Total	**Level 1**	**Level 2**	**Investments reported at NAV**
Investments:				
Fixed maturities	$ 749,241	82,689	666,552	—
Equity securities	1,315,705	61,947	1,253,758	—
Multiasset funds	58,150	58,150	—	—
Alternative investments:				
Hedge funds	563,967	—	231,641	332,326
Private equity	79,650	—	—	79,650
Real estate	248,258	—	—	248,258
Short-term investments	229,893	229,893	—	—
Total	$ 3,244,864	432,679	2,151,951	660,234

(In thousands)

	2015			
	Total	Level 1	Level 2	Investments reported at NAV
Investments:				
Fixed maturities	$ 736,670	106,210	630,460	—
Equity securities	1,263,305	143,667	1,119,638	—
Multiasset funds	193,781	193,781	—	—
Alternative investments:				
Hedge funds	367,336	—	190,637	176,699
Private equity	79,873	—	—	79,873
Real estate	228,680	—	—	228,680
Short-term investments	83,276	83,276	—	—
Total	$ 2,952,921	526,934	1,940,735	485,252

Short-term investments comprise cash equivalents and short-term fixed income securities. Because of the nature of these assets, carrying amounts approximate fair values, which have been determined from public quotations, when available.

Fair values for Sentara's fixed maturity securities are based on prices provided by its investment managers and its custodian bank, which use a variety of pricing sources to determine market valuations.

Fair values of equity securities have been determined by Sentara from observable market quotations, when available. Equity securities where a public quotation is not available are valued by using broker quotes.

Sentara generally uses net asset value per share as provided by external investment managers without further adjustment as a practical expedient estimate of the fair value of its alternative investments and limited investment companies consistent with the provisions of ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. Accordingly, such values may differ from values that would have been used had an active market for the investments existed.

Sentara's limited investment companies include redemption restrictions. Hedge fund investments may require 65 to 105 day written notice of intent to withdraw and may be subject to a 12 to 36 month lockup period. Private equity investments do not include provisions for redemption, and are distributed by the fund on a discretionary basis as restrictions are met and capital permits. Real estate investments require written notice of intent to withdraw and are subject to the capital requirements of the fund manager.

Sentara has remaining capital commitments of $43,668 at December 31, 2016 for certain limited investment companies.

(In thousands)

(7) Property, Plant, and Equipment

The components of property, plant, and equipment, at cost, and the related accumulated depreciation at December 31 are summarized as follows:

		2016	2015
Land	$	150,700	158,226
Land improvements		129,730	120,737
Buildings		1,342,276	1,319,773
Fixed equipment		679,458	636,125
Major moveable equipment		1,785,180	1,605,392
Leasehold improvements		60,746	59,496
		4,148,090	3,899,749
Less accumulated depreciation and amortization		2,391,745	2,222,374
		1,756,345	1,677,375
Construction in progress		127,475	176,152
Total	$	1,883,820	1,853,527

Depreciation and amortization related to property, plant, and equipment totaled $209,641 and $195,655 for the years ended December 31, 2016 and 2015, respectively.

Significant construction projects in progress at December 31, 2016 are expected to have remaining project costs of approximately $217,825 through 2020. The commitments include the costs to complete a vertical expansion at SNGH, an expansion at SVBGH, the implementation of EPIC billing and registration modules, and other projects.

(In thousands)

(8) Long-Term Debt

Long-term debt and capital lease obligations at December 31 are summarized as follows:

	2016	2015
Sentara Healthcare Obligated Group Revenue and Refunding Bonds:		
Series 2016A, payable in installments ranging from $1,010 to $8,550 through 2034, with interest at a variable rate determined upon remarketing every seven days (actual interest rate at December 31, 2016 was 0.70%)	$ 97,925	—
Series 2016B, payable in installments ranging from $1,010 to $8,550 through 2034, with interest at a variable rate determined upon remarketing every seven days (actual interest rate at December 31, 2016 was 0.73%)	97,925	—
Series 2016C, payable in installments ranging from $690 to $6,350 through 2046, with interest at a variable rate of 67% of one-month LIBOR plus 0.40% (actual interest rate at December 31, 2016 was 0.81%)	100,000	—
Series 2016D, payable in installments ranging from $575 to $5,300 through 2046, with interest at a variable rate of 67% of one-month LIBOR plus 0.36% (actual interest rate at December 31, 2016 was 0.78%)	83,535	—
Series 2016E, payable in installments of $1,200 through 2039, with interest at a variable rate of 67% of one-month LIBOR plus 0.35% (actual interest rate at December 31, 2016 was 0.76%)	27,600	—
Series 2016F, payable in installments of $2,724 through 2040, with interest at a variable rate of 67% of one-month LIBOR plus 0.40% (actual interest rate at December 31, 2016 was 0.81%)	65,379	—
Series 2013A-B, payable in installments ranging from $1,370 to $11,535 from 2017 through 2048, with interest at a variable rate of 67% of one-month LIBOR plus 0.40% (actual interest rate at December 31, 2016 was 0.81%)	155,920	157,225
Series 2012A, refunded by Series 2016A and 2016B	—	67,635
Series 2012B, payable in installments ranging from $2,285 to $26,110 through 2043, with fixed interest rates ranging from 3.00% to 5.00% (average interest rate at December 31, 2016 was 4.69%)	137,875	140,205
Series SRMH 2011A-C, refunded by Series 2016E	—	28,800
Series SRMH 2010A-C, refunded by Series 2016F	—	68,103

(In thousands)

		2016	2015
Series 2010, payable in installments ranging from $1,600 to $37,160 through 2040, with fixed interest rates ranging from 4.00% to 5.00% (average interest rate for 2016 was 4.70%)		231,150	238,490
Series 2010B-C, refunded by Series 2016A and 2016B		—	130,035
Series 2008, payable in installments ranging from $1,765 to $26,860 through 2035, with a fixed interest rate of 5.75%		151,400	153,700
Series SRMH 2006, refunded by Series 2016C and 2016D		—	184,685
City of Suffolk 1998, payable in annual installments of $667 through 2017, with a fixed interest rate of 4.71%		667	1,333
Isle of Wight 1998, payable in annual installments of $667 through 2017, with a fixed interest rate of 4.76%		667	1,333
Series 1993, payable in installments ranging from $3,585 to $3,775 through 2018, with a fixed interest rate of 5.13%		7,360	10,775
SHRH Revenue Bonds – Series 2007, payable in installments ranging from $505 to $1,320 through 2037, with fixed interest rates ranging from 4.38% to 5.04% (average interest rate for 2016 was 4.90%)		17,800	18,314
Notes payable:			
Sentara Healthcare Commercial Paper Note program:			
$130,000 authorized tax-exempt issue, weighted average maturity and interest rate at December 31, 2016 was 64 days and 0.61%, respectively		36,800	40,800
$125,000 authorized taxable issue, weighted average maturity and interest rate at December 31, 2016 was 77 days and 0.84%, respectively		71,000	71,000
Note payable due 2017 with a fixed rate of Prime, adjusted every five years		108	146
Capital lease obligations		22,044	22,429
		1,305,155	1,335,008
Unamortized bond premium (discount), net		15,377	(7,790)
Unamortized bond issuance costs, net		(5,070)	(4,826)
Less amount classified as current		(327,047)	(333,643)
	$	988,415	988,749

(Continued)

(a) Obligated Group Revenue and Refunding Bonds

The Sentara Healthcare Obligated Group Revenue and Refunding Bonds were issued under various sales agreements between Sentara and the Industrial Development Authority (IDA) of the Cities of Norfolk, Suffolk, Virginia Beach and Harrisonburg and the County of Isle of Wight (the Authorities), pursuant to which the Authorities will sell certain improvements back to Sentara for aggregate installment payments sufficient to enable the Authorities to pay the principal and interest on the bonds when due. Under the terms of the sales agreements, Sentara delivered to the Authorities promissory notes, pursuant to a Master Trust Indenture, between Sentara and U.S. Bank, NA, as trustee.

In May 2016, Sentara issued $197,670 in variable rate Hospital Facilities Revenue and Refunding Bonds (Series 2016A and 2016B). The proceeds of the bonds were used to fully refund the Series 2010B-C and 2012A Bonds. A loss of $1,053 was recognized on the refunding and is included in nonoperating gains (losses), net in the accompanying 2016 consolidated statement of operations.

In August 2016, Sentara issued $183,535 in variable rate Hospital Facilities Revenue and Refunding Bonds (Series 2016C and 2016D). The proceeds of the bonds were used to fully refund the RMH Series 2006 Bonds. A loss of $23,364 was recognized on the refunding and is included in nonoperating gains (losses), net in the accompanying 2016 consolidated statement of operations.

In October 2016, Sentara issued $27,600 in variable rate Hospital Facilities Revenue and Refunding Bonds (Series 2016E). The proceeds of the bonds were used to fully refund the RMH Series 2011A-C Bonds.

In November 2016, Sentara issued $65,379 in variable rate Hospital Facilities Revenue and Refunding Bonds (Series 2016F). The proceeds of the bonds were used to fully refund the RMH Series 2010A-C Bonds.

Sentara maintains a balance of short-term investments equal to the Series 2016A Bonds (formerly Series 2012A), Series 2016B Bonds (formerly Series 2010B-C), and the commercial paper issuances (Note 8(b)), which are not covered by a letter of credit (self-liquidity). Long-term debt subject to current remarketing provisions and covered by self-liquidity totaled $303,650 and $309,470 as of December 31, 2016 and 2015, respectively, and is classified as a current liability.

(b) Commercial Paper Revenue Notes

Issuance of the tax-exempt Sentara Healthcare Commercial Paper Revenue Notes (the Notes) was authorized during 1998 under agreements between Sentara and the IDA of the City of Norfolk (the Authority). The Notes will be issued from time to time by the Authority as part of a pooled financing program to provide loans to Sentara to finance the cost of certain capital improvements, to refinance outstanding revenue, and refunding bonds and to pay costs associated with the issuance of the Notes. It is management’s intent to continuously rollover these Notes. However, the outstanding principal amount of all Notes must be repaid by 2027. Each Note will mature between 1 and 270 days after its date of issuance. The maximum aggregate principal amount of the Notes outstanding at any one time shall not exceed $130,000.

(In thousands)

During 2012, Sentara entered into an agreement with a commercial finance company that authorizes the issuance of up to $125,000 of taxable commercial paper (the Commercial Paper). The Commercial Paper will be issued from time to time for general corporate purposes and to refund a portion of certain Notes previously issued. It is management's intent to continuously rollover the Commercial Paper. However, the outstanding principal amount of all the Commercial Paper must be repaid by 2042. Each Commercial Paper will mature between 1 and 270 days after its date of issuance.

(c) Other

The Revenue and Refunding Bonds are not secured by any security interest in or lien on any revenues or real property. The Master Trust Indenture places certain restrictions on Sentara relative to operating ratios and incurrence of additional indebtedness.

Estimated maturities and sinking fund requirements of all long-term indebtedness, including a portion of long-term debt subject to current remarketing provisions, at December 31, 2016 are as follows:

2017	$ 29,764
2018	31,232
2019	30,827
2020	32,379
2021	32,932
Thereafter	1,148,021
	$ 1,305,155

(9) Derivative Financial Instruments

Sentara uses interest rate swaps as a part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swaps are not used for speculative purposes and are measured at fair value in the consolidated balance sheets.

The following table provides details regarding the fair value of Sentara's derivative instruments currently classified as other long-term liabilities at December 31, 2016 and 2015, none of which are designated as cash flow hedging instruments:

2016							
Interest rate swap	Fair value	Notional amount outstanding	Rate paid	Rate received	Average rate received in 2016	Counterparty	Term
2004	$ (39,036)	194,528	3.51%	67% of one month (1M) LIBOR	0.33%	Wells Fargo (75%) & Goldman Sachs 25%	30 years
2008	439	151,400	SIFMA + 0.16%	5.75%	5.75	Citigroup	10 years
Sussex 1998	(752)	9,895	3.33%	59% of 1M LIBOR + 0.35%	0.64	Bank of America	18 years
MJH 2013 (Basis Swap)	88	76,325	SIFMA	67% of 1M LIBOR + 0.41%	0.74	Barclays	20 years
MJH 2013 (Fixed Swap)	(6,340)	155,920	1.94%	67% of 3M LIBOR	0.50	Barclays	35 years
RMH 2015	(17)	183,535	1.61%	67% of 1M LIBOR	—	Barclays (54%) & Goldman Sachs (46%)	30 years

(In thousands)

2015							
Interest rate swap	Fair value	Notional amount outstanding	Rate paid	Rate received	Average rate received in 2015	Counterparty	Term
2004	$ (44,015)	196,279	3.51%	67% of one month (1M) LIBOR	0.14%	Wells Fargo (75%) & Goldman Sachs 25%	30 years
2008	523	153,700	SIFMA + 0.16%	5.75%	5.75	Citigroup	10 years
Sussex 1998	(976)	9,895	3.33%	59% of 1M LIBOR + 0.35%	0.47	Bank of America	18 years
MJH 2013 (Basis Swap)	1,186	76,325	SIFMA	67% of 1M LIBOR + 0.41%	0.54	Barclays	20 years
MJH 2013 (Fixed Swap)	(6,255)	157,225	1.94%	67% of 3M LIBOR	0.21	Barclays	35 years
RMH 2015	(31)	183,535	1.61%	67% of 1M LIBOR	—	Barclays (54%) & Goldman Sachs (46%)	30 years

In order to manage the credit risk of the swap agreements, Sentara and the counterparties are required to provide collateral in the event that the combined fair value of the swap agreements exceeds a predetermined threshold amount. The collateral posting requirements are based upon the rating classification of Sentara's long-term, unsecured, and unsubordinated debt securities as assigned by a relevant rating agency. Sentara posted $10,640 and $7,108 in collateral with the counterparties as of December 31, 2016 and 2015, respectively, which is included in noncurrent assets whose use is limited in the accompanying consolidated balance sheets.

The fair value of the interest rate swap agreements is the estimated amount that Sentara would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The swap agreements are valued based on readily observable market parameters for all substantial terms of the contracts and are, therefore, categorized as Level 2 financial instruments. The change in the fair value of the interest rate swap agreements for the years ended December 31, 2016 and 2015 was $3,950 and $(142), respectively, and is included in nonoperating gains (losses), net in the accompanying consolidated statements of operations. Sentara is exposed to credit loss in the event of nonperformance by the swap counterparties. Sentara manages this risk through the monitoring of the credit standing of its counterparties.

(10) Retirement Obligations

Sentara maintains a noncontributory defined-benefit pension plan that covers substantially all employees of Sentara Healthcare and its subsidiaries (the Plan). The Plan conforms to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Sentara's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements under ERISA. The Plan uses a December 31 measurement date.

(In thousands)

In 2016, Sentara changed the method used to estimate the service and interest components of net periodic benefit cost for pension and other postretirement benefits. Historically, Sentara estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Sentara elected to utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. This change was made in order to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. This change does not affect the measurement of the total benefit obligations or the annual net periodic benefit cost as the change in the service and interest costs is completely offset in the actuarial loss (gain) reported. Sentara has accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and accordingly has accounted for it prospectively.

The following table sets forth amounts recognized in the accompanying consolidated financial statements of Sentara as of and for the years ended December 31, 2016 and 2015 related to the Plan:

		2016	2015
Accumulated benefit obligation at measurement date	$	1,787,754	1,671,490
Change in projected benefit obligations:			
Benefit obligation at previous measurement date	$	1,876,804	1,832,753
Service cost		85,002	89,890
Interest cost		62,385	67,945
Actuarial loss (gain)		55,496	(33,230)
Benefit payments		(87,880)	(80,554)
Projected benefit obligation at measurement date	$	1,991,807	1,876,804

(In thousands)

		2016	2015
Change in assets:			
Fair value of assets at previous measurement date	$	1,594,953	1,593,233
Actual return on assets		103,573	(28,926)
Employer contributions		130,000	111,200
Benefit payments		(87,880)	(80,554)
Fair value of assets at measurement date	$	1,740,646	1,594,953
Amounts recognized in the consolidated balance sheets at December 31:			
Long-term liabilities	$	(251,161)	(281,851)
Amounts recognized in unrestricted net assets at December 31:			
Net actuarial loss	$	(628,690)	(595,650)
Prior service credit		(1,014)	(1,229)
Components of net periodic pension cost:			
Service cost	$	85,002	89,890
Interest cost		62,385	67,945
Expected return on plan assets		(114,284)	(114,174)
Prior service cost recognized		215	197
Amortization of actuarial loss		33,167	35,867
Net periodic pension cost	$	66,485	79,725

For the years ended December 31, 2016 and 2015, Sentara recognized a change in unrestricted net assets of $(32,825) and $(73,806), respectively, related to nonperiodic changes in the Plan's assets and benefit obligations.

The estimated actuarial net loss and prior service cost for the Plan that will be amortized from accumulated unrestricted net assets into net periodic cost over the next year are $38,975 and $215, respectively. No assets of the Plans are expected to be returned to Sentara for the year ended December 31, 2016.

The assumptions used to determine benefit obligations for the Plan at December 31, 2016 and 2015 are as follows:

	2016	2015
Discount rate	4.08%	4.26%
Rate of compensation increase	4.00	4.00

(Continued)

(In thousands)

Weighted average assumptions used to determine net periodic benefit cost for the Plan for 2016 and 2015 are as follows:

	2016	2015
Discount rate in effect for determining service cost	4.46%	3.83%
Discount rate in effect for determining interest cost	3.44	3.83
Expected long-term return on plan assets	6.85	7.25
Rate of compensation increase	4.00	4.00

In developing the expected long-term rate of return on assets assumption, Sentara considered the current level of expected returns on risk-free investments (primarily, government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selections listed above for the years ended December 31, 2016 and 2015.

(a) Investment Policy and Strategy

The overall financial objectives for the Plan's assets are (1) to provide funds for the timely payment of the Plan's obligations and (2) to produce an investment rate of return that improves the overall funding status of the Plan consistent with the first objective. The investment objective of the Plan seeks to strike a balance between higher returns and controlling funding status volatility. To achieve its objectives, the Plan's assets are allocated based on a target allocation established by the Sentara Finance Committee and approved by the Sentara Board of Directors. A registered investment manager has been approved by the Finance Committee of the Sentara Board of Directors and reviews fund performance at each quarterly meeting. The Plan's targeted asset allocation by asset category is as follows:

Asset category	Target allocation percentage
Equity securities	0%–65%
Debt securities	20%–50%
Alternative investments	0%–25%
Cash	0%–10%

The allocation to fixed income investments is structured to match the expected stream of future benefit payments in order to minimize funding volatility risk. Other investments are also diversified within asset classes (e.g., within equities by economic sector, industry, quality, and size) in order to provide assurance that no single security or class of securities will have a disproportionate impact on the Plan.

(In thousands)

The following tables present the Plan's assets measured at estimated fair value aggregated by the level in the fair value hierarchy within which those measurements fall as of December 31, 2016 and 2015, respectively:

		Fair value measurements at December 31, 2016 using		
	Total	**Level 1**	**Level 2**	**Investments reported at NAV**
Investments:				
Fixed maturities	$ 358,313	149,965	208,348	—
Equity securities	847,348	—	847,348	—
Multiasset	71,103	71,103	—	—
Short-term investments	32,906	32,906	—	—
Alternative investments	430,976	—	118,428	312,548
Total	$ 1,740,646	253,974	1,174,124	312,548

		Fair value measurements at December 31, 2015 using		
	Total	**Level 1**	**Level 2**	**Investments reported at NAV**
Investments:				
Fixed maturities	$ 385,923	198,651	187,272	—
Equity securities	751,293	—	751,293	—
Multiasset	90,058	90,058	—	—
Short-term investments	20,152	20,152	—	—
Alternative investments	347,527	—	98,484	249,043
Total	$ 1,594,953	308,861	1,037,049	249,043

(b) Contributions

Sentara expects to contribute $120,000 to the Plan for the year ended December 31, 2017.

(In thousands)

(c) Estimated Future Benefit Payments

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid by the Plan in the following years ending December 31:

2017	$	125,329
2018		120,756
2019		128,541
2020		132,764
2021		139,731
2022–2026		740,396

The expected benefits to be paid are based on the same assumptions used to measure the Plan's benefit obligations at December 31, 2016.

Supplemental Executive Retirement Plan

Sentara maintains a supplemental executive retirement plan for certain executives. Compensation expense under the plan was $3,156 and $1,583 for the years ended December 31, 2016 and 2015, respectively. Accrued benefit liabilities under this plan totaled $19,234 and $16,130 as of December 31, 2016 and 2015, respectively, and are included in other long-term liabilities in the accompanying consolidated balance sheets.

Defined Contribution Retirement Plans

Substantially all of the employees of Sentara participate in defined-contribution retirement plans under Sections 403(b) and 401(k) of the Internal Revenue Code. Sentara matches a percentage of contributions made by the employees. Sentara's contribution expense related to these plans for the years ended December 31, 2016 and 2015 was $33,525 and $32,816, respectively, and is included in salaries, wages and benefits expense in the accompanying consolidated statements of operations.

(11) Charity Care and Other Community Benefits

(a) Charity

Sentara is committed to providing quality healthcare to all, regardless of their ability to pay. Patients who meet the criteria of Sentara's charity care policy receive services without charge or at amounts less than its established rates. The criterion for charity care considers the patient's household income in relation to the federal poverty guidelines and the equity value of real property and/or other assets. Sentara provides services without charge for patients with adjusted gross income equal to or less than 200% of the federal poverty guidelines. For uninsured patients with adjusted gross income greater than 200% of the federal poverty guidelines, a sliding scale discount is applied. Income and asset information obtained from patient and credit reporting data are used to determine patients' ability to pay. Sentara maintains records to identify and monitor the level of charity care it furnishes under its charity care policy.

(In thousands)

Due to the complexity of the eligibility process, Sentara provides eligibility services to patients free of charge to assist in the qualification process. These eligibility services include, but are not limited to, the following:

- Financial assistance brochures and other information are posted at each point of service. When patients have questions or concerns, they are encouraged to call a toll-free number to reach customer service representatives during the business day. Financial assistance programs are also published on the Sentara website and included on the statements provided to patients.
- Sentara employs financial counselors who are available to help patients complete applications for Medicaid or other government payment assistance programs, or apply for care under Sentara's charity care policy, if applicable. Sentara also employs an external firm to assist in the eligibility process.
- Any patient, whether covered by insurance or not, may meet with a Sentara representative and receive financial counseling from Sentara's dedicated financial assistance unit.

Sentara recognizes that a large number of uninsured and insured patients meet the charity care guidelines but do not respond to Sentara's attempts to obtain necessary financial information. In these instances, Sentara uses credit reporting data to properly classify these unpaid balances as charity care as opposed to bad debt expense. Utilization of income and asset information and credit reporting data indicate the vast majority of amounts reported as provision for bad debts represent amounts due from patients who would otherwise qualify for charity benefits but do not respond to Sentara's attempts to obtain the necessary financial information. In these cases, reasonable collection efforts are pursued, but generally yield few collections. Finally, management believes that the net loss associated with providing care to Medicaid patients is a component of providing charity care.

Costs incurred relative to charity care are estimated based on the cost-to-charge ratio for each hospital and applied to charity care charges. Since Sentara does not pursue collections of amounts determined to meet the criterion under the charity care policy, such amounts are not reported as net patient service revenue. The amounts reported as charity care represent the cost of rendering such services. The following information measures the level of charity and uncompensated care costs provided for the years ended December 31:

		2016	2015
Components of estimated cost of charity and other uncompensated care:			
Charity care	$	185,085	185,174
Medicaid		33,629	21,295
Bad debt		91,409	69,840
Total estimated cost	$	310,123	276,309

(In thousands)

(b) Medical Education and Other Community Benefits

In addition to charity and uncompensated care, Sentara provides other community benefits. These benefits include, among other items, educational activities, health services, and donations sponsored by Sentara in the communities served.

Sentara provides support to other charitable organizations through direct contributions and sponsorships as well as free community health screenings and health education throughout the Hampton Roads community. Expenses for community health programs represent Sentara's dedicated Community Health and Prevention Department. Additional costs for similar activities carried out across the Sentara system are not specifically accumulated and include salaries and other operating expenses.

Sentara also underwrites much of the cost of training allied health professionals, physicians, and residents in its emergency rooms, clinics, and inpatient facilities. Sentara maintains a dynamic partnership with Eastern Virginia Medical School to support medical education. The Sentara College of Health Sciences, in continuous operation since 1892, educates nurses, surgical, and cardiovascular technicians needed to provide the community with vital health services.

The following is a summary of Sentara's community commitment as measured by charity care and community benefit costs:

		2016	2015
Nonreimbursed cost of charity and uncompensated care	$	310,123	276,309
Medical education		18,923	19,687
Direct contributions and sponsorships		9,398	37,251
Community health programs		2,701	2,263
Total community benefits, at cost	$	341,145	335,510

Sentara also recognizes its responsibility to provide other healthcare services and programs for the benefit of the community, at reduced rates or free of charge. This includes the Ambulatory Care Center, a clinic designed to offer primary and specialized outpatient services to members of the Norfolk community who are either uninsured or under insured. Sentara also operates an emergency medical helicopter service and both Level 1 and Level 3 Trauma Centers.

(12) Concentration of Credit Risk

Patient receivables and patient service revenue consist of amounts earned for patient care. Payments are made either directly by patients or by third-party payors, including the federal (Medicare) and state (Medicaid) governments and private insurance carriers. Services are generally provided without requiring collateral from patients or third-party payors.

(In thousands)

A breakdown of net patient receivables by significant payor type is as follows:

	2016	2015
Medicare	28%	29%
Medicaid	7	8
Anthem (Blue Cross)	24	22
SHP – HMO/PPO	7	6
All others (none individually more than 10%)	34	35
Total	100%	100%

Premium and capitation receivables consist primarily of amounts earned by SHP for providing benefits to subscribers. OHP and SHP have concentrations of credit risk with the U.S. Government's Office of Personnel Management (OPM) for subscriber benefits provided under the Federal Employee Health Benefits Program (FEHBP), and with the Virginia DMAS for benefits to Medicaid recipients.

A breakdown of premium and capitation receivables by significant customers is as follows:

	2016	2015
DMAS	90%	89%
OPM	3	3
Other (none individually more than 10%)	7	8
Total	100%	100%

(13) Functional Expenses

Sentara provides various healthcare services to patients within its geographic region. Expenses related to providing these services are as follows:

	2016	2015
Healthcare services	$ 3,783,263	3,525,904
General and administrative	1,066,334	1,045,229
Total operating costs and expenses	$ 4,849,597	4,571,133

(14) Commitments and Contingent Liabilities

(a) General Liability and Malpractice Insurance

Sentara insures its professional, general, and managed care liability risks through insurance policies issued by Lexington Insurance Company. Professional and managed care liability risks are primarily insured on a claims-made basis and general liability risks are insured on a claims-incurred basis.

(Continued)

Lexington policy limits are $2,250 per occurrence and $23,000 in the aggregate per year for professional and managed care liability and $1,000 per occurrence for general liability.

Accrued professional liability costs on an undiscounted basis as of December 31, 2016 and 2015 amounted to $90,791 and $92,115, respectively, and are included in other current liabilities and other long-term liabilities in the accompanying consolidated balance sheets. Cash and investments totaling $64,047 and $63,212 as of December 31, 2016 and 2015, respectively, have been designated by Sentara to settle these claims and are included in assets whose use is limited in the accompanying consolidated balance sheets. Included in accrued professional liability costs are estimated claims incurred but not reported in the amounts of $18,347 and $21,055 as of December 31, 2016 and 2015, respectively.

The Lexington policies are fully reinsured by Bay Primex. The sole activity of Bay Primex is reinsurance, on a facultative basis, of the claims-made professional and managed care liability insurance policies, and the occurrence based general liability policy issued by Lexington Insurance Company to Sentara and its related entities.

All Sentara entities are covered by the same excess liability policies through four independent carriers with total annual coverage limits of $80,000 per occurrence and $80,000 in the aggregate for amounts exceeding the primary coverage limits.

Professional liability policies entered into on a claims-made basis must be renewed or replaced with equivalent insurance if claims incurred during their term but asserted after their expiration are to be insured. The estimated liability for professional and general liability claims will be significantly affected if current and future claims differ from historical trends. While management monitors reported claims closely and considers potential outcomes as estimated by its actuaries when determining its professional and liability accruals, the complexity of the claims, the extended period of time to settle the claims, and the wide range of potential outcomes complicate the estimation. In the opinion of management, adequate provision has been made for the related risk.

(b) Stop-Loss Coverage

OHP and OHIC carry a stop-loss coverage policy for medical claims expense through Reinsurance Group of America, Incorporated (RGA). The deductible under the policy is $1,500 per member per policy year. Once the deductible is met in a policy year, RGA will reimburse 90% of eligible medical expenses up to a maximum of $5,000 per member per policy year. This stop-loss coverage does not relieve OHP and OHIC of its primary obligation to its members. Stop-loss expense related to the policy was $2,332 and $1,124 for the years ended December 31, 2016 and 2015, respectively.

(c) Employee Health Benefits

Sentara is self-insured for employee health benefits. The liabilities associated with these claims totaled $14,729 and $14,212 at December 31, 2016 and 2015, respectively, which are included in other current liabilities in the accompanying consolidated balance sheets.

(In thousands)

(d) Workers' Compensation Insurance

Sentara is self-insured for workers' compensation insurance. The net liability associated with these claims totaled $14,310 and $12,108 at December 31, 2016 and 2015, respectively, which is included in other current liabilities and other long-term liabilities in the accompanying consolidated balance sheets.

(e) Lease Commitments

Certain Sentara subsidiaries are parties to operating leases for property and equipment. Rental expense incurred during the years ended December 31, 2016 and 2015 was approximately $74,723 and $67,436, respectively. Future minimum lease payments under the aforementioned operating leases at December 31, 2016 are as follows:

2017	$	30,854
2018		25,975
2019		22,248
2020		17,447
2021		13,000
Thereafter		21,097
Total future minimum lease payments	$	130,621

(f) Litigation

Sentara is subject to various legal proceedings and claims that are inherent to the provision of healthcare services. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Sentara's consolidated financial position.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. Sentara, through its compliance program, seeks to ensure compliance with such laws and regulations and to rectify instances of noncompliance. Compliance with such laws and regulations is subject to future government review and interpretation as well as significant regulatory action, which can include fines, penalties, and exclusion from the Medicare and Medicaid programs.

Sentara identified potential compliance violations during due diligence on recent acquisitions and has self-disclosed these potential violations to relevant regulatory authorities. Sentara is working collaboratively with these authorities to determine what, if any, fines and penalties might be appropriate. Although it is probable that some payments from Sentara subsidiaries to relevant regulatory authorities will be required, management believes, based on the information available to date, that the ultimate outcome to these matters will not have a material effect on Sentara's consolidated financial position or results of operations. Sentara is not aware of any ongoing violations, and policies and procedures have been put in effect, which are intended to ensure future compliance at these subsidiaries.

(Continued)

(In thousands)

(15) Nonoperating Gains (Losses), Net

Nonoperating gains (losses), net are summarized as follows:

		2016	2015
Investment income	$	18,143	42,821
Realized (losses) gains on investments, net		(16,533)	89,098
Unrealized gains (losses) on investments, net		106,376	(172,101)
Equity in earnings of limited investment companies		52,055	4,202
Change in fair value of derivative instruments		3,950	(142)
Loss on refunding of debt		(24,417)	—
Other		(3,828)	(6,576)
Nonoperating gains (losses), net	$	135,746	(42,698)

(16) Other Operating Expenses

Other operating expenses are summarized as follows:

		2016	2015
Supplies	$	779,312	696,942
Professional fees		212,708	197,862
Purchased and contracted services		215,516	201,286
Repairs and maintenance		139,182	139,058
Rent		74,723	67,436
Insurance		23,316	25,116
Marketing		29,140	29,504
Utilities		37,072	38,013
Contribution expense		4,129	38,073
Other		11,553	18,100
Other operating expenses	$	1,526,651	1,451,390

Schedule 1

SENTARA HEALTHCARE AND SUBSIDIARIES

Consolidating Schedule – Balance Sheet Information

December 31, 2016

(In thousands)

Assets	Sentara Healthcare Corporate	Sentara Hospitals	Sentara Enterprises	Sentara Life Care Corporation	Optima Health Plan	Sentara Holdings, Inc.	Sentara Medical Group	Eliminations	Consolidated
Current assets:									
Cash and cash equivalents	$ 393,512	180,659	490	410	41,715	24,561	1,439	—	642,786
Receivables, net	19,904	457,129	33,093	11,173	160,242	6,789	15,696	(51,199)	652,827
Receivables from affiliated organizations	49,969	8,730	174	—	8,348	11,328	1,027	(79,576)	—
Investments and assets whose use is limited	407,635	—	—	—	—	—	—	—	407,635
Inventories	—	69,378	3,201	1,091	—	—	—	—	73,670
Prepaid expenses and other current assets	7,347	21,823	71	83	3,877	2,224	2,772	—	38,197
Total current assets	878,367	737,719	37,029	12,757	214,182	44,902	20,934	(130,775)	1,815,115
Notes receivable from affiliated organizations	127,988	—	—	—	—	—	—	(127,988)	—
Investments and assets whose use is limited	2,533,441	125,336	—	—	155,732	22,720	—	—	2,837,229
Property, plant, and equipment, net	185,436	1,619,463	13,657	40,321	3,427	2,461	19,525	(470)	1,883,820
Land held for future use, at cost	4,723	19,247	—	—	—	598	—	—	24,568
Other assets, net	4,607	61,585	2,749	577	—	23,402	3,891	—	96,811
Total assets	$ 3,734,562	2,563,350	53,435	53,655	373,341	94,083	44,350	(259,233)	6,657,543
Liabilities and Net Assets									
Current liabilities:									
Accounts payable and accrued expenses	$ 38,643	76,819	3,465	1,143	46	1,022	3,970	—	125,108
Employee compensation and benefits	180,272	4,160	642	—	—	8,121	—	—	193,195
Medical claims accrued and payable	—	—	—	781	122,669	6,100	—	(43,224)	86,326
Current installments of long-term debt	18,279	10,295	—	—	—	—	—	(5,177)	23,397
Long-term debt subject to current remarketing provisions	303,650	—	—	—	—	—	—	—	303,650
Payables to affiliated organizations	17,328	41,089	176	60	8,794	11,821	308	(79,576)	—
Estimated third-party payor settlements	—	19,345	402	1,295	—	—	—	—	21,042
Other current liabilities	58,721	53,285	9,607	1,950	10,428	17,220	2,836	(2,798)	151,249
Total current liabilities	616,893	204,993	14,292	5,229	141,937	44,284	7,114	(130,775)	903,967
Long-term debt, excluding current installments	944,924	171,371	—	—	—	108	—	(127,988)	988,415
Retirement obligations	251,161	—	—	—	—	—	—	—	251,161
Other long-term liabilities	196,679	95,940	4,069	1,833	3,191	—	2,167	—	303,879
Total liabilities	2,009,657	472,304	18,361	7,062	145,128	44,392	9,281	(258,763)	2,447,422
Net assets:									
Unrestricted	1,721,505	1,975,998	34,898	46,560	228,212	49,691	34,970	(470)	4,091,364
Temporarily restricted	3,400	64,878	176	23	1	—	99	—	68,577
Permanently restricted	—	20,701	—	10	—	—	—	—	20,711
Total net assets attributable to Sentara Healthcare	1,724,905	2,061,577	35,074	46,593	228,213	49,691	35,069	(470)	4,180,652
Noncontrolling interest	—	29,469	—	—	—	—	—	—	29,469
Total net assets	1,724,905	2,091,046	35,074	46,593	228,213	49,691	35,069	(470)	4,210,121
Total liabilities and net assets	$ 3,734,562	2,563,350	53,435	53,655	373,341	94,083	44,350	(259,233)	6,657,543

See accompanying independent auditors' report.

SENTARA HOSPITALS

Consolidating Schedule – Balance Sheet Information

December 31, 2016

(In thousands)

Assets	Sentara Norfolk General Hospital	Sentara Leigh Hospital	Sentara CarePlex Hospital	Sentara Virginia Beach General Hospital	Sentara Williamsburg Regional Medical Center	Sentara Obici Hospital	Sentara Princess Anne Hospital	Sentara Northern Virginia Medical Center	Sentara Rockingham Memorial Hospital	Sentara Martha Jefferson Hospital	Sentara Halifax Regional Health System	Sentara Albemarle Medical Center	Eliminations	Total
Current assets:														
Cash and cash equivalents (bank overdraft)	$ (522)	(160)	(128)	(167)	(84)	(109)	77,653	6,314	3,088	25,997	59,500	9,277	—	180,659
Receivables, net	106,632	35,450	26,546	35,679	18,321	21,862	28,127	30,232	53,223	36,337	13,417	18,527	—	424,353
Other receivables	10,487	2,180	1,505	1,615	776	3,094	3,064	1,781	3,106	1,592	481	3,095	—	32,776
Receivables from affiliated organizations	3,641	1,113	893	1,160	585	753	358	226	—	—	—	1	—	8,730
Inventories	23,061	4,248	5,964	6,450	2,883	4,468	4,057	4,519	5,735	4,013	2,478	1,502	—	69,378
Prepaid expenses and other current assets	5,097	1,717	126	1,927	518	6,504	345	801	219	1,702	1,620	1,247	—	21,823
Total current assets	148,396	44,548	34,906	46,664	22,999	36,572	113,604	43,873	65,371	69,641	77,496	33,649	—	737,719
Investments	1,499	—	—	135	—	23	—	—	30,210	37,702	55,767	—	—	125,336
Property, plant, and equipment, net	258,507	189,062	93,617	77,717	114,312	85,720	145,886	174,284	150,294	181,515	92,472	59,584	(3,507)	1,619,463
Land held for future use, at cost	2,657	—	—	2,491	819	—	—	8,882	—	4,398	—	—	—	19,247
Other assets, net	2,121	—	14,872	28,446	63,173	59,576	—	12,904	1,726	2,525	954	3,595	(128,307)	61,585
Total assets	$ 413,180	233,610	143,395	155,453	201,303	181,891	259,490	239,943	247,601	295,781	226,689	96,828	(131,814)	2,563,350
Liabilities and Net Assets														
Current liabilities:														
Accounts payable and accrued expenses	$ 16,636	8,731	4,921	2,365	5,782	7,267	3,086	6,460	7,242	8,368	2,578	3,383	—	76,819
Employee compensation and benefits	—	—	—	—	—	—	—	—	1,596	159	1,229	1,176	—	4,160
Current installments of long-term debt	—	—	—	3,585	—	668	5,177	—	—	—	507	358	—	10,295
Payables to affiliated organizations	881	259	165	356	127	269	14,572	49	35	17	24,199	160	—	41,089
Estimated third-party payor settlements	4,532	1,069	693	1,068	201	1,683	802	1,185	1,028	1,165	848	5,071	—	19,345
Other current liabilities	14,820	3,132	2,204	3,144	1,549	2,340	4,871	3,158	4,470	6,611	1,528	5,458	—	53,285
Total current liabilities	36,869	13,191	7,983	10,518	7,659	12,227	28,508	10,852	14,371	16,320	30,889	15,606	—	204,993
Long-term debt, excluding current installments	—	—	—	3,776	—	666	127,988	—	—	—	17,259	21,682	—	171,371
Retirement obligations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other long-term liabilities	15,940	7,427	4,843	5,849	3,950	4,200	4,741	11,206	20,746	5,343	7,098	4,597	—	95,940
Total liabilities	52,809	20,618	12,826	20,143	11,609	17,093	161,237	22,058	35,117	21,663	55,246	41,885	—	472,304
Net assets:														
Unrestricted	353,202	212,923	130,264	134,779	189,504	163,078	68,758	215,830	180,481	234,521	169,821	54,651	(131,814)	1,975,998
Temporarily restricted	5,158	69	305	531	190	1,678	26	1,388	16,177	37,442	1,622	292	—	64,878
Permanently restricted	2,011	—	—	—	—	42	—	667	15,826	2,155	—	—	—	20,701
Total net assets attributable to Sentara Healthcare	360,371	212,992	130,569	135,310	189,694	164,798	68,784	217,885	212,484	274,118	171,443	54,943	(131,814)	2,061,577
Noncontrolling interest	—	—	—	—	—	—	29,469	—	—	—	—	—	—	29,469
Total net assets	360,371	212,992	130,569	135,310	189,694	164,798	98,253	217,885	212,484	274,118	171,443	54,943	(131,814)	2,091,046
Total liabilities and net assets	$ 413,180	233,610	143,395	155,453	201,303	181,891	259,490	239,943	247,601	295,781	226,689	96,828	(131,814)	2,563,350

See accompanying independent auditors' report.

SENTARA HOLDINGS, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2016

(In thousands)

Assets	Sentara Holdings, Inc.	Sentara Health Plans, Inc.	Optima Behavioral Health Services	Optima Health Group	Optima Health Insurance Company	Optima Health Insurance Company of North Carolina	Optima Health Insurance Company of Ohio	Sentara Ventures, Inc.	Obici Professional Center and Subsidiary	Eliminations	Total
Current assets:											
Cash and cash equivalents	$ 5	14,343	1,321	2,111	3,612	1,603	1,566	—	—	—	24,561
Receivables, net	—	2,541	(4)	—	1,539	—	37	2,640	36	—	6,789
Receivables from affiliated organizations	62	6,299	319	—	463	—	—	8,307	332	(4,454)	11,328
Prepaid expenses and other current assets	—	1,727	—	4	155	—	271	67	—	—	2,224
Total current assets	67	24,910	1,636	2,115	5,769	1,603	1,874	11,014	368	(4,454)	44,902
Investments	—	—	—	433	21,386	901	—	—	—	—	22,720
Property, plant, and equipment, net	—	1,440	—	—	206	—	—	815	—	—	2,461
Land held for future use, at cost	—	—	—	—	—	—	—	598	—	—	598
Other assets, net	2,500	18,487	—	—	—	—	—	23,402	—	(20,987)	23,402
Total assets	$ 2,567	44,837	1,636	2,548	27,361	2,504	1,874	35,829	368	(25,441)	94,083
Liabilities and Net Assets											
Current liabilities:											
Accounts payable and accrued expenses	$ —	283	739	—	—	—	—	—	—	—	1,022
Employee compensation and benefits	—	8,121	—	—	—	—	—	—	—	—	8,121
Medical claims accrued and payable	—	—	195	—	5,905	—	—	—	—	—	6,100
Payables to (from) affiliated organizations	(8)	2,227	3,357	5	1,602	2	455	8,516	119	(4,454)	11,821
Other current liabilities	—	12,574	6	—	1,249	—	1,484	1,907	—	—	17,220
Total current liabilities	(8)	23,205	4,297	5	8,756	2	1,939	10,423	119	(4,454)	44,284
Long-term debt, excluding current installments	—	—	—	—	—	—	—	—	108	—	108
Total liabilities	(8)	23,205	4,297	5	8,756	2	1,939	10,423	227	(4,454)	44,392
Net assets:											
Unrestricted	2,575	21,632	(2,661)	2,543	18,605	2,502	(65)	25,406	141	(20,987)	49,691
Total liabilities and net assets	$ 2,567	44,837	1,636	2,548	27,361	2,504	1,874	35,829	368	(25,441)	94,083

See accompanying independent auditors' report.

Schedule 4

SENTARA HEALTHCARE AND SUBSIDIARIES

Consolidating Schedule – Operations Information

Year ended December 31, 2016

(In thousands)

	Sentara Healthcare Corporate	Sentara Hospitals	Sentara Enterprises	Sentara Life Care Corporation	Optima Health Plan	Sentara Holdings, Inc.	Sentara Medical Group	Eliminations	Consolidated
Operating revenues, gains, and other support:									
Net patient service revenue	$ 42	3,672,372	151,916	67,254	—	—	280,240	(364,765)	3,807,059
Provision for bad debts, net	1	(317,294)	(2,437)	(2,441)	(914)	(125)	(20,201)	—	(343,411)
Net patient service revenue less provision for bad debts	43	3,355,078	149,479	64,813	(914)	(125)	260,039	(364,765)	3,463,648
Premium and capitation revenue	846	5,072	—	21,586	1,397,909	54,845	4,832	(5,916)	1,479,174
Other operating revenue	35,651	43,490	3,547	80	27,938	55,294	13,778	(46,831)	132,947
Net assets released from restrictions	608	6,962	28	3	—	—	39	—	7,640
Total operating revenues, gains, and other support	37,148	3,410,602	153,054	86,482	1,424,933	110,014	278,688	(417,512)	5,083,409
Operating costs and expenses:									
Salaries, wages and benefits	86,726	1,519,787	74,550	49,204	47,298	28,003	275,177	(86,890)	1,993,855
Medical claims expense	—	—	—	4,958	1,301,536	52,387	—	(280,122)	1,078,759
Other operating expenses (income)	51,195	1,328,098	71,019	26,794	60,883	40,550	(7,872)	(44,016)	1,526,651
Interest expense	10,443	35,944	—	—	98	135	—	(6,484)	40,136
Depreciation and amortization	10,059	189,374	3,157	2,601	766	336	3,903	—	210,196
Sentara Healthcare services	(85,491)	51,228	8,796	5,931	9,990	2,066	7,480	—	—
Total operating costs and expenses	72,932	3,124,431	157,522	89,488	1,420,571	123,477	278,688	(417,512)	4,849,597
Net operating (loss) income	(35,784)	286,171	(4,468)	(3,006)	4,362	(13,463)	—	—	233,812
Nonoperating gains, net	125,654	4,410	—	—	5,341	341	—	—	135,746
Excess (deficiency) of revenues over expenses before noncontrolling interest	89,870	290,581	(4,468)	(3,006)	9,703	(13,122)	—	—	369,558
Noncontrolling interest	—	(10,574)	—	—	—	—	—	—	(10,574)
Excess (deficiency) of revenues over expenses attributable to Sentara Healthcare	$ 89,870	280,007	(4,468)	(3,006)	9,703	(13,122)	—	—	358,984

See accompanying independent auditors' report.

Schedule 5

SENTARA HOSPITALS

Consolidating Schedule – Operations Information

Year ended December 31, 2016

(In thousands)

	Sentara Norfolk General Hospital	Sentara Leigh Hospital	Sentara CarePlex Hospital	Sentara Virginia Beach General Hospital	Sentara Williamsburg Regional Medical Center	Sentara Obici Hospital	Sentara Hospitals Corporate	Sentara Princess Anne Hospital	Sentara Northern Virginia Medical Center	Sentara Rockingham Memorial Hospital	Sentara Martha Jefferson Hospital	Sentara Halifax Regional Health System	Sentara Albemarle Medical Center	Eliminations	Total
Operating revenues, gains, and other support:															
Net patient service revenue	$ 883,437	343,052	252,466	327,272	169,256	210,046	—	265,614	265,582	424,562	272,729	130,445	127,911	—	3,672,372
Provision for bad debt, net	(68,142)	(30,912)	(35,615)	(39,776)	(13,477)	(24,028)	—	(25,210)	(46,861)	(17,592)	4,548	(8,657)	(11,572)	—	(317,294)
Net patient service revenue less provision for bad debts	815,295	312,140	216,851	287,496	155,779	186,018	—	240,404	218,721	406,970	277,277	121,788	116,339	—	3,355,078
Premium and capitation revenue	3,146	93	68	88	34	51	—	78	—	598	914	—	2	—	5,072
Other operating revenue	10,691	342	4,566	2,585	1,897	2,775	22,666	1,975	3,230	6,106	4,653	2,558	730	(21,284)	43,490
Net assets released from restrictions	1,874	2	85	30	22	—	—	33	540	2,297	1,665	414	—	—	6,962
Total operating revenues, gains, and other support	831,006	312,577	221,570	290,199	157,732	188,844	22,666	242,490	222,491	415,971	284,509	124,760	117,071	(21,284)	3,410,602
Operating costs and expenses:															
Salaries, wages and benefits	248,441	104,216	83,124	108,113	59,308	72,663	190,365	86,863	91,902	196,049	147,076	71,426	60,241	—	1,519,787
Other operating expenses	371,384	103,776	81,755	96,581	55,806	67,068	26,123	75,447	91,469	154,005	106,003	47,593	51,088	—	1,328,098
Interest expense	3,882	2,826	485	1,743	3,257	1,333	—	6,835	1,728	7,216	4,745	896	998	—	35,944
Depreciation and amortization	27,330	16,419	11,814	10,689	9,612	10,250	22,939	12,067	17,728	20,405	14,548	8,912	7,121	(460)	189,374
Sentara Healthcare services	79,774	36,253	29,036	34,007	19,590	23,199	(237,896)	26,325	18,988	12,006	7,977	959	1,010	—	51,228
Total operating costs and expenses	730,811	263,490	206,214	251,133	147,573	174,513	1,531	207,537	221,815	389,681	280,349	129,786	120,458	(460)	3,124,431
Net operating income	100,195	49,087	15,356	39,066	10,159	14,331	21,135	34,953	676	26,290	4,160	(5,026)	(3,387)	(20,824)	286,171
Nonoperating (losses) gains, net	(16)	—	—	—	—	224	201	295	97	(1)	410	3,182	18	—	4,410
Excess (deficiency) of revenues over expenses before non controlling interest	100,179	49,087	15,356	39,066	10,159	14,555	21,336	35,248	773	26,289	4,570	(1,844)	(3,369)	(20,824)	290,581
Noncontrolling interest	—	—	—	—	—	—	—	(10,574)	—	—	—	—	—	—	(10,574)
Excess (deficiency) of revenues over expenses attributable to Sentara Healthcare	$ 100,179	49,087	15,356	39,066	10,159	14,555	21,336	24,674	773	26,289	4,570	(1,844)	(3,369)	(20,824)	280,007

See accompanying independent auditors' report.

Schedule 6

SENTARA ENTERPRISES

Consolidating Schedule – Operations Information

Year ended December 31, 2016

(In thousands)

	Home Care Services	DME	Medical Transport, LLC	Specialty Pharmacy	Divisional Support	Eliminations	Total
Operating revenues, gains, and other support:							
Net patient service revenue	$ 89,663	8,112	19,699	34,686	—	(244)	151,916
Provision for bad debts, net	(118)	(1,044)	(1,275)	—	—	—	(2,437)
Net patient service revenue less provision for bad debts	89,545	7,068	18,424	34,686	—	(244)	149,479
Other operating revenue	303	116	1,873	1	1,030	224	3,547
Net assets released from restrictions	—	—	—	—	28	—	28
Total operating revenues, gains, and other support	89,848	7,184	20,297	34,687	1,058	(20)	153,054
Operating costs and expenses:							
Salaries, wages and benefits	52,905	2,338	17,096	1,583	628	—	74,550
Other operating expenses (income)	26,868	6,129	4,710	33,842	(191)	(339)	71,019
Interest expense	—	—	—	—	351	(351)	—
Depreciation and amortization	863	765	870	106	553	—	3,157
Sentara Healthcare services	—	—	1,409	—	7,387	—	8,796
Total operating costs and expenses	80,636	9,232	24,085	35,531	8,728	(690)	157,522
Net operating income (loss)	9,212	(2,048)	(3,788)	(844)	(7,670)	670	(4,468)
Nonoperating gains		—	—	—	351	(351)	—
Excess (deficiency) of revenues over expenses	$ 9,212	(2,048)	(3,788)	(844)	(7,319)	319	(4,468)

See accompanying independent auditors' report.

Schedule 7

SENTARA LIFE CARE CORPORATION

Consolidating Schedule – Operations Information

Year ended December 31, 2016

(In thousands)

	Sentara Life Care Administration	Sentara Nursing Center Chesapeake	Sentara Nursing Center Norfolk	Sentara Nursing Center Portsmouth	Sentara Nursing Center Currituck	Sentara Nursing Center Hampton	Sentara Nursing Center Virginia Beach	Sentara Windermere
Operating revenues, gains, and other support:								
Net patient service revenue (expense)	$ 30	7,196	14,032	8,596	6,891	8,397	9,502	8,234
Provision for bad debt, net	—	(111)	(563)	(550)	(86)	(411)	(380)	(256)
Net patient service revenue less provision for bad debts	30	7,085	13,469	8,046	6,805	7,986	9,122	7,978
Premium and capitation revenue	—	—	—	—	—	—	—	—
Other operating revenue (expense)	26	(339)	3	59	(2)	3	108	5
Net assets released from restrictions	—	—	—	—	—	—	—	—
Total operating revenues, gains, and other support	56	6,746	13,472	8,105	6,803	7,989	9,230	7,983
Operating costs and expenses:								
Salaries, wages and benefits	1,496	4,986	9,004	5,318	4,634	4,803	6,134	5,126
Medical claims expense	—	—	—	—	—	—	—	—
Other operating expenses	496	1,852	4,373	2,915	1,686	2,417	2,232	2,380
Depreciation and amortization	92	133	357	177	214	279	285	269
Sentara Healthcare services	—	441	837	502	422	483	536	486
Total operating costs and expenses	2,084	7,412	14,571	8,912	6,956	7,982	9,187	8,261
Net operating (loss) income	(2,028)	(666)	(1,099)	(807)	(153)	7	43	(278)
(Deficiency) excess of revenues over expenses	$ (2,028)	(666)	(1,099)	(807)	(153)	7	43	(278)

(Continued)

Schedule 7

SENTARA LIFE CARE CORPORATION

Consolidating Schedule – Operations Information

Year ended December 31, 2016

(In thousands)

	Sentara Village Chesapeake	Sentara Village Norfolk	Sentara Village Virginia Beach	Sentara Senior Community Care I	Sentara Senior Community Care II	Pharmacy Rx	Eliminations	Total
Operating revenues, gains, and other support:								
Net patient service revenue (expense)	$ —	1,866	2,297	126	164	10,729	(10,806)	67,254
Provision for bad debt, net	4	(23)	(14)	(11)	(40)	—	—	(2,441)
Net patient service revenue less provision for bad debts	4	1,843	2,283	115	124	10,729	(10,806)	64,813
Premium and capitation revenue	—	—	—	12,571	9,015	—	—	21,586
Other operating revenue (expense)	—	112	82	1	22	—	—	80
Net assets released from restrictions	—	3	—	—	—	—	—	3
Total operating revenues, gains, and other support	4	1,958	2,365	12,687	9,161	10,729	(10,806)	86,482
Operating costs and expenses:								
Salaries, wages and benefits	—	1,460	1,391	2,618	2,234	—	—	49,204
Medical claims expense	—	—	—	6,136	4,153	—	(5,331)	4,958
Other operating expenses	—	602	461	1,395	1,240	10,220	(5,475)	26,794
Depreciation and amortization	—	155	155	254	189	42	—	2,601
Sentara Healthcare services	—	153	121	693	570	687	—	5,931
Total operating costs and expenses	—	2,370	2,128	11,096	8,386	10,949	(10,806)	89,488
Net operating income (loss)	4	(412)	237	1,591	775	(220)	—	(3,006)
Excess (deficiency) of revenues over expenses	$ 4	(412)	237	1,591	775	(220)	—	(3,006)

See accompanying independent auditors' report.

SENTARA HOLDINGS, INC.

Consolidating Schedule – Operations Information

Year ended December 31, 2016

(In thousands)

	Sentara Holdings, Inc.	Sentara Health Plans, Inc.	Optima Behavioral Health Services	Optima Health Insurance Company	Optima Health Insurance Company of North Carolina	Optima Health Insurance Company of Ohio	Sentara Ventures, Inc.	Obici Professional Center and Subsidiary	Eliminations	Total
Operating revenues, gains, and other support:										
Provision for bad debt, net	$ —	(72)	—	(53)	—	—	—	—	—	(125)
Net patient service revenue less provision for bad debts	—	(72)	—	(53)	—	—	—	—	—	(125)
Premium and capitation revenue	—	—	4,207	50,700	—	—	—	—	(62)	54,845
Other operating revenue	—	22,869	1,647	6,980	—	5,886	16,959	253	700	55,294
Total operating revenues, gains, and other support	—	22,797	5,854	57,627	—	5,886	16,959	253	638	110,014
Operating costs and expenses:										
Salaries, wages and benefits	—	18,626	2,961	2,520	—	3,896	—	—	—	28,003
Medical claims expense (income)	—	(32)	1,194	51,037	—	250	—	—	(62)	52,387
Other operating expense (income)	—	14,385	1,271	5,524	1	1,775	17,455	139	—	40,550
Interest expense	—	—	4	8	—	—	116	7	—	135
Depreciation and amortization	—	280	—	56	—	—	—	—	—	336
Sentara Healthcare services	—	1,379	387	234	—	66	—	—	—	2,066
Total operating costs and expenses	—	34,638	5,817	59,379	1	5,987	17,571	146	(62)	123,477
Net operating (loss) income	—	(11,841)	37	(1,752)	(1)	(101)	(612)	107	700	(13,463)
Nonoperating gains (losses)	—	28	(6)	323	1	(5)				341
(Deficiency) excess of revenues over expenses	$ —	(11,813)	31	(1,429)	—	(106)	(612)	107	700	(13,122)

See accompanying independent auditors' report.

Schedule 9

SENTARA HEALTHCARE AND SUBSIDIARIES

Consolidating Schedule – Fully Allocated Overhead Operations Information

Year ended December 31, 2016

(In thousands)

	Sentara Healthcare Corporate	Sentara Hospitals	Sentara Enterprises	Sentara Life Care Corporation	Optima Health Plan	Sentara Holdings, Inc.	Sentara Medical Group	Eliminations	Consolidated
Operating revenues, gains, and other support:									
Net patient service revenue	$ 42	3,672,372	151,916	67,254	—	—	280,240	(364,765)	3,807,059
Provision for bad debt, net	1	(317,294)	(2,437)	(2,441)	(914)	(125)	(20,201)	—	(343,411)
Net patient service revenue less provision for bad debts	43	3,355,078	149,479	64,813	(914)	(125)	260,039	(364,765)	3,463,648
Premium and capitation revenue	846	5,072	—	21,586	1,397,909	54,845	4,832	(5,916)	1,479,174
Other operating revenue	35,651	43,490	3,547	80	27,938	55,294	13,778	(46,831)	132,947
Net assets released from restrictions	608	6,962	28	3	—	—	39	—	7,640
Total operating revenues, gains, and other support	37,148	3,410,602	153,054	86,482	1,424,933	110,014	278,688	(417,512)	5,083,409
Operating costs and expenses:									
Salaries, wages and benefits	86,726	1,519,787	74,550	49,204	47,298	28,003	275,177	(86,890)	1,993,855
Medical claims expense	—	—	—	4,958	1,301,536	52,387	—	(280,122)	1,078,759
Other operating expenses (income)	51,195	1,328,098	71,019	26,794	60,883	40,550	(7,872)	(44,016)	1,526,651
Interest expense	10,443	35,944	—	—	98	135	—	(6,484)	40,136
Depreciation and amortization	10,059	189,374	3,157	2,601	766	336	3,903	—	210,196
Sentara Healthcare services	(121,275)	72,669	12,478	8,414	14,172	2,931	10,611	—	—
Total operating costs and expenses	37,148	3,145,872	161,204	91,971	1,424,753	124,342	281,819	(417,512)	4,849,597
Net operating income	—	264,730	(8,150)	(5,489)	180	(14,328)	(3,131)	—	233,812
Nonoperating gains, net	125,619	4,410	324	—	5,189	204	—	—	135,746
Excess (deficiency) of revenues over expenses before noncontrolling interest	125,619	269,140	(7,826)	(5,489)	5,369	(14,124)	(3,131)	—	369,558
Noncontrolling interest	—	(10,574)	—	—	—	—	—	—	(10,574)
Excess (deficiency) of revenues over expenses attributable to Sentara Healthcare	$ 125,619	258,566	(7,826)	(5,489)	5,369	(14,124)	(3,131)	—	358,984

See accompanying independent auditors' report.

Schedule 10

SENTARA HOSPITALS

Consolidating Schedule – Fully Allocated Overhead Operations Information

Year ended December 31, 2016

(In thousands)

	Sentara Norfolk General Hospital	Sentara Leigh Hospital	Sentara CarePlex Hospital	Sentara Virginia Beach General	Sentara Williamsburg Regional Medical Center	Sentara Obici Hospital	Sentara Princess Anne Hospital	Sentara Northern Virginia Hospital	Sentara Rockingham Memorial Hospital	Sentara Martha Jefferson Hospital	Sentara Halifax Regional Health System	Sentara Albemarle Medical Center	Eliminations	Total
Operating revenues, gains, and other support:														
Net patient service revenue	$ 883,437	343,052	252,466	327,272	169,256	210,046	265,614	265,582	424,562	272,729	130,445	127,911	—	3,672,372
Provision for bad debt, net	(68,142)	(30,912)	(35,615)	(39,776)	(13,477)	(24,028)	(25,210)	(46,861)	(17,592)	4,548	(8,657)	(11,572)	—	(317,294)
Net patient service revenue less provision for bad debts	815,295	312,140	216,851	287,496	155,779	186,018	240,404	218,721	406,970	277,277	121,788	116,339	—	3,355,078
Premium and capitation revenue	3,146	93	68	88	34	51	78	—	598	914	—	2	—	5,072
Other operating revenue	21,293	681	9,094	5,149	3,778	5,527	1,975	3,230	6,106	4,653	2,558	730	(21,284)	43,490
Net assets released from restrictions	1,874	2	85	30	22	—	33	540	2,297	1,665	414	—	—	6,962
Total operating revenues, gains, and other support	841,608	312,916	226,098	292,763	159,613	191,596	242,490	222,491	415,971	284,509	124,760	117,071	(21,284)	3,410,602
Operating costs and expenses:														
Salaries, wages and benefits	318,413	133,573	106,538	138,567	76,010	93,129	86,863	91,902	196,049	147,076	71,426	60,241	—	1,519,787
Other operating expenses	383,879	107,268	84,506	99,831	57,684	69,325	75,447	91,469	154,005	106,003	47,593	51,088	—	1,328,098
Interest expense	3,882	2,826	485	1,743	3,257	1,333	6,835	1,728	7,216	4,745	896	998	—	35,944
Depreciation and amortization	34,611	20,793	14,961	13,536	12,172	12,980	12,067	17,728	20,405	14,548	8,912	7,121	(460)	189,374
Sentara Healthcare services	1,944	883	707	828	477	565	26,325	18,988	12,006	7,977	959	1,010	—	72,669
Total operating costs and expenses	742,729	265,343	207,197	254,505	149,600	177,332	207,537	221,815	389,681	280,349	129,786	120,458	(460)	3,145,872
Net operating income (loss)	98,879	47,573	18,901	38,258	10,013	14,264	34,953	676	26,290	4,160	(5,026)	(3,387)	(20,824)	264,730
Nonoperating gains (losses), net	69	28	24	29	16	243	295	97	(1)	410	3,182	18	—	4,410
Excess (deficiency) of revenues over expenses before noncontrolling interest	98,948	47,601	18,925	38,287	10,029	14,507	35,248	773	26,289	4,570	(1,844)	(3,369)	(20,824)	269,140
Noncontrolling interest	—	—	—	—	—	—	(10,574)	—	—	—	—	—	—	(10,574)
Excess (deficiency) of revenues over expenses attributable to Sentara Healthcare	$ 98,948	47,601	18,925	38,287	10,029	14,507	24,674	773	26,289	4,570	(1,844)	(3,369)	(20,824)	258,566

See accompanying independent auditors' report.