Dimensions Health Corporation and Subsidiaries

Audited Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2015 and 2014

DIXON HUGHES GOODMAN LLP

Consolidated Financial Statements
Dimensions Health Corporation and Subsidiaries
June 30, 2015 and 2014

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DIXON HUGHES GOODMAN LLP

Report of Independent Auditors

Board of Directors
Dimensions Health Corporation and Subsidiaries
Laurel, MD 20707

We have audited the accompanying consolidated financial statements of Dimensions Health Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor's 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 consolidated financial position of Dimensions Health Corporation and Subsidiaries as of June 30, 2015 and 2014, and the consolidated results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information on pages 42-45 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Sincerely,

Dixon Hughes Goodman LLP

Tysons, Virginia
October 15, 2015

Consolidated Balance Sheets

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	June 30 2015	June 30 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 39,395	$ 24,650
Patient accounts receivable, net of allowance for uncollectible accounts ($16,898 and $27,071 in 2015 and 2014, respectively)	45,255	49,362
Other receivables	4,074	2,620
Inventories	6,384	6,299
Prepaid expenses and other assets	5,719	6,398
TOTAL CURRENT ASSETS	100,827	89,329
Assets limited as to use--*Note C*		
Restricted cash and cash equivalents--*Note I*	1,575	3,458
Short term investments--*Note I*	2,461	2,959
Investments held for self insurance--*Note G*	43,537	41,913
Total assets limited as to use	47,573	48,330
Property and equipment, net--*Note D*	70,455	66,824
Investments--*Note K*	3,904	3,882
Deferred financing costs, net	73	74
Other noncurrent assets	5,318	4,128
TOTAL ASSETS	$ 228,150	$ 212,567

(Continued)

Consolidated Balance Sheets - Continued

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	June 30 2015	June 30 2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt--*Note E*	$ 1,925	$ 1,424
Current portion of accrued employee benefit liabilities--*Note H*	11,856	10,539
Accounts payable and accrued expenses	35,478	36,451
Accrued compensation and related items	14,425	14,385
Advances from third-party payers	13,742	13,926
TOTAL CURRENT LIABILITIES	77,426	76,725
NONCURRENT LIABILITIES		
Long-term debt, net of current portion--*Note E*	4,420	4,440
Other liabilities:		
Accrued professional liabilities--*Notes G and J*	19,729	26,870
Accrued employee benefit liabilities, net of current portion--*Note H*	62,905	52,848
Total other liabilities	82,634	79,718
TOTAL LIABILITIES	164,480	160,883
NET ASSETS		
Unrestricted	55,536	47,544
Temporarily restricted	8,134	4,140
TOTAL NET ASSETS	63,670	51,684
TOTAL LIABILITIES AND NET ASSETS	$ 228,150	$ 212,567

See notes to the consolidated financial statements.

Consolidated Statements of Operations

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	Year Ended June 30	
	2015	**2014**
UNRESTRICTED REVENUE AND OTHER SUPPORT		
Patient service revenue (net of allowances and discounts)	$ 376,279	$ 376,303
Provision for bad debts	(21,175)	(34,442)
Net patient service revenue--*Note J*	355,104	341,861
Other operating income--*Note B*	38,137	40,549
TOTAL UNRESTRICTED REVENUE AND OTHER SUPPORT	393,241	382,410
OPERATING EXPENSES--*Note F*		
Salaries and benefits--*Note H*	215,018	219,001
Supplies	54,636	50,594
Purchased services--*Note I*	56,452	65,823
Physician fees	30,469	26,876
Utilities	4,490	4,665
Interest expense	353	1,437
Depreciation and amortization	12,869	12,779
TOTAL OPERATING EXPENSES	374,287	381,175
INCOME FROM OPERATIONS BEFORE OTHER INCOME--*Note B*	18,954	1,235
OTHER INCOME		
Investment income--*Note C*	1,062	2,434
Gain on early extinguishment of debt--*Notes B and E*	0	43,622
Other	35	136
TOTAL OTHER INCOME	1,097	46,192
EXCESS OF UNRESTRICTED REVENUE AND OTHER SUPPORT OVER EXPENSES	$ 20,051	$ 47,427

See notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Deficit)

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	Year Ended June 30	
	2015	**2014**
Changes in unrestricted net assets:		
Excess of unrestricted revenue and other support over expenses	$ 20,051	$ 47,427
Net assets released from restriction for capital acquisition	189	253
Change in post-retirement employee benefit obligation--*Note H*	(12,248)	11,955
INCREASE IN UNRESTRICTED NET ASSETS (DEFICIT)	7,992	59,635
Changes in temporarily restricted net assets:		
Contributions	7,116	1,083
Change in beneficial interest in net assets of Foundations --*Note K*	80	(99)
Net assets released from restriction for operations	(3,013)	(780)
Net assets released from restriction for capital acquisition	(189)	(253)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	3,994	(49)
CHANGE IN NET ASSETS	11,986	59,586
NET ASSETS (DEFICIT), BEGINNING OF YEAR	51,684	(7,902)
NET ASSETS, END OF YEAR	$ 63,670	$ 51,684

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows
Dimensions Health Corporation and Subsidiaries
(Dollars in thousands)

	Year Ended June 30	
	2015	**2014**
OPERATING ACTIVITIES		
Change in net assets	$ 11,986	$ 59,586
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Provision for bad debts	21,175	34,442
Restricted contributions	(7,116)	(1,083)
Depreciation and amortization	12,869	12,779
Net unrealized loss (gain) on marketable investments	417	(51)
Gain on early extinguishment of debt	0	(43,622)
Change in post-retirement employee benefit obligation	12,248	(11,955)
Changes in operating assets and liabilities:		
Decrease (increase) in assets		
Accounts receivable, net	(17,068)	(45,070)
Inventories	(85)	(854)
Prepaid expenses and other assets	(775)	2,276
Investments-trading	498	27
Other noncurrent assets	(1,190)	(492)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(1,292)	(16,022)
Accrued annual leave	40	354
Accrued employee benefit liabilities	(874)	(664)
Accrued professional liabilities	(7,141)	(419)
NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES	23,692	(10,768)
INVESTING ACTIVITIES		
Net purchase of property and equipment	$ (7,826)	$ (10,342)
Net sale (purchase) of investments	(2,063)	6,888
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(9,889)	(3,454)

(Continued)

Consolidated Statements of Cash Flows - Continued

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	Year Ended June 30	
	2015	**2014**
FINANCING ACTIVITIES		
Payments of long-term debt and capital lease obligations	$ (2,075)	$ (3,569)
Net change in advances from third-party payers	(184)	1,540
Restricted contributions	1,318	1,083
NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES	(941)	(946)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,862	(15,168)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	28,108	43,276
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 40,970	$ 28,108
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 353	$ 3,427
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS:		
Equipment acquired under capital lease	$ 2,557	$ 2,632
Equipment acquired by state grant	$ 5,798	$ 0
Equipment acquired by accounts payable	$ 319	$ 0

See notes to the consolidated financial statements.

Note A - Organization and Summary of Significant Accounting Policies

Organization

Dimensions Health Corporation (the Corporation) is a not-for-profit, non-stock corporation, incorporated in Maryland for charitable and scientific purposes. The Corporation is operating under the name Dimensions Healthcare System. The principal mission of the Corporation is the provision of health care through various delivery sites and the provision of services supporting health care. The Corporation's principal facilities, subsidiaries, and affiliates are as follows:

Acute and Ambulatory Care Facilities:

- Prince George's Hospital Center (PGHC)
- Laurel Regional Hospital (LRH)
- Bowie Health Center (BHC)

Long-term Care Facilities:

- Gladys Spellman Specialty Care Unit (GSS, a division of LRH)
- Madison Manor, Inc. (MM), a wholly owned subsidiary, which holds a 25% interest in the Larkin Chase Nursing and Restorative Center

Health Care Supporting Subsidiaries and Affiliates:

- Dimensions Healthcare Associates, Inc. (DHA), a wholly owned, not-for-profit corporation established to provide physician services to the Corporation's acute and ambulatory care facilities
- Affiliated Enterprises, Inc. (AEI), a wholly owned, for-profit corporation, which owns and operates Mullikin Medical Center, a medical office building, on the Bowie campus
- Dimensions Assurance, Ltd. (DAL), a wholly owned, for-profit captive insurance company located in the Cayman Islands

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Investments in affiliates for which the Corporation has the ability to significantly influence operations, but does not control, are accounted for under the equity method. Significant intercompany accounts and transactions have been eliminated in consolidation.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses. Actual amounts could differ from those estimates.

Risk Factors

The Corporation's ability to maintain and/or increase future revenues could be adversely affected by: (1) the growth of managed care organizations promoting alternative methods for health care delivery and payment of services such as discounted fee for service networks and capitated fee arrangements (the rate setting process in the State of Maryland prohibits hospitals from entering into discounted fee arrangements, however managed care contracts may provide for exclusive service arrangements); (2) proposed and/or future changes in the laws, rules, regulations, and policies relating to the definition, activities, and/or taxation of not-for-profit tax-exempt entities; (3) the enactment into law of all or any part of the current budget resolutions under consideration by Congress related to Medicare and Medicaid reimbursement methodology and/or further reductions in payments to hospitals and other health care providers; (4) the ultimate impact of the federal Patient Protection and Affordable Care Act and the Health Care Education Affordability Reconciliation Act of 2010; and (5) the future of Maryland's Certificate of Need (CON) program, where future deregulation could result in the entrance of new competitors, or future additional regulation may eliminate the Corporation's ability to expand new services.

The Joint Commission (JC), a non-governmental privately owned entity, provides accreditation status to hospitals and other health care organizations in the United States. Such accreditation is based upon the healthcare organization demonstrating compliance with approximately three hundred standards designed to ensure quality and patient safety. JC conducts unannounced triennial and for cause surveys. Certain managed care payers require hospitals to have appropriate JC accreditation in order to participate in those programs.

In addition, the Center for Medicare and Medicaid Services (CMS), the agency with oversight of the Medicare and Medicaid programs, provides "deemed status" for facilities having JC accreditation. By being accredited, facilities are "deemed" to be in compliance with the Medicare and Medicaid conditions of participation. Termination as a Medicare or Medicaid provider or exclusion from any or all of these programs/payers would have a materially negative impact on the future financial position, operating results and cash flows of the Corporation. The health care facilities of the Corporation have maintained full JC accreditation for 2015 and 2014.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents include cash and certain investments in highly liquid debt instruments and certificates of deposit, both with original maturities of three months or less when purchased. The Corporation routinely invests its surplus operating funds in overnight repurchase agreements. These funds generally invest in highly liquid U.S. government and agency obligations. Short-term investments are highly liquid assets that have an original maturity between three months and one year. Short term investments represents amounts held by commercial banks under custody agreements as collateral for outstanding letters of credit. Cash holdings in commercial banks routinely exceed the aggregate maximum insured ($250) by the Federal Deposit Insurance Corporation.

Marketable Investments and Investment Income

Marketable investments are carried at fair value as of the balance sheet date based on quoted market prices. Investments included in assets limited as to use are restricted under self-insurance arrangements, and are not available for the general operations of the Corporation. Assets limited as to use, which will be utilized to meet related current liabilities, have been classified in the accompanying consolidated balance sheets as current assets. The cost of securities sold is based on the specific-identification method. Investment income for all investments is included in consolidated non-operating income.

Management classifies the Corporation's investment portfolio restricted for self-insurance arrangements as a trading portfolio. Accordingly, realized and unrealized gains and losses on these investments are included in non-operating gains (losses) in the accompanying consolidated statements of changes in net assets.

The Corporation's investments are subject to credit, market and interest rate risks that cannot be predicted at this time. However, management has attempted to mitigate these risks by maintaining a diversified portfolio.

Accounts Receivable and Contractual Allowances

The Corporation provides services to patients in Prince George's County and surrounding jurisdictions, the majority of whom are covered by third-party health insurance programs. The Corporation bills the insurers/programs directly for the services provided. Insurance and credit information is obtained from patients at time of service or upon admission when available. No collateral is obtained for patient accounts receivable.

Note A - Organization and Summary of Significant Accounting Policies – Continued

Accounts Receivable and Contractual Allowances - Continued

The Corporation's policy is to write off all patient accounts that have been identified as uncollectible. Accounts receivable are reduced by an allowance for doubtful accounts. An allowance for doubtful accounts is recorded for accounts not yet written off that are anticipated to become uncollectible in future periods. In evaluating the collectibility of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payers of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payers of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For accounts receivable associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely). For accounts receivable associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Discounts ranging from 2% to 6% of hospital charges are given to Medicare, Medicaid and certain approved commercial health insurance and health maintenance organizations. Also, these payers routinely review patient billings and deny payment for certain procedures that they deem medically unnecessary or performed without appropriate pre-authorization. Discounts and denials are recorded as reductions of net patient revenue. Accounts receivable from these third-party payers have been adjusted to reflect the difference between charges and the estimated reimbursable amounts.

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies – Continued

Accounts Receivable and Contractual Allowances - Continued

At June 30, 2015 and 2014, gross patient accounts receivable, by payer class, consisted of the following:

	2015	2014
Medicare	17%	15%
Medicaid	18%	20%
Medicaid MCO	17%	18%
Medicaid pending	4%	5%
Commercial	6%	5%
Self pay and others	38%	37%
	100%	100%

Inventories

Inventories, consisting principally of drugs and supplies, are carried at the lower of cost or market, using the average-cost method.

Meaningful Use Incentives

Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians and certain other professionals when they adopt, implement or upgrade certified electronic health record (EHR) technology or become "meaningful users," as defined under ARRA, of EHR technology in ways that demonstrate improved quality, safety and effectiveness of care. Incentive payments will be paid out over varying transitional schedules depending on the type of incentive (Medicare and Medicaid) and recipient (hospital or eligible provider). Eligible hospitals can attest for both Medicare and Medicaid incentives, while physicians must select to attest for either Medicare or Medicaid incentives. For Medicare incentives, eligible hospitals receive payments over four years while eligible physicians receive payments over five years. For Medicaid incentives, eligible hospitals receive payments based on the relevant State adopted payment structure and physicians receive payments over six years.

The Corporation recognizes EHR incentives when it is reasonably assured that the Corporation will successfully demonstrate compliance with the meaningful use criteria. During the year ended June 30, 2015 and 2014, certain hospitals and physicians of the Corporation satisfied the meaningful use criteria. As a result, the Corporation recognized $3,821 and $4,257 of EHR incentives during fiscal year 2015 and 2014, respectively, in other operating revenue.

Note A - Organization and Summary of Significant Accounting Policies – Continued

Property and Equipment

Property and equipment is carried at cost or, if donated, at fair market value at the date of the gift. Expenditures over seven hundred fifty dollars with a useful life of at least two years are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from two to thirty years. Amortization of assets under capital lease obligations is computed using the straight-line method over the estimated useful life of the equipment and is included in depreciation and amortization in the consolidated financial statements. Maintenance and repairs are charged to expense as incurred.

The cost of software is capitalized provided the cost of the project is at least seven hundred fifty dollars and the expected life is at least two years. Costs include payment to vendors for the purchase and assistance in its installation, payroll costs of employees directly involved in the software installation, and interest costs of the software project if financed by debt. Preliminary costs to document system requirements, vendor selection, and any costs before software purchase are expensed. Capitalization of costs will generally end when the project is completed and the software is ready to be used. Where implementation of the project is in phases, only those costs incurred which further the development of the project will be capitalized. Costs incurred to maintain the system are expensed.

Impairment of Long-Lived Assets

The Corporation evaluates its long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of any asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the future discounted cash flows compared to the carrying amount of the asset.

Temporarily Restricted Net Assets

Resources restricted by donors for specific purposes are reported as temporarily restricted net assets until expended, at which time they are reported as net assets released from restriction.

In accordance with accounting principles generally accepted in the United States of America, assets that are restricted for capital acquisitions (or that will not be available to the Corporation within the next operating cycle) are classified as noncurrent assets in the accompanying consolidated balance sheets. Assets that are temporarily restricted for supporting Corporation programs are classified as current assets if they are currently available for use by the Corporation.

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies – Continued

Temporarily Restricted Net Assets - Continued

Temporarily restricted net assets are available for the following purposes at June 30:

	2015	2014
Capital purchases (state funded)	$ 5,798	$ 0
Healthcare and health education	2,336	4,140
	$ 8,134	$ 4,140

Net Patient Service Revenue

Net patient service revenue, by payer class, consisted of the following for the years ended June 30:

	2015	2014
Medicare	28.6%	28.4%
Medicaid	35.7%	33.4%
Commercial	26.7%	27.6%
Other	9.0%	10.6%
	100.0%	100.0%

Revenue from the State of Maryland Medicaid program is primarily derived from independent managed care organizations that have contracted with the State of Maryland to cover eligible beneficiaries.

The Corporation recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided.

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Net Patient Service Revenue - Continued

Patient service revenue, net of contractual allowances and discounts recognized in the period from these major payer sources, is as follows:

	2015	2014
Gross patient charges	$ 467,621	$ 459,445
Deductions:		
Charity allowances	20,992	21,381
Medicare and medicaid allowances	17,493	15,223
Other discounts and allowances	52,857	46,538
	376,279	376,303
Less: provision for bad debts	(21,175)	(34,442)
Net patient service revenue	$ 355,104	$ 341,861

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Corporation's revenues, and the Corporation's operations are subject to a variety of other federal, state and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Corporation.

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation.

The healthcare industry is subject to numerous laws and regulations from federal, state and local governments. The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse laws and physician self-referral laws (STARK law and regulation). Recent federal initiatives have prompted a national review of federally funded healthcare programs. In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. The Corporation has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Charity Care

In support of its mission, the Corporation provides charity care to patients who lack financial resources and are deemed to be medically indigent. Policies have been established that define charity care and provide guidelines for assessing a patient's ability to pay. Evaluation procedures for charity care qualification have been established for those situations when previously unknown financial circumstances are revealed or when incurred charges are significant when compared to the individual patient's income and/or net assets. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as net patient service revenue.

In addition, the Corporation provides services to other medically indigent patients under various state Medicaid programs that pay providers amounts less than the costs incurred for the services provided to the recipients.

Under current accounting standards, the Corporation is required to report the cost of providing charity care. The cost of charity care provided by the Corporation totaled $15,175 and $15,789 for the years ended June 30, 2015 and 2014, respectively. Rates charged by the Corporation for regulated services are determined based on an assessment of direct and indirect cost calculated pursuant to the methodology established by the Maryland Health Services Cost Review Commission ("the Commission" - see *Note J*. For any charity services rendered by the Corporation other than from the Hospitals, the cost of charity care is calculated by applying the estimated total cost-to-charge ratio for the non-Hospital services to the total amount of charges for services provided to patients benefitting from the charity care policies of the Corporation's non-Hospital affiliates.

The Corporation receives a payment from the Commission with respect to an Uncompensated Care Fund ("UCC") established for rate-regulated hospitals in Maryland. The UCC is intended to provide Maryland hospitals with funds to support the provision of uncompensated care (including both charity and bad debts) at those hospitals. The Corporation received $30,991 for 2015 and $23,785 for 2014 in UCC payments. The cost of charity care disclosed in the prior paragraph does not include offset for uncompensated care fund receipts.

Other Operating Income

Other income is primarily composed of private and government restricted and non-restricted donations and grant income. Restricted donations and grants are held as restricted assets and recorded as revenue once the restrictions are satisfied. Other operating income is also composed of miscellaneous hospital revenue such as rental income, parking garage and vending machine income.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Estimated Professional Liability Costs

The provision for estimated professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Corporation utilizes outside actuarial services in determining the aggregate professional liability reserve. The accrued professional liabilities amounts included in the accompanying consolidated balance sheets have not been discounted (see *Note G*).

Excess of Unrestricted Revenue and Other Support over Expenses

The consolidated statements of operations report excess of unrestricted revenue and other support over expenses. Changes in unrestricted net assets that are excluded from this performance indicator, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of (and assets released from donor restrictions related to) long-lived assets, and the recognition of (and subsequent adjustment to) certain changes in the employee post-retirement benefit liability reported by the Corporation.

Income Tax

The Corporation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code as a public charity. Federal tax law requires that the Corporation be operated in a manner consistent with its initial exemption application in order to maintain its exempt status. Management has analyzed the operations of the Corporation and concluded that it remains in compliance with the requirements for exemption. The state in which the Corporation operates also recognizes this exemption for state income tax purposes.

Organizations otherwise exempt from federal and state income taxation are nonetheless subject to taxation at corporate tax rates at both the federal and state levels on their unrelated business income. Exemption from other state taxes, such as real and personal property tax, is separately determined. For 2015 and 2014, management has determined that it did not have any income tax liability.

Although exempt from federal and state income taxes, the Corporation is required to file an annual federal information return on Form 990. In addition, to the extent that the Corporation has gross income from business activities unrelated to its exempt purpose in excess of $1,000 for any tax year, it must also file a Form 990-T tax return. Generally, federal and state taxing authorities must propose any taxable adjustments within three years from the due date of the 990-T or the actual filing date, whichever is later, unless unrelated business gross income is under reported by 25% or more, in which case the relevant time period is six years. No statute of limitations applies for years for which no 990-T has been filed. The Corporation is not currently under audit by any taxing authority and has not been notified of any impending audit.

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Income Tax - Continued

Current accounting standards define the threshold for recognizing uncertain income tax return positions in the financial statements as “more likely than not” that the position is sustainable, based on its technical merits, and also provide guidance on the measurement, classification and disclosure of tax return positions in the financial statements. Management believes there is no impact on the Corporation’s accompanying consolidated financial statements related to uncertain income tax positions.

Fair Value of Financial Instruments

The carrying amounts reported in the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, advances from third-party payers, and accrued annual leave approximates their fair value. The fair values of assets limited as to use and investments are based on quoted market prices of the individual securities or investments. The fair values of investments are discussed in *Note C*.

Note B - Management's Update on Plans for UMMS Affiliation and the New Regional Medical Center

The Corporation has experienced substantial capital needs, significant unfunded pension obligations and limited cash resources. The Corporation continues to be reliant upon government and other grant funding to finance continuing operations.

The following one-time operating grants were recorded in other income in the accompanying consolidated statements of operations as of June 30, 2015 and 2014:

	2015	2014
Prince George's County government	$ 9,802	$ 15,000
State of Maryland	15,000	15,000
Magruder Memorial Hospital Trust	1,042	1,042
	$ 25,844	$ 31,042

Note B - Management's Update on Plans for UMMS Affiliation and the new Regional Medical Center - Continued

Should the government and private grant funding, most of which was reported as income in the financial records of PGHC, LRH and GSSHNC, not have been received by the Corporation, the consolidated income from operations of the Corporation for the years ended June 30, 2015 and 2014 would have resulted in deficits of $6,890 and $29,807, respectively. The Corporation's cash flow continues to be stressed due primarily to the need to fund pre-existing obligations such as the Corporation's pension and other postretirement employee benefits (approximately $6,738 and $10,045 contributed during the years ended June 30, 2015 and 2014, respectively), as well as funding for new property and equipment (approximately $7,826 and $10,342 for the years ended June 30, 2015 and 2014, respectively). Consolidated days unrestricted cash available to fund operations was approximately forty days as of June 30, 2015 and twenty-four days as of June 30, 2014.

Management and the Board of Directors are addressing these issues to ensure the Corporation's continued financial stability as described below.

On July 21, 2011, the Prince George's County of Maryland (the County), the University of Maryland Medical System (UMMS), the University System of Maryland (USM), the State of Maryland (the State) and the Corporation signed a Memorandum of Understanding (MOU) to forge a long term solution to the historical challenges related to the Prince George's County health care system facilities and assets currently leased to the Corporation (the System) by developing and implementing a strategy to transform the System into an efficient, effective and financially viable healthcare delivery system with a new regional medical center, located in Prince George's County, supported by a comprehensive ambulatory care network, which will improve the health of residents of the County and Southern Maryland region by providing community-based access to high quality, cost-effective medical care.

UMMS has completed an initial study of the System and the health care needs of the County. The strategy includes the potential development of a University of Maryland Baltimore health sciences presence to accompany the regional medical center and the ambulatory care network in the mission to enhance the provision of quality health care services to the residents of the County and Southern Maryland. The initial study estimates the overall costs necessary to implement the vision and strategy to be in the range of $600 million, excluding the cost of implementing the comprehensive ambulatory system. Further, the study identified the additional need to resolve approximately $200 million of the Corporation's unfunded pension liabilities, outstanding debt and unfunded retiree health benefit costs. The costs for the project will be shared by the key stakeholders.

Plans for the project, as outlined in the MOU, are on track. The University of Maryland College Park School of Public Health completed a study and assessment of the public health impact on the population to be served. The findings were presented to the key stakeholders and were also made public.

Note B - Management's Update on Plans for UMMS Affiliation and the new Regional Medical Center - Continued

External consultants have assisted management and the stakeholders with refining financial analyses to determine the appropriate cost and size of the new regional medical center (RMC). State and County funding is already in place and the Largo Town Center was selected as the site for the new RMC, and on October 4, 2013, a CON application was filed with the State for new RMC. On April 3, 2015, the CON for the new RMC was docketed by the Maryland Health Care Commission, which initiates the formal review process.

If the plans that are outlined in the MOU are executed as envisioned, a new hospital in the County, along with a new USM health sciences campus and a primary care outpatient network, could be operational in the next four to seven years. A copy of the MOU can be found on the County's website.

As part of the MOU, on October 20, 2011, Governor Martin O'Malley on behalf of the State, and County Executive Rushern L. Baker, III on behalf of the County, signed a letter of intent to demonstrate their commitment to provide the System with funding to support the System's operations and also for the continued discharging of its legacy liabilities. During fiscal year 2015 and 2014, the State provided $15,000 annually to the Corporation. During fiscal year 2015 and 2014, the County provided $9,802 and $15,000, respectively, to the Corporation, and for fiscal year 2016 and 2017, the County's contribution is anticipated to be approximately $10,000 per year. These amounts are to cover any continued operating losses and liabilities and are subject to State and County's respective appropriations processes. As of the date of issuance of the accompanying consolidated financial statements, the Corporation had received the scheduled County funding of the initial installments for the operations of the Corporation's first fiscal 2016 quarter totaling approximately $2.5 million.

The MOU also requires full discharge of the Corporation's legacy liabilities, and specifically its unfunded pension obligation and its 1994 bond debt, prior to an affiliation with UMMS. Towards this end, the County assumed the Corporation's outstanding Series 1994 Bond debt during the year ended June 30, 2014 (see *Note E*). The Couny reissued new debt in the form of certificates of participation from which the proceeds were used to advance refund the Corporation's Series 1994 Bond debt. Beginning fiscal year 2015, the County will offset an amount equal to required debt service on the new certificates of participation from its annual funding commitment to the Corporation.

On July 31, 2015, the Corporation announced a new ambulatory care strategy to replace LRH. Acute care inpatient services at LRH will be phased out over the next several years, beginning with the closure of maternal child health services in October, 2015 and subsequent reduction of intensive care services. Emergency, surgical, psychiatric and rehabilitative services will remain along with other routine inpatient and outpatient services. A new ambulatory care center will be built on the LRH campus to provide ambulatory surgery, emergency and diagnostic services upon completion, targeted for 2019. Psychiatric and rehabilitative services will continue to be provided on campus.

(Dollars in thousands)

Note B - Management's Update on Plans for UMMS Affiliation and the new Regional Medical Center - Continued

The successful completion of these strategic initiatives is contingent upon the continued support and cooperation of the County, the State, and UMMS.

Note C - Investments

Marketable investments are included in the consolidated balance sheets as assets limited as to use at June 30, 2014 and 2013, respectively.

The fair values of marketable investments at June 30 are as follows:

	2015	2014
Money market funds	$ 10,800	$ 8,375
Certificate of deposits	2,461	2,941
Government and agency	18,652	20,031
Corporate bonds	4,974	4,774
Common stock	8,491	8,178
Asset-backed securities	620	573
Total marketable investments	$ 45,998	$ 44,872

Investment income and gains for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ended June 30:

	2015	2014
Interest, dividends, and realized gains	$ 1,479	$ 2,383
Unrealized gains (losses)	(417)	51
	$ 1,062	$ 2,434

Current accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of inputs that may be used to measure fair value are:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Note C – Investments – Continued

Level 2: Observable input other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate-debt securities, and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates, and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the Corporation's business, its value, or financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of the timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. Furthermore, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed.

Fair values of government and agency securities, corporate bonds, common stock and asset-backed securities have been determined by the Corporation from observable market quotations, when available. Money market funds comprise short-term fixed maturity securities, and carrying amounts approximate fair values, which have been determined from public quotations when available.

Notes to the Consolidated Financial Statements- Continued
Dimensions Health Corporation and Subsidiaries
(Dollars in thousands)

Note C – Investments - Continued

The following table presents the Corporation's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2015.

Assets	Level 1	Level 2	Total
Money market funds	$ 10,800	$ 0	$ 10,800
Certificate of deposits	2,461	0	2,461
Government and agency			0
Tresury and notes	17,145	0	17,145
Mortgage Asset	0	215	215
Federal home agency asset	0	1,507	1,507
Non convertible corporate bonds	0	4,974	4,974
Common stock			
Basic materials	1,481	0	1,481
Consumer goods	682	0	682
Financial	871	0	871
Healthcare	1,384	0	1,384
Industrial goods	1,106	0	1,106
Services	1,124	0	1,124
Technology	1,547	0	1,547
Utilities	296	0	296
Mortgage asset-backed	0	405	405
Total	$ 38,897	$ 7,101	$ 45,998

(Dollars in thousands)

Note C – Investments - Continued

The following table presents the Corporation's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2014.

Assets	Level 1	Level 2	Total
Money market funds	$ 8,375	$ 0	$ 8,375
Certificate of deposits	2,941	0	2,941
Government and agency			
Treasury notes	18,305	0	18,305
Mortgage asset	0	115	115
Federal home agency asset	0	1,726	1,726
Nonconvertible corporate bonds	0	4,774	4,774
Common stock			
Basic materials	923	0	923
Conglomerates	177	0	177
Consumer goods	205	0	205
Financial	1,091	0	1,091
Healthcare	1,579	0	1,579
Industrial goods	639	0	639
Services	1,496	0	1,496
Technology	1,719	0	1,719
Utilities	349	0	349
Mortgage asset-backed	0	458	458
Total	$ 37,799	$ 7,073	$ 44,872

No significant transfers were made between financial instruments classified at different levels during 2015 and 2014.

(Dollars in thousands)

Note D - Property and Equipment

A summary of property and equipment at June 30, 2014 and 2013 is as follows:

	2015	2014
Land	$ 743	$ 743
Land improvements	532	532
Buildings and improvements	72,962	71,571
Leasehold improvements	36,400	36,400
Equipment	164,492	160,137
Equipmment under capital lease obligation	11,752	9,224
	286,881	278,607
Construction in progress	11,586	3,450
	298,467	282,057
Less: accumulated depreciation and amortization	228,012	215,233
	$ 70,455	$ 66,824

Accumulated amortization for equipment under capital leases was $7,081 and $6,820 at June 30, 2015 and 2014, respectively. The Corporation recognized amortization expense for assets under capital lease obligations of $1,485 and $1,484 for the periods ended June 30, 2015 and 2014, respectively. These amounts are included in depreciation and amortization expense within the accompanying consolidated statements of operations.

(Dollars in thousands)

Note E - Long-Term Debt

Long-term debt and capital lease obligations at June 30, 2014 and 2013 are summarized as follows:

	2015	2014
Magruder Trust Mortgage - liability held for sale, three-year adjustable rate (3.25% at both June 30, 2015 and 2014), repayable in periodic installments through 2025	$ 2,601	$ 2,806
Capital lease obligations, payable in monthly installments collateralized, with interest ranging from 1.99% to 5.98% by leased equipment	3,744	3,058
	6,345	5,864
Less: current portion of long-term debt and capital lease obligations	1,925	1,424
Non-current portion	$ 4,420	$ 4,440

Interest costs on long-term debt and notes payable incurred and paid for the years ended June 30, 2015 and 2014 was $353 and $1,437, respectively. The fair value of all outstanding debt approximates its carrying value.

In October 2013, the County assumed the Corporation's outstanding Series 1994 Bonds. The County reissued new debt in the form of certificates of participation from which the proceeds was used to advance refund the Corporation's Series 1994 Bonds. The Corporation recognized a gain from extinguishment of this debt of $43,622.

Scheduled principal repayments on long-term debt are as follows as of June 30, 2015:

Year Ending:	
2016	$ 211
2017	218
2018	226
2019	233
2020	241
2021 and thereafter	1,472
	$ 2,601

(Dollars in thousands)

Note E - Long-Term Debt - Continued

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, are as follows as of June 30, 2015:

Year Ending:		
2016	$	1,877
2017		1,352
2018		587
2019		85
Total minimum lease payments		3,901
Less: amounts representing interest		(157)
Present value of net minimum lease payments	$	3,744

Note F - Functional Expenses

The Corporation considers health care services and management and general to be its primary functional categories for purposes of expense classification. The Corporation's operating expenses by functional classification for the years ended June 30, 2015 and 2014 are as follows:

Functional Expenses

	2015	2014
Health care services	$ 342,456	$ 348,759
Management and general	31,831	32,416
	$ 374,287	$ 381,175

Note G - Insurance Programs

The Corporation maintains a wholly owned captive company that provides professional and general liability reimbursement coverage for matters arising from the operations of its institutions. As of June 30, 2015 and 2014, the limits were $5,000 per occurrence for professional liability and $3,000 per occurrence for general liability. Physicians employed by the Corporation are covered for professional liability with coverage limits of $1,000 and $3,000 in the annual aggregate. The Corporation also has several other lines of casualty and property insurance which are commercially insured. Amounts above retention are 100% reinsured. For the year ended June 30, 2015, there was a reduction in reported professional liability of approximately $7,140, resulting from better than anticipated emergence, including multiple claims closed with indemnity paid lower than their reserve amounts.

Note G - Insurance Programs - Continued

The Corporation provides claims-management services to the captive company. Reserves for losses from claims, both incurred, such as potentially compensable events identified under the Corporation's incident reporting system, and incurred but not reported are accrued based on actuarial estimates that incorporate the Corporation's past experience, as well as other considerations. These include the nature of each claim or incident and various relevant trend factors. The estimates for these losses are reported as accrued professional liabilities on the consolidated balance sheets.

In management's opinion, the assets of the captive insurance company are sufficient to meet its obligations as of June 30, 2015. If the financial condition of the captive insurance company were to materially deteriorate in the future, and if it was unable to pay its claim obligations, the responsibility to pay those claims would revert to the Corporation.

Note H - Pension and Postretirement Benefits

The Corporation has a noncontributory defined benefit pension plan (the Plan) covering substantially all employees. For employees not covered under collective-bargaining agreements and employees who are represented by the 1199 SEIU Health Care Workers East - Health Care Workers union (formerly District 1199E-DC, SEIU union and formerly Local No. 63 union), the Plan operates as a cash balance plan. The annual contribution by the Corporation is allocated to individual employee accounts based on years of service and the individual's retirement account. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union (formerly Professional Staff Nurses Association union), benefits are based on years of service and average final compensation. On December 31, 2007, the Corporation elected to freeze the Pension Plan. No further benefit accruals will be made to the Plan. The Plan freeze substantially reduces annual funding obligations beginning with Plan year 2008.

The Corporation's funding policy is to contribute such actuarially determined amounts as necessary to provide assets sufficient to meet the benefits to be paid to the Plan participants and to meet the funding requirements of the Employees Retirement Income Security Act of 1974 (ERISA).

Postretirement Benefit Plans

The Corporation also sponsors two defined postretirement benefit plans that cover both salaried and non-salaried employees. One plan provides health care (medical, dental and vision) benefits and the other provides life insurance benefits. The postretirement health care plan is provided to employees who have retired and certain other employees who were eligible to retire prior to July 1, 1995. The plan is contributory for those who retired prior to July 1, 1995, with retiree contributions adjusted annually. Employees who retired on July 1, 1995 and later are eligible to participate in the plan by paying 100% of the premiums without corporate contributions. The Corporation's policy has been to fund this plan on an as needed basis.

Note H - Pension and Postretirement Benefits - Continued

The second defined postretirement plan is a life insurance plan covering both salaried and non-salaried employees. The plan was non-contributory for all eligible retirees prior to July 1, 2001. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union, the plan was no longer offered to new retirees as of July 1, 1999. Effective July 1, 2001, the plan was modified to become contributory for the non-union employees and employees represented by the 1199 SEIU Health Care Workers East - Health Care Workers union who retired prior to July 1, 2001 and for the employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union who retired prior to July 1, 1999. The Corporation's policy has been to fund its share of these benefits as they are incurred.

Defined Contribution 403(b) Plan

On January 1, 2008 a defined contribution 403(b) plan, the Dimensions Health Corporation Retirement Savings Plan, was adopted as a replacement plan for the frozen pension plan. Previously the employer had a non-contributory deferred savings program offered to employees through multiple third party administrators.

The 403(b) plan provides a 2% employer contribution on gross wages. Eligible employees who defer wages into the program receive matching contributions from the Corporation equal to 50% of their contribution, up to 4% of their gross pay (thereby receiving an employer maximum match of 2%). Employees who are budgeted to work 40 hours per pay period receive their contribution and match on a biweekly basis. Employees who are budgeted less than 40 hours per pay period but who actually work 1,000 or more hours in the plan year receive their contribution and match in one payment early in the following year. The 403(b) plan has a three year "cliff" vesting schedule. Employer contributions under this plan totaled approximately $4,749 and $4,919 for the years ended June 30, 2015 and 2014, respectively.

In accordance with the collective bargaining agreement with 1199 SEIU Health Care Workers East – Registered Nurses Chapter, represented employees with fifteen years of service will receive a matching $25 for each pay period in which they defer $25 or more. This matching contribution is paid quarterly.

As the 403(b) plan results in a decrease in retirement benefits for older employees, "grandfathering" provisions were put in place. Non-represented employees, who, as of January 1, 2008, are both fifty-five years or older and who have at least one year of vesting service, receive an additional 3% contribution from the Corporation. Employees represented by 1199 SEIU Health Care Workers East – Registered Nurses Chapter and who, as of January 1, 2008 are both fifty-five years or older and who have fifteen years of vesting service receive an additional 6.5% contribution from the Corporation. To be eligible for the supplemental grandfathering contributions, employees must continue to work in positions budgeted for at least forty hours per pay period.

(Dollars in thousands)

Note H - Pension and Postretirement Benefits - Continued

On April 8, 2008 the Corporation filed a "de minimis" determination ruling request, exempting the Corporation from Section 412(f) of the IRS Code and 304(b) of ERISA on April 8, 2008, due to the establishment of the defined contribution 403(b) plan. As of the date of this report, the Corporation has not received disposition on this request.

Recorded Liability

The Corporation has recorded a pension liability in the accompanying consolidated balance sheets in the amount of $69,966 and $59,018, representing the amount of projected benefit obligation exceeding the fair value of the Plan's assets as of June 30, 2015 and 2014, respectively. The accumulated benefit obligation was $263,448 and $249,762 as of June 30, 2015 and 2014, respectively.

The Corporation has also recorded a post retirement benefit liability in the accompanying consolidated balance sheet in the amount of $4,641 and $4,369 as of June 30, 2015 and 2014, respectively, representing the underfunded status of the other postretirement benefit plans.

	Pension Benefits		Other Postretirement Benefits	
	2015	**2014**	**2015**	**2014**
Change in benefit obligation				
Benefit obligation at beginning of year	$ 249,762	$ 235,335	$ 4,369	$ 5,084
Interest cost	10,662	11,068	190	203
Actuarial (gain) loss	12,068	11,520	668	(413)
Benefits paid	(9,044)	(8,161)	(586)	(505)
Benefit obligation at end of year	$ 263,448	$ 249,762	$ 4,641	$ 4,369
Change in plan assets				
Fair value of plan assets at beginning of year	$ 190,744	$ 164,413	$ 0	$ 0
Actual return on plan assets	5,476	24,952	0	0
Employer contribution	6,152	9,540	586	505
Benefits paid	(9,044)	(8,161)	(586)	(505)
Adjustment due to change in measurement date	0	0	0	0
Fair value of plan assets at end of year	$ 193,328	$ 190,744	$ 0	$ 0
Funded status/accrued pension and other postretirement benefit cost	$ (70,120)	$ (59,018)	$ (4,641)	$ (4,369)

(Dollars in thousands)

Note H - Pension and Postretirement Benefits – Continued

Recorded Liability - Continued

Significant assumptions used in the accounting for the benefit plans on the measurement dates are as follows. For measurement purposes, certain rate assumptions are adjusted based upon periodic changes in market indicators.

	Pension Benefits		Other Postretirement Benefits	
	2015	2014	2015	2014
Weighted-average assumptions				
Discount rate	4.45%	4.35%	4.45%	4.35%
Expected return on plan assets	7.0%	7.5%	N/A	N/A
Health care trend rate	N/A	N/A	7.3%	7.6%
Components of net periodic benefit cost				
Interest cost	$ 10,662	$ 11,068	$ 190	$ 203
Expected return on plan assets	(13,668)	(12,506)	0	0
Amortization of prior service cost	150	150	(103)	(135)
Amortization of net actuarial loss	8,539	10,297	95	54
Amortization of transition obligation	0	0	0	250
Net periodic benefit cost	$ 5,683	$ 9,009	$ 182	$ 372

The overall rate of expected return on assets assumption was based on historical returns, with adjustments made to reflect expectations of future returns. The extent to which the future expectations were recognized included the target rates of return for the future which has historically not changed.

For measurement purposes related to postretirement benefits as of June 30, 2015 and 2014, a 4.5% annual rate of increase in the per capita cost of covered health care benefits was assumed. The health care trend rate assumption has a significant effect on the amounts reported. For example, changing the assumed health care cost trend rates by one percentage point will have the following effects:

	One Percentage-Point Increase	One Percentage-Point Decrease
Effect on service and interest cost component	$ 9	$ (9)
Effect on postretirement benefit obligation	277	(247)

(Dollars in thousands)

Note H - Pension and Postretirement Benefits – Continued

Pension Plan Assets

The Plan's asset allocations at June 30, 2015 and 2014, by asset category, are as follows:

	2015	2014
Asset Category		
Equity Securities	73%	68%
Fixed Maturity Securities	8%	16%
Other	19%	16%
	100%	100%

The Plan assets may be invested in publicly traded equity mutual funds, including equity index funds and unit investment trusts mirroring a major market equity index, and publicly traded bond mutual funds, including bond index funds, with allowable ranges of 50% to 80% of the total asset value for equities and 20% to 50% of the total asset value for fixed maturity investments. In addition, fixed maturity investments that are not publicly traded may be used with specific approval by the Plan trustees. Investment results are evaluated against applicable major market indexes.

The custodian of the Plan's assets uses an independent pricing service, Interactive Data Pricing and Reference Data, Inc., to provide pricing services and valuation methodology. The following is a description of the valuation methodologies used for assets measured at fair value.

Common stock securities are priced at the closing price reported on the active market on which individual securities are traded.

Corporate bond securities are priced by independent pricing services using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads, and priced using non-binding broker/dealer quotes. Prices are reviewed by the custodian to ensure reasonableness, and can be challenged with the independent party and/or overridden if the custodian believes the custodian's price would be more reflective of fair value.

U.S. government securities are priced using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads, priced using non-binding broker/dealer quotes. Prices are reviewed by the custodian to ensure reasonableness, and can be challenged with the independent party and/or overridden if the custodian believes the custodian's price would be more reflective of fair value.

The valuation of asset-backed securities (including partnerships) is based on valuation by the general manager or partner of such asset determined in good faith using criteria set forth in the asset agreements.

(Dollars in thousands)

Note H - Pension and Postretirement Benefits – Continued

Pension Plan Assets – Continued

The fair values of the Plan assets as of June 30, 2015 by asset category are as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Cash and money market funds	$ 4,285	$ 0	$ 0	$ 4,285
Fixed Maturity				
US government agency bonds/notes	4,156	0	0	4,156
US government bonds/notes	6,328	0	0	6,328
Corporate bonds	0	5,267	0	5,267
Equity				
Mutual funds				
Large cap growth	25,440	0	0	25,440
Mid cap growth	10,714	0	0	10,714
Mid cap value	10,482	0	0	10,482
Small cap value	5,825	0	0	5,825
Foreign large value	17,868	0	0	17,868
Foreign large growth	17,879	0	0	17,879
Inflation-protected bond	3,532	0	0	3,532
Intermediate-term bond	18,111	0	0	18,111
Corporate bonds	1,897	0	0	1,897
Common stocks				
Energy	482	0	0	482
Materials	5,975	0	0	5,975
Industrials	2,000	0	0	2,000
Consumer discretionary	683	0	0	683
Consumer staples	2,470	0	0	2,470
Healthcare	3,024	0	0	3,024
Financials	4,394	0	0	4,394
Information technology	3,613	0	0	3,613
Telecom services	244	0	0	244
Utilities	250	0	0	250
Services	5,154	0	0	5,154
Other	582	0	0	582
Alternatives				
Multi-strategy hedge fund of funds	0	0	21,547	21,547
Diversified hedge fund of funds	0	0	11,126	11,126
Total assets fair value	$ 155,388	$ 5,267	$ 32,673	$ 193,328

(Dollars in thousands)

Note H - Pension and Postretirement Benefits – Continued

Pension Plan Assets - Continued

The fair values of the Plan assets as of June 30, 2014 by asset category are as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Cash and money market funds	$ 8,548	$ 0	$ 0	$ 8,548
Fixed Maturity				
US government agency bonds/notes	4,749	0	0	4,749
US government bonds/notes	13,218	0	0	13,218
Municipal bonds	0	745	0	745
Corporate bonds	0	10,421	0	10,421
Asset backed securities	0	708	0	708
Equity				
Mutual funds				
Large cap growth	23,627	0	0	23,627
Mid cap growth	9,552	0	0	9,552
Mid cap value	9,843	0	0	9,843
Foreign large value	18,543	0	0	18,543
Foreign large growth	16,705	0	0	16,705
Inflation-protected bond	3,844	0	0	3,844
Alternative strategies	13,599	0	0	13,599
Common stocks				
Energy	4,937	0	0	4,937
Materials	3,197	0	0	3,197
Industrials	3,475	0	0	3,475
Consumer discretionary	3,635	0	0	3,635
Consumer staples	2,639	0	0	2,639
Healthcare	2,576	0	0	2,576
Financials	6,187	0	0	6,187
Information technology	6,062	0	0	6,062
Telecom services	161	0	0	161
Utilities	373	0	0	373
Foreign	1,689	0	0	1,689
Other	196	0	0	196
Alternatives				
Multi-strategy hedge fund of funds	0	0	21,515	21,515
Total assets fair value	$ 157,355	$ 11,874	$ 21,515	$ 190,744

(Dollars in thousands)

Note H - Pension and Postretirement Benefits - Continued

Pension Plan Assets - Continued

The following table is a rollforward of the fair value amounts for financial instruments classified by the Plan within level 3 of the valuation hierarchy above:

Fair value June 30, 2013	$ 20,696
Sales	(1,630)
Purchases	465
Realized gains	4
Unrealized gains	1,980
Fair value June 30, 2014	$ 21,515
Sales	(696)
Purchases	11,116
Realized gains	73
Unrealized gains	665
Fair value June 30, 2015	$ 32,673

During fiscal year 2015, approximately $5,227 of Level 2 investments were transferred to Level 1 investments. During fiscal year 2014, no significant transfers were made between financial instruments classified at different levels.

The Plan holds alternative investments that are not traded on national exchanges or over-the-counter markets. The Plan is provided information on a net asset value per share basis for these investments that have been calculated by the funds of funds' managers based on information provided by the managers of underlying funds. As of June 30, 2015, included in alternative investments are three classes of hedge funds of funds with fair values of $11,126 (EnTrust Capital), $19,654 (Grosvenor funds), and $1,893 (Silver Creek funds). As of June 30, 2014, included in alternative investments are two classes of hedge funds of funds with fair values of $19,115 (Grosvenor funds) and $2,400 (Silver Creek funds).

(Dollars in thousands)

Note H - Pension and Postretirement Benefits – Continued

Pension Plan Assets - Continued

The following table displays information by major alternative investment category as of June 30, 2015 and 2014:

Description	Redemption Frequency	Redemption Notice Period	Receipt of Proceeds
Hedge Funds (1)	In liquidation status	(1)	(1)
Hedge Funds	Quarterly	70 days	(2)
Hedge Funds	Quarterly	90 days	(3)

1. The Silver Creek funds are currently in liquidation status and closing. There are no liquidity provisions. According to the estimated liquidation schedule, payouts are semiannual.

2. The liquidity for the Grosvenor funds is quarterly with 70 days notice, and redemptions are effective as of the last day of the month. In the case of a withdrawal of all or substantially all (as determined by Grosvenor) of the balance of a Limited Partner's Capital Account, the Master Series generally will pay at least 90% of the estimated Capital Account balance withdrawn within 60 days following the effective date of the withdrawal, with the remainder to be paid as promptly as possible after the completion of the Master Series' audit for the fiscal year in which the withdrawal occurred. Generally the audit reserve is paid between 90-120 days as of the initial payment date, but the fund does reserve the right to pay out the audit reserve upon the completion of the audit for the fiscal year in which the redemption took place.

3. The liquidity of Entrust Capital funds is 50% quarterly with 90 days notice after initial 12 month investment. There is a 3% early withdrawal penalty for withdrawals during the first 12 months.

Cash Flows

The Corporation expects to make the following contribution for fiscal year 2016:

Pension Plan	$5,724
Postretirement Plan	$430
403(b) Plan	$2,443

(Dollars in thousands)

Note H - Pension and Postretirement Benefits - Continued

Estimated Future Benefit Payments

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

	Pension Benefits	Other Benefits
2016	$11,426	$430
2017	$12,044	$429
2018	$12,673	$415
2019	$13,342	$415
2020	$14,010	$406

Note I - Commitments and Contingencies

Operating Leases

The Corporation leases land and buildings used primarily by PGHC, LRH and BHC from Prince George's County under a lease agreement. The lease, as restated and amended, provides for the use of the related facilities through June 30, 2042, for a one-time, lump-sum payment of $13,352 and future annual rental payments of one dollar for the remaining term of the lease. The lump-sum payment, made on June 17, 1992, was allocated to the related buildings ($8,958) and to reduce the deferred rent liability recorded by the Corporation at the time of the restatement and amendment ($4,394). The amount allocated to the buildings is being amortized over the lesser of the useful life of the assets or the remaining lease term.

Upon termination of the lease, the Corporation is obligated to deliver to the County all of the assets attributable to the operations, as defined, including all fixed and moveable equipment. All such assets will be transferred and conveyed in "as is" condition without warrant as to condition or serviceability.

Total rental expense approximated $2,640 and $3,232 for the years ended June 30, 2015 and 2014, respectively.

Note I - Commitments and Contingencies - Continued

Professional Liability and Litigation

The Corporation is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Corporation. For such claims, management has accrued a reserve for potential liability in the amount of $19,729 and $26,870 as of June 30, 2015 and 2014, respectively (see *Note G*). There is at least a reasonable possibility that some of these cases will be settled against the Corporation, resulting in varying degrees of monetary damages in excess of the recorded reserve. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results of operations.

Collective Bargaining Agreements

At June 30, 2015 and 2014, the Corporation has approximately half of its employees working under a collective bargaining agreement. During fiscal year 2015, the Corporation signed a new agreement with 1199 SEIU Health Care Workers East, which expires October 29, 2017.

Other

As of June 30, 2015, letters of credit in the amounts of $1,000 (expiring September 25, 2016), $1,261 (expiring September 30, 2016), and $200 (expiring September 25, 2016) are maintained in support of various insurance arrangements and require the payment of annual commitment fees of 0.50%. As of June 30, 2015 and 2014, the Corporation pledged $2,461 and $2,959, respectively, as collateral for these letters of credit. The assets pledged are classified as short term investments in the accompanying consolidated balance sheets. The restricted cash and cash equivalents reported in the accompanying consolidated balance sheets represent cash received from donors restricted for specific purposes.

The Corporation was self-insured against workers' compensation claims up to $300 per claim with no annual aggregate limit prior to July 1, 2004. The Corporation maintains a commercial insurance policy for claims liabilities exceeding these limits. A liability of $219 and $216, as of June 30, 2015 and 2014, respectively, has been established for known claims and an estimate for claims incurred but not reported and accrued in the Corporation’s accounts payable. Effective July 1, 2004, the Corporation's self-insured limit was raised to $400 per claim with no annual aggregate. Effective October 1, 2004, the Corporation's self-insurance privileges were revoked and the Corporation purchased a commercial policy to cover all prospective workers' compensation claims. This policy provides coverage for claims up to $500 per claim with no annual aggregate limit.

Note J - Maryland Health Services Cost Review Commission

Certain of the Corporation's charges to patients are subject to review and approval by the Maryland Health Services Cost Commission. Management has filed the required forms with the Commission and believes the Corporation to be in compliance with Commission requirements.

The current rate of reimbursement for all hospital based charges under the Medicare and Medicaid programs is based on an agreement between the Center for Medicare and Medication Innovation and the Commission. The new agreement, which became effective January 1, 2014, is based on the population of the hospital's service area as opposed to case volumes. Thus, a hospital's annual approved revenues are fixed each year based on its service area demographics and not volumes. There is a strong incentive to constrain unnecessary hospital visits and admissions.

The agreement is for five years and grants to the State of Maryland a waiver from prevailing Medicare and Medicaid prospective payment system reimbursement principles as long as the various goals in the agreement are attained. Among the goals to be attained over the life of the agreement are: Savings to the Medicare program of $300 million, Maryland readmission rates improve to equal the national rate, Maryland provide immediate savings to the Medicare program (shared savings) to equal Medicare's prospective savings from reduced payments to readmission abusers nationally, Maryland Hospital Acquired Condition rates improve to the national average and other quality related benchmarks.

All patient charges in the Maryland system remain equal for all payers except that Medicare and Medicaid continue to receive discounts to yield lower net charges to those payers.

Effective April 1999, the Commission adopted a charge per case system in which a hospital's actual average charge per inpatient case had to equal an approved target average inpatient charge per case. The population based system described above has replaced the charge per case system with the global based revenue (GBR) system. GBR requires that all hospital charges equal a single annual approved amount (the GBR) representing the new population based approach. Actual charges less than GBR will be added to the subsequent year's GBR for recapture. Actual charges greater than GBR will be subtracted from the subsequent year's GBR for payback. Charge variances in either direction will incur penalties if they exceed 0.5% of GBR.

Fiscal year 2015 marked the second full year the GBR methodology was in use. As in fiscal year 2014, the Corporation was once again granted approval to combine all facilities into one GBR for compliance purposes. The results were a system wide undercharge of 0.14% which is well within the 0.50% allowed GBR variance. The $573,000 undercharge will be added to the fiscal year 2016 GBR. No penalties were incurred in fiscal year 2015.

Although the new waiver was effective on January 1, 2014, the Commission used the GBR methodology for all of fiscal year 2014. For this first year, all of the Corporation's facilities were combined into one GBR for compliance purposes. The Corporation's charges for fiscal year 2014 exceeded GBR by 0.7%. Therefore, the GBR for fiscal year 2015 was reduced. All penalties incurred were waived by the Commission.

Note J - Maryland Health Services Cost Review Commission - Continued

Additionally, the GBR methodology maintains Commission issued approved rates in each rate center effective for the fiscal year. The actual average unit charge for each center is compared to the approved rate on a monthly basis. Penalties can be incurred if the variance greater than 5% in either direction. No penalties were incurred in fiscal year 2015 and 2014.

The rate variances, plus penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis. The timing of the Commission's rate adjustments for the Corporation could result in an increase or reduction due to the variances and penalties described above in a year subsequent to the year in which such items occur. The Corporation's policy is to accrue revenue based on actual charges for services to patients in the year in which the services are performed and billed.

Note K - Related Party Transactions

The Prince George's Hospital Center Foundation, Inc., the Laurel Regional Hospital Foundation, Inc., and the Laurel Regional Hospital Auxiliary were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated hospitals. The associated hospitals have recorded their interest in the net assets of the foundations as a non-current asset in the accompanying consolidated balance sheets.

The Corporation's wholly owned subsidiary, Madison Manor, Inc., holds a 25% partnership interest in BCLP and accounts for it under the equity method. The carrying value of the Corporation's investment in BCLP was $3,142 and $3,200 at June 30, 2015 and 2014, respectively.

Note L – Subsequent Events

Management evaluated all events and transactions that occurred after June 30, 2015 and through October 15, 2015, the date the consolidated financial statements were available to be issued. The Corporation did not have any material recognizable subsequent events during the period.

Other Financial Information

Consolidating Balance Sheet
Dimensions Health Corporation and Subsidiaries
June 30, 2015
(Dollars in thousands)

	PGHC	LRH	GSS	BHC	Corporate	Other Entities	Eliminations	Consolidated Total
Assets								
Current Assets:								
Cash and cash equivalents	$ 1	$ 1	$ 0	$ 1	$ 38,187	$ 1,205	$ 0	$ 39,395
Patient accounts receivable, net of allowance	31,678	10,423	749	2,405	0	0	0	45,255
Other receivables	448	523	0	630	436	4,751	(2,714)	4,074
Inventories	4,108	1,903	0	373	0	0	0	6,384
Prepaid expenses and other assets	56	68	0	12	5,537	1,106	(1,060)	5,719
Total current assets	36,291	12,918	749	3,421	44,160	7,062	(3,774)	100,827
Due from affiliates	88,983	0	36,655	16,821	0	0	(142,459)	0
Assets limited as to use:								
Restricted cash and cash equivalents	0	0	0	0	1,575	0	0	1,575
Short term investments	0	0	0	0	2,261	200	0	2,461
Investments held for self insurance	0	0	0	0	0	43,537	0	43,537
Total assets limited as to use	0	0	0	0	3,836	43,737	0	47,573
Property and equipment, net	35,302	14,591	151	2,290	15,345	2,776	0	70,455
Investments	460	302	0	0	5,834	3,142	(5,834)	3,904
Deferred financing costs	0	0	0	0	30	43	0	73
Other noncurrent assets	3,924	1,241	0	0	153	0	0	5,318
Total assets	$ 164,960	$ 29,052	$ 37,555	$ 22,532	$ 69,358	$ 56,760	$ (152,067)	$ 228,150

(Continued)

Consolidating Balance Sheet - Continued
Dimensions Health Corporation and Subsidiaries
June 30, 2015
(Dollars in thousands)

	PGHC	LRH	GSS	BHC	Corporate	Other Entities	Eliminations	Consolidated Total
Liabilities and net assets								
Current Liabilities								
Current portion of long-term debt	$ 794	$ 920	$ 0	$ 0	$ 0	$ 211	$ 0	$ 1,925
Current portion of accrued benefit liabilities	0	0	0	0	11,856	0	0	11,856
Accounts payable and accrued expenses	14,536	5,521	844	1,231	10,840	6,280	(3,774)	35,478
Accrued compensation and related items	7,306	3,209	282	431	2,008	1,189	0	14,425
Advances from third-party payers	9,353	3,403	986	0	0	0	0	13,742
Total current liabilities	31,989	13,053	2,112	1,662	24,704	7,680	(3,774)	77,426
Long-term debt, net of current portion	743	1,287	0	0	0	2,390	0	4,420
Due to affiliates	0	66,098	0	0	63,391	12,970	(142,459)	0
Other Liabilities:								
Accrued professional liability costs	0	0	0	0	0	19,729	0	19,729
Accrued employee benefit liability	0	0	0	0	62,905	0	0	62,905
Total other liabilities	0	0	0	0	62,905	19,729	0	82,634
Total liabilities	32,732	80,438	2,112	1,662	151,000	42,769	(146,233)	164,480
Net assets (deficit)								
Unrestricted	125,454	(51,902)	35,443	20,078	(81,642)	0	8,105	55,536
Restricted	6,774	516	0	792	0	52	0	8,134
	132,228	(51,386)	35,443	20,870	(81,642)	52	8,105	63,670
Shareholders equity								
Capital contributions	0	0	0	0	0	5,834	(5,834)	0
Retained earnings	0	0	0	0	0	8,105	(8,105)	0
Total shareholder equity	0	0	0	0	0	13,939	(13,939)	0
Total liabilities and net assets	$ 164,960	$ 29,052	$ 37,555	$ 22,532	$ 69,358	$ 56,760	$ (152,067)	$ 228,150

See independent auditors' report.

Consolidating Statement of Operations
Dimensions Health Corporation and Subsidiaries
For the year ended June 30, 2015
(Dollars in thousands)

	PGHC	LRH	GSS	BHC	Corporate	Other Entities	Eliminations	Consolidated Total
Unrestricted revenue and other support:								
Patient service revenue								
(net of allowances and discounts)	$ 248,495	$ 86,168	$ 8,841	$ 20,916	$ 0	$ 11,859	$ 0	$ 376,279
Provision for bad debts	(10,715)	(5,000)	349	(2,204)	0	(3,605)	0	(21,175)
Net patient service revenue	237,780	81,168	9,190	18,712	0	8,254	0	355,104
Other income	26,412	9,295	4	190	293	7,071	(5,128)	38,137
Total unrestricted revenue and other support	264,192	90,463	9,194	18,902	293	15,325	(5,128)	393,241
Operating expenses:								
Salaries and benefits	134,820	52,039	5,478	8,413	0	14,268	0	215,018
DHA physician compensation	16,813	6,998	0	219	0	(24,030)	0	0
Supplies	36,787	13,056	1,182	3,289	0	322	0	54,636
Purchased services	35,310	18,887	1,400	3,600	0	2,383	(5,128)	56,452
Physician fees	11,734	4,185	68	937	0	13,545	0	30,469
Utilities	2,738	1,394	40	262	0	56	0	4,490
Interest expense	114	86	0	1	0	152	0	353
Depreciation and amortization	8,186	3,785	176	547	0	175	0	12,869
Total operating expenses	246,502	100,430	8,344	17,268	0	6,871	(5,128)	374,287
Income (loss) from operations	17,690	(9,967)	850	1,634	293	8,454	0	18,954
Other income								
Investment income	6	2	0	0	0	1,054	0	1,062
Other income	0	0	0	0	0	35	0	35
Total other income	6	2	0	0	0	1,089	0	1,097
Excess (deficit) of unrestricted revenue and other support over expenses	17,696	(9,965)	850	1,634	293	9,543	0	20,051
Other changes in unrestricted net assets:								
Net assets released from restriction for capital acquisition	0	0	0	0	0	189	0	189
Change minimum pension liability	0	0	0	0	(12,248)	0	0	(12,248)
Increase (decrease) in unrestricted net assets	$ 17,696	$ (9,965)	$ 850	$ 1,634	$ (11,955)	$ 9,732	$ 0	$ 7,992

See independent auditors' report.

Consolidating Statement of Operations
Dimensions Health Corporation and Subsidiaries
For the year ended June 30, 2014
(Dollars in thousands)

	PGHC	LRH	GSS	BHC	Corporate	Other Entities	Eliminations	Consolidated Total
Unrestricted revenue and other support:								
Patient service revenue								
(net of allowances and discounts)	$ 237,337	$ 93,120	$ 13,548	$ 19,340	$ 0	$ 12,958	$ 0	$ 376,303
Provision for bad debts	(19,007)	(7,497)	(1,258)	(2,291)	0	(4,389)	0	(34,442)
Net patient service revenue	218,330	85,623	12,290	17,049	0	8,569	0	341,861
Other income	27,325	11,582	0	1	461	6,291	(5,111)	40,549
Total unrestricted revenue and other support	245,655	97,205	12,290	17,050	461	14,860	(5,111)	382,410
Operating expenses:								
Salaries and benefits	135,703	56,997	6,490	8,396	0	11,415	0	219,001
DHA physician compensation	14,608	1,395	0	0	0	(16,003)	0	0
Supplies	31,854	14,138	1,317	3,132	0	153	0	50,594
Purchased services	35,027	17,695	1,259	3,101	0	13,814	(5,073)	65,823
Physician fees	13,628	4,745	38	(304)	0	8,769	0	26,876
Utilities	2,900	1,463	43	203	0	56	0	4,665
Interest expense	759	479	12	60	0	165	(38)	1,437
Depreciation and amortization	8,000	3,948	171	485	18	157	0	12,779
Total operating expenses	242,479	100,860	9,330	15,073	18	18,526	(5,111)	381,175
Income (loss) from operations	3,176	(3,655)	2,960	1,977	443	(3,666)	0	1,235
Other income								
Investment income	16	8	1	1		2,408	0	2,434
Gain on early extinguishment of debt	0	0	0	0	43,622	0	0	43,622
Other income	0	0	0	0	0	136	0	136
Total other income	16	8	1	1	43,622	2,544	0	46,192
Excess (deficit) of unrestricted revenue and other support over expenses	3,192	(3,647)	2,961	1,978	44,065	(1,122)	0	47,427
Other Changes in unrestricted assets:								
Net assets released from restriction for capital acquisition	0	0	0	0	0	253	0	253
Change minimum pension liability	0	0	0	0	11,955	0	0	11,955
Increase (decrease) in unrestricted net assets (deficit)	$ 3,192	$ (3,647)	$ 2,961	$ 1,978	$ 56,020	$ (869)	$ 0	$ 59,635

See independent auditors' report.