The Johns Hopkins Health System Corporation and Affiliates

Combined Financial Statements and Supplementary Information
June 30, 2016 and 2015

The Johns Hopkins Health System Corporation and Affiliates
Index
June 30, 2016 and 2015

Report of Independent Auditors

To the Board of Trustees of
The Johns Hopkins Health System Corporation and Affiliates:

We have audited the accompanying combined financial statements of The Johns Hopkins Health System Corporation and Affiliates ("JHHS"), which comprise the combined balance sheets as of June 30, 2016 and 2015, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the JHHS' preparation and fair presentation of the combined 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 JHHS' 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 combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of JHHS at June 30, 2016 and 2015, and the results of their operations and changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

September 28, 2016

The Johns Hopkins Health System Corporation and Affiliates
Combined Balance Sheets
June 30, 2016 and 2015
(in thousands)

ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	$ 425,801	$ 579,489
Short-term investments	36,688	89,902
Assets whose use is limited - used for current liabilities	13,593	14,520
Patient accounts receivable, net of estimated uncollectibles of $173,199 and $164,107 as of June 30, 2016 and 2015, respectively	616,137	577,825
Due from others, current portion	69,219	29,709
Due from affiliates, current portion	24,546	25,426
Inventories of supplies	110,485	100,389
Estimated malpractice recoveries, current portion	47,031	37,344
Prepaid expenses and other current assets	60,989	65,547
Total current assets	1,404,489	1,520,151
Assets whose use is limited		
By long-term debt agreement for:		
Construction funds	427	40,929
By donors or grantors for:		
Future campus development	1,082	1,082
Pledges receivable	29,820	35,136
Other	96,755	99,430
By Board of Trustees	756,045	734,967
Interest in net assets of Howard Hospital Foundation	15,307	16,688
Other	39,107	145,196
Total assets whose use is limited	938,543	1,073,428
Investments	1,873,217	1,665,257
Property, plant and equipment	4,733,655	4,567,180
Less: allowance for depreciation and amortization	(1,917,890)	(1,774,055)
Total property, plant and equipment, net	2,815,765	2,793,125
Due from affiliates, net of current portion	109,382	101,268
Due from others, net of current portion	796	1,796
Estimated malpractice recoveries, net of current portion	35,300	33,915
Swap counterparty deposit	162,740	92,690
Other assets	29,271	41,005
Total assets	$ 7,369,503	$ 7,322,635

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

The Johns Hopkins Health System Corporation and Affiliates
Combined Balance Sheets, continued
June 30, 2016 and 2015
(in thousands)

LIABILITIES AND NET ASSETS	2016	2015
Current liabilities:		
Current portion of long-term debt and obligations under capital leases	$ 37,836	$ 44,477
Accounts payable and accrued liabilities	599,134	553,193
Medical claims reserve	95,110	74,584
Deferred revenue	9,206	82,779
Due to affiliates, current portion	7,433	11,724
Accrued vacation	70,737	69,569
Advances from third-party payors	159,474	131,837
Current portion of estimated malpractice costs	49,539	45,476
Total current liabilities	1,028,469	1,013,639
Long-term debt and obligations under capital leases, net of current portion	1,600,537	1,613,395
Estimated malpractice costs, net of current portion	126,255	123,312
Net pension liability	789,110	536,542
Other long-term liabilities	371,061	280,483
Total liabilities	3,915,432	3,567,371
Net assets:		
Unrestricted	3,275,498	3,510,059
Temporarily restricted	120,650	186,458
Permanently restricted	57,923	58,747
Total net assets	3,454,071	3,755,264
Total liabilities and net assets	$ 7,369,503	$ 7,322,635

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

The Johns Hopkins Health System Corporation and Affiliates
Combined Statements of Operations and Changes in Net Assets
For the Years Ended June 30, 2016 and 2015
(in thousands)

	2016	2015
Operating revenues:		
Net patient service revenue before provision for bad debts	$ 5,193,442	$ 4,991,376
Provision for bad debts	(85,748)	(93,771)
Net patient service revenue	5,107,694	4,897,605
Other revenue	631,290	565,379
Investment income	61,281	69,373
Net assets released from restrictions used for operations	10,842	7,732
Total operating revenues	5,811,107	5,540,089
Operating expenses:		
Salaries, wages and benefits	2,207,390	2,127,874
Purchased services	2,193,263	2,020,868
Supplies and other	946,756	871,160
Interest	33,568	36,712
Depreciation and amortization	262,317	264,590
Total operating expenses	5,643,294	5,321,204
Income from operations	167,813	218,885
Non-operating revenues and expenses:		
Interest expense on swap agreements	(26,555)	(27,593)
Change in fair value of interest rate swap agreements	(87,596)	(22,666)
Net realized and changes in unrealized (losses) gains on investments	(60,672)	(25,004)
Loss on advance refunding of debt	-	(16,535)
Other non-operating expenses	(35,246)	(21,384)
Excess of revenues (under) over expenses before noncontrolling interests	(42,256)	105,703
Noncontrolling interests	30,695	(11,588)
Excess of revenues (under) over expenses	(11,561)	94,115
Contributions to affiliates	(105)	(5,586)
Change in funded status of defined benefit plans	(263,250)	(98,153)
Net assets released from restrictions used for purchases of property, plant, and equipment	9,326	6,687
Noncontrolling interests	(30,695)	11,588
Other	61,724	(76)
(Decrease) increase in unrestricted net assets	(234,561)	8,575
Changes in temporarily restricted net assets:		
Gifts, grants and bequests	17,190	30,564
Net assets released from restrictions used for purchases of property, plant, and equipment	(9,326)	(6,687)
Net assets released from restrictions used for operations	(10,842)	(7,732)
Other	(62,830)	2,862
(Decrease) increase in temporarily restricted net assets	(65,808)	19,007
Changes in permanently restricted net assets:		
Gifts, grants and bequests	(824)	156
(Decrease) increase in permanently restricted net assets	(824)	156
(Decrease) increase in net assets	(301,193)	27,738
Net assets at beginning of year	3,755,264	3,727,526
Net assets at end of year	$ 3,454,071	$ 3,755,264

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

The Johns Hopkins Health System Corporation and Affiliates
Combined Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015
(in thousands)

	2016	2015
Operating activities:		
Change in net assets	$ (301,193)	$ 27,738
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	260,320	264,571
Provision for bad debts	85,748	93,771
Net realized and changes in unrealized losses (gains) on investments	60,704	26,817
Change in fair value of interest rate swap agreements	87,596	22,666
Change in funded status of defined benefit plans	263,250	98,153
Restricted contributions and investment income received	(10,621)	(10,651)
Gains on and returns on equity investments	(25,979)	(19,067)
Advance refunding of debt	-	16,535
Other operating activities	2,123	24,074
Change in assets and liabilities:		
Patient accounts receivable	(128,197)	(151,974)
Inventories of supplies, prepaid expenses and other current assets	(48,108)	(22,097)
Due from affiliates, net	1,563	467
Pledges receivable	8,005	(8,370)
Swap counterparty deposit and other assets	46,984	(140,528)
Accounts payable, accrued liabilities and accrued vacation	52,875	60,357
Medical claims reserve	19,820	4,354
Deferred revenue	(73,387)	(7,162)
Advances from third-party payors	27,637	(8,275)
Accrued pension benefit costs	(10,375)	(10,193)
Estimated malpractice costs	(3,075)	5,368
Other long-term liabilities	2,431	2,480
Net cash and cash equivalents provided by operating activities	318,121	269,034
Investing activities:		
Purchases of property, plant and equipment	(274,851)	(309,687)
Return of equity investments	4,452	(6,289)
Purchases of investment securities	(1,421,667)	(2,259,608)
Sales of investment securities	1,257,529	2,421,964
Payments received on Affiliate notes	17,109	30,436
Advances on Affiliate notes	(26,536)	(40,856)
Other investing activities	(5,895)	(3,044)
Net cash and cash equivalents used in investing activities	(449,859)	(167,084)
Financing activities:		
Proceeds from restricted contributions and investment income received	10,621	10,651
Proceeds from long-term borrowings	105,810	193,980
Repayment of long-term debt and obligations under capital lease	(141,407)	(292,212)
Distributions attributable to noncontrolling interests	859	(4,650)
Other financing activities	2,167	68
Net cash and cash equivalents used in financing activities	(21,950)	(92,163)
Change in cash and cash equivalents	(153,688)	9,787
Cash and cash equivalents at beginning of year	579,489	569,702
Cash and cash equivalents at end of year	$ 425,801	$ 579,489

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

1. Organization and Summary of Significant Accounting Policies

Organization. The Johns Hopkins Health System Corporation ("JHHSC") is incorporated in the State of Maryland to, among other things, formulate policy among and provide centralized management for JHHSC and Affiliates ("JHHS"). In addition, it provides certain shared services including finance, human resources, payroll, accounts payable, purchasing, patient financial services, legal, and other functions. JHHS is organized and operated for the purpose of promoting health by functioning as a parent holding company of affiliates whose combined mission is to provide patient care in the treatment and prevention of human illness which compares favorably with that rendered by any other institution in this country or abroad.

JHHSC is the sole member of The Johns Hopkins Hospital ("JHH"), an academic medical center, Johns Hopkins Bayview Medical Center, Inc. ("JHBMC"), a community based teaching hospital, Howard County General Hospital, Inc. ("HCGH"), a community based hospital, Suburban Hospital, Inc. ("SHI"), a community based hospital, Sibley Memorial Hospital ("SMH"), a community based hospital, Johns Hopkins All Children's' Hospital, Inc. ("JHACH"), an academic children's hospital, Suburban Hospital Healthcare System, Inc. ("SHHS"), a diverse healthcare system, All Children's Health System ("ACHS"), a diverse healthcare system, Johns Hopkins Community Physicians ("JHCP"), a community based physician practice group, The Johns Hopkins Medical Services Corporation ("JHMSC"), the contracting entity for the Uniformed Services Family Health Plan contract, and the HCGH OB/GYN Associates Series, LLC ("HCOB"), a taxable community based obstetrics and gynecology practice. JHHSC is also the sole shareholder of Howard County Health Services, Inc. ("HCSI"), a taxable entity organized to hold interests in various health care enterprises, Johns Hopkins Medical Management Corp. ("JHMMC"), a taxable entity that provides temporary nursing and clerical staffing, promotes ambulatory care arrangements in support of JHHS, and houses commercial supply chain business units, and Johns Hopkins Employer Health Programs, Inc. ("EHP"), a taxable third-party administrator for employee health benefit plans self-funded by the constituent employee sponsors. JHHSC owns a 99.8% interest in Ophthalmology Associates, LLC ("OA"), a taxable professional services organization which operates an ophthalmology center at Green Spring Station. JHHSC and the Johns Hopkins University (the "University") each own a 50% membership interest in Johns Hopkins HealthCare LLC ("JHHC"), a taxable managed care entity supporting JHHS and the University in cooperative strategies by which patient care, education, and research may be advanced. JHHSC consolidates JHHC. These entities are collectively known as the "Affiliates".

Use of estimates. The preparation of financial statements in accordance 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the estimated net realizable value of patient receivables, valuation of alternative investments, and the actuarially determined pension and other postretirement benefits, malpractice and self-insurance reserves.

Basis of presentation. The accompanying combined financial statements and supplementary combining schedules have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of combination. The combined financial statements include the accounts of JHHSC and all Affiliates after elimination of all significant intercompany accounts and transactions.

Cash and cash equivalents. Cash and cash equivalents include amounts invested in accounts with depository institutions which are readily convertible to cash, with original maturities of three months or less. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. JHHS has not experienced such losses on these funds.

Through arrangements with banks, excess operating cash is invested daily. This investment is considered a cash equivalent in the accompanying Combined Balance Sheets. JHHS earns interest on these funds at a rate that is based upon the bank's Federal Funds rate. The interest is recorded in the Combined Statements of Operations and Changes in Net Assets as investment income.

Inventories of supplies. Inventories of supplies are composed of medical supplies, drugs, linen, and parts inventory for repairs. Inventories of supplies are recorded at lower of cost or market using a first in, first out method.

Assets whose use is limited. Assets whose use is limited ("AWUIL") or restricted by the donor are recorded at fair value at the date of donation. Investment income or losses on investments of temporarily or permanently restricted assets is recorded as an increase or decrease in temporarily or permanently restricted net assets to the extent restricted by the donor or law. The cost of securities sold is based on the specific identification method.

Assets whose use is limited include assets held by trustees under debt agreements, assets restricted by the board of trustees, pledges receivable, beneficial interest remainder trusts, interest in the net assets of Howard Hospital Foundation, and net assets set aside pursuant to their temporarily and permanently restricted nature. These assets consist primarily of cash and short term investments, accrued interest and pledges receivable. The carrying amounts reported in the Combined Balance Sheets represent fair value.

As a result of a settlement agreement, JHH was required to post collateral to JHHSC's captive insurer in the amount of approximately $124 million in February 2015. This collateral was recorded within the other assets whose use is limited line item on the combined balance sheets as of June 30, 2015. In fiscal year 2016, approximately $110 million of the collateral was released by the captive insurer and is no longer classified as assets whose use is limited on the combined balance sheets as of June 30, 2016.

Investments and investment income. Investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading and are recorded at fair value in the Combined Balance Sheets. Debt and equity securities traded on a national securities and international exchange are valued as of the last reported sales price on the last business day of the fiscal year; investments traded on the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

Investments include equity method investments in managed funds, which include hedge funds, private partnerships and other investments which do not have readily ascertainable fair values and may be subject to withdrawal restrictions. Investments in hedge funds, private partnerships, and other investments in managed funds (collectively "alternative investments"), are accounted for under the equity method. The equity method income or loss from these alternative investments is included in the Combined Statements of Operations and Changes in Net Assets as an unrealized gain or loss above excess of revenues over expenses.

Alternative investments are less liquid than other types of investments held by JHHS. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition.

Investment income earned on cash and investment balances (interest and dividends) is reported in the operating income section of the Combined Statements of Operations and Changes in Net Assets under 'Investment income'. Realized gains or losses related to the sale of investments, and changes in unrealized gains or losses on investments are included in the non-operating section of the Combined Statements of Operations and Changes in Net Assets included in excess of revenues over expenses unless the income or loss is restricted by donor or law.

Investments in companies in which JHHS does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method of accounting, and operating results flow through investment income on the Combined Statements of Operations and Changes in Net Assets. Dividends received are recorded as a reduction of the carrying amount of the investment.

Investments in companies in which JHHS does not have control, nor has the ability to exercise significant influence over operating and financial policies, are accounted for using the cost method of accounting. Investments are originally recorded at cost, with dividends received being recorded as investment income.

Property, plant and equipment. Property, plant and equipment acquisitions are recorded at cost. Equipment is recorded as an asset if the individual cost is at least $5 thousand and the useful life is at least two years. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of lease term or estimated useful life of the equipment. Estimated useful lives assigned by JHHS range from 2 to 25 years for land improvements, 3 to 45 years for buildings and improvements, 2 to 25 years for fixed and movable equipment, and 2 to 20 years for leasehold improvements (using the lesser of the lease term or the useful life of the improvement). Interest costs incurred on borrowed funds, net of income earned, during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operating income.

The cost of software is capitalized provided the cost of the project is at least $30 thousand ($100 thousand for JHH) and the expected life is at least two years. Costs include payment to vendors for the purchase of software and assistance in its installation, payroll costs of employees directly involved in the software installation, and capitalized interest costs of the software project. Preliminary costs to document system requirements, vendor selection, and any costs incurred before the software purchase are expensed. Capitalization of costs ends when the project is completed and is ready to be used. Where implementation of the project is in phases, only those costs incurred which further the development of the project are capitalized. Costs incurred to maintain the system are expensed.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of long-lived assets. Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. JHHS' policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value.. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No material impairment charges were recorded in 2016 or 2015.

Medical claims reserve. JHHC's medical claims reserve is an estimate of payments to be made for reported claims and losses incurred but not reported. The estimate was developed using actuarial methods based upon historical data for payment patterns, cost trends, and other relevant factors. The estimate is continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operating income.

Deferred revenue. JHHC's capitated receipts received in advance for future services to be provided are recorded as deferred revenue.

Accrued vacation. JHHS records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Advances from third-party payors. JHHS receives advances from some of its third-party payors so that those payors can receive the stated prompt pay discount allowed in the State of Maryland. Advances are recorded as a liability in the Combined Balance Sheets.

Estimated malpractice costs. The provision for estimated medical malpractice claims includes estimates of the ultimate gross costs for both reported claims and claims incurred but not reported. Additionally, an insurance recovery has been recorded representing the amount expected to be recovered from the self-insured captive insurance company.

Swap agreements. The value of the interest rate swap agreements entered into by JHHS are adjusted to fair value monthly at the close of each accounting period based upon quotations from market makers. The change in fair value, if any, is recorded in the non-operating section of the Combined Statements of Operations and Changes in Net Assets. Entering into interest rate swap agreements involves, to varying degrees, elements of credit, default, prepayment, market and documentation risk in excess of the amounts recognized on the Balance Sheets. Such risks involve the possibility that there will be no liquid market for these agreements. The counterparty to these agreements may default on its obligation to perform and there may be unfavorable changes in interest rates.

Noncontrolling interests. JHHC is owned by JHHSC and the University, each member having a 50% interest. JHHC's profits are divided between the members based on product line. Based on control, JHHSC consolidates JHHC and records noncontrolling interests for the profits attributable to the University. Additionally, JHHC owns a 50% interest in Priority Partners Managed Care Organization, Inc. ("Priority Partners"), a for-profit joint venture. Based on control, JHHC consolidates Priority Partners and records noncontrolling interests for 50% of the profits.

Asset retirement obligations. Accounting for asset retirement obligations provides for the recognition of an estimated liability for legal obligations associated with the retirement of tangible long-lived assets, including obligations that are conditional upon a future event. JHHS measures asset retirement obligations at fair value when incurred and capitalizes a corresponding amount as part of the related long-lived assets. The increase in the capitalized cost is included in determining depreciation expense over the estimated useful life of these assets. Since the fair value of the asset retirement obligation is determined using a present value approach, accretion of the obligation due to the passage of time until its settlement is recognized each year as part of interest expense in the Combined Statements of Operations and Changes in Net Assets.

Temporarily and permanently restricted net assets. Temporarily restricted net assets are those whose use has been limited by donors or law to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Income generated from these assets is available as restricted by the donor or for general program support. Changes in unrestricted net assets during the year ended June 30, 2016 reflect a $61.8 million reclassification of funds that were previously classified as temporarily restricted net assets during the year ended June 30, 2015.

Donor restricted gifts. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises to give cash to JHHS greater than one year are discounted using a rate of return that a market participant would expect to receive at the date the pledge is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Combined Statements of Operations and Changes in Net Assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received and unrestricted contributions are reported as other revenue in the Combined Statements of Operations and Changes in Net Assets.

Grants. JHHS receives various grants from individuals and agencies of the Federal and State Governments for the purpose of furthering its mission of providing patient care. Grants are recognized as support and the related project costs are recorded as expenses when services related to grants are incurred. Grant receivables are included in due from others in the Combined Balance Sheets and grant income is included in other revenue in the Combined Statements of Operations and Changes in Net Assets.

Managed care revenues. Premium revenue is recognized during the period in which JHHC or Priority Partners is obligated to provide services to its enrollees. Global contract revenue is based on global rate agreements with various third-party payors who, based on medical procedures, pay contractual packaged prices. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered. Management fees represent capitated payments for management services from Johns Hopkins University, JHMSC, and EHP, and are recognized when obligated to provide the service.

Other revenue. Other revenue contains ancillary services such as discharge pharmacies and shared services provided to non-consolidating affiliates.

Excess of revenues over expenses. The Combined Statements of Operations and Changes in Net Assets 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, among other items, change in funded status of defined benefit plans, permanent transfers of assets to and from affiliates for other than goods or services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Non-operating revenues and expenses. For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses. For the years ended June 30, 2016 and 2015, non-operating revenues and expenses are composed primarily of interest paid and changes in market value on interest rate swap agreements, realized and changes in unrealized gains (losses) on investments, non-operating services, and loss on advance refunding of debt.

Income taxes. JHHSC and Affiliates, except JHMMC, EHP, HCSI, OA, HCOB, and JHHC are not-for-profit organizations that qualify under Section 501(c)(3) of the Internal Revenue Code, and are therefore not subject to tax under current income tax regulations.

JHHC is classified as a partnership for Federal and State income tax purposes and accordingly, there is no provision for income taxes in the accompanying combined financial statements. Taxable income or loss passes through to and is reported by the members in their respective tax returns. Taxable subsidiaries of Affiliates account for income taxes in accordance with Financial Accounting Standards Board ("FASB") guidance on accounting for income taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. Affiliate subsidiaries otherwise exempt from Federal and State taxation are nonetheless subject to taxation at corporate tax rates at both the Federal and State levels on their unrelated business income. Total taxes paid to Federal and State tax authorities during the years ended June 30, 2016 and 2015 amounted to $2.3 million and $37.5 million, respectively.

FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact on JHHS' financial statements during the years ended June 30, 2016 and 2015.

New accounting standards. In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. JHHS is evaluating the impact this standard will have on the Combined Financial Statements beginning in fiscal year 2019.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs". ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt, consistent with the presentation of a debt discount. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as deferred financing charges (i.e., as an asset). The amendments in ASU 2015-03 are effective for years beginning after December 15, 2015, and early adoption is permitted. JHHS has elected to early adopt this accounting standard. Refer to footnote 8 “Debt.”

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) “. ASU 2015-07 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 practical expedient. ASU 2015-07 is required to be applied retrospectively to all periods presented beginning in the year of adoption. The amendments in ASU 2015-07 are effective for years beginning after December 15, 2016, and early adoption is permitted. JHHS has elected to early adopt this accounting standard. The adoption of ASU 2015-07 did not impact JHHS’s Combined Financial Statements. See footnote 4 “Fair Value Measurements.”

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities”. ASU 2016-01 addresses accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Non-public business entities will no longer be required to disclose the fair value of financial instruments carried at amortized cost. The amendments in ASU 2015-03 are effective for years beginning after December 15, 2018, and early adoption is permitted. JHHS is evaluating the impact this standard will have on the Combined Financial Statements beginning in fiscal year 2020.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. ASU 2016-02 will require organizations that lease assets—referred to as “lessees”—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The accounting by organizations that own the assets leased by the lessee—also known as lessor accounting— will remain largely unchanged from current Generally Accepted Accounting Principles (Topic 840 in the Accounting Standards Codification). The guidance is effective for fiscal years beginning after December 15, 2018 for JHHS, and early adoption is permitted. JHHS is in process of assessing the impact of this standard on the combined financial statements beginning in fiscal year 2020.

In August 2016, the FASB issued ASU 2016-14, “Presentation of Financial Statements for Not-for-Profit Entities”. The new guidance requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantor, creditors and other users. The standard is effective for fiscal years beginning after December 15, 2017. JHHS is evaluating the impact of this standard on the combined financial statements beginning in fiscal year 2019.

2. Net Patient Service Revenue

JHHS has agreements with third-party payors that provide for payments to JHHS at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, 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 final settlements are determined. Adjustments mandated by the Health Services Cost Review Commission (“Commission” or “HSCRC”) are also included in contractual adjustments, a portion of which are also included in established rates.

The State of Maryland has been granted a waiver by the federal government exempting the State from national Medicare and Medicaid reimbursement principles. JHH, JHBMC, HCGH and SHI charges for inpatient as well as outpatient and emergency services performed at the hospitals are regulated by the Commission. JHHS' management has made all submissions required by the Commission and believes JHHS is in compliance with Commission requirements. Management believes that the waiver and Commission regulation will remain in effect through December 31, 2018.

Effective January 1, 2014, with retroactive application to revenues generated by services provided after June 30, 2013, the Commission and the Center for Medicare and Medicaid Services entered into a Global Budget Revenue Agreement ("GBR"). The agreement will remain in effect through December 31, 2018. The GBR moves from a Medicare per admission methodology to a per capita population health based methodology. However, all hospitals continue to receive reimbursement under an all payor basis. The methodology also includes a new waiver test. Under the new waiver test, growth in revenue per capita will be limited to a rate of 3.58% for the State of Maryland in total.

The new agreement sets a hospital's revenue base annually under a global budget arrangement, whereby revenue would be fixed regardless of changes in volume and patient mix for Maryland residents. Hospital revenue for Maryland residents receiving care at Maryland hospitals is subject to this global budget. However, out of state patients receiving care at Maryland hospitals are not subject to the global budget. The hospital would receive full rate authority for any out of state volume and growth, or would receive less revenue for lower volumes of out of state patients. HCGH has negotiated to include out of state volume within their global budget; therefore, all in state and out of state volumes are subject to their global budget.

Under the Commission reimbursement methodology, amounts collected for services to patients under the Medicare and Medicaid programs are computed at approximately 94% of Commission approved charges. Other payors are eligible to receive up to a 2.25% discount on prompt payment of claims.

SMH and JHACH operate outside of the State of Maryland, and are paid prospectively based upon negotiated rates for commercial insurance carriers, and predetermined rates per discharge for Medicaid and Medicare program beneficiaries. Payment arrangements include cost-based reimbursement, per diem payments, prospectively determined rates per discharge, discounted charges, and fee schedules. Net patient service revenues are booked at estimated realizable amounts due from patients, third-party payors, and others for services rendered, and include estimated retroactive revenue adjustments due to future audits and reviews. Retroactive adjustments are estimated and are considered in the recognition of revenue in the period the services are rendered. Such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audits and reviews.

JHACH received final audited rates for previously-audited cost report years 2001, 2002, 2005, 2006, 2007 and 2008 during the twelve months ended June 30, 2015. Retroactive settlements for these years are included in net patient service revenue in the Combined Statements of Operations and Changes in Net Assets.

During the year ended June 30, 2016, SMH received no final audits for Medicare cost report years. As of June 30, 2016, SMH has Medicare cost report years 2009 through 2015 open.

Capitation payments included in net patient service revenue are recognized as premium revenues during the period in which JHHS Affiliates are obligated to provide services to its enrollees at contractually determined rates.

JHHS' not-for-profit Affiliates provide care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Such patients are identified based on information obtained from the patient and subsequent analysis. Because the Affiliates do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Direct and indirect costs for these services amounted to $43.7 million and $53.4 million for the years ended June 30, 2016 and 2015, respectively. The costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on JHHS' total expenses (less bad debt expense) divided by gross patient service revenue.

Patient accounts receivable are reported net of estimated allowances for uncollectible accounts and contractual adjustments in the accompanying financial statements. The provision for bad debts is based upon a combination of the payor source, the aging of receivables and management's assessment of historical and expected net collections, trends in health insurance coverage, and other collection indicators. The provision for bad debts related to patient service revenue is presented as a deduction from patient service revenue on the face of the Combined Statements of Operations and Changes in Net Assets. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospitals uninsured patients will be unable or unwilling to pay for the services provided. Thus, a significant provision for bad debts is recorded related to uninsured patients in the period services are provided. Management continuously assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience and payment trends by payor classification.

Patient service revenue, net of contractual allowances (but before the provision for bad debts), recognized in the year ending June 30, 2016 from these major payor sources is as follows:

	Third-Party Payors	Self-pay	Total All Payors
Patient service revenue (net of contractual allowances)	$ 5,095,483	$ 97,959	$ 5,193,442

Patient service revenue, net of contractual allowances (but before the provision for bad debts), recognized in the year ending June 30, 2015 from these major payor sources is as follows:

	Third-Party Payors	Self-pay	Total All Payors
Patient service revenue (net of contractual allowances)	$ 4,913,775	$ 77,601	$ 4,991,376

The following table depicts the mix of gross accounts receivable from patients and third-party payors as of June 30, 2016 and 2015:

	2016	**2015**
Medicare	18.6%	19.2%
Medicaid	12.2%	13.4%
Blue Cross and Blue Shield	12.2%	13.8%
Medicaid managed care organizations	11.4%	7.5%
Self pay and other third-party payors	45.6%	46.1%
Total	100.0%	100.0%

3. Pledges Receivable

As of June 30, 2016 and 2015, the value of pledges receivable before discounts was $34.7 million and $42.0 million, respectively. Pledges receivable have been discounted at rates ranging from 0.11% to 6.0% and consist of the following (in thousands):

As of June 30, 2016	1 Year	2 –5 Years	5 Years or Greater	Totals
Departmental campaigns	$ 2,781	$ 7,751	$ 1,993	$ 12,525
Future campus development	5,812	2,468	9,015	17,295
	$ 8,593	$ 10,219	$ 11,008	$ 29,820

As of June 30, 2015	1 Year	2 –5 Years	5 Years or Greater	Totals
Departmental campaigns	$ 3,345	$ 9,377	$ 1,604	$ 14,326
Future campus development	3,212	8,065	9,533	20,810
	$ 6,557	$ 17,442	$ 11,137	$ 35,136

Pledges are deemed to be fully collectible and therefore, no allowance for uncollectible pledges has been recorded.

4. Fair Value Measurements

FASB's guidance on the fair value option for financial assets and financial liabilities permits companies to choose to measure many financial assets and liabilities, and certain other items at fair value. This guidance requires a company to record unrealized gains and losses on items for which the fair value option has been elected in its performance indicator. The fair value option may be applied on an instrument by instrument basis. Once elected, the fair value option is irrevocable for that instrument. The fair value option can be applied only to entire instruments and not to portions thereof. JHHS has not elected fair value accounting for any asset or liability that is not currently required to be measured at fair value.

JHHS follows the guidance on fair value measurements, which defines 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, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. This guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, this guidance does not require any new fair value measurements.

This guidance discusses valuation techniques such as the market approach, cost approach and income approach. The guidance establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted market prices for identical assets or liabilities in active markets;
- Level 2 – Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and

- Level 3 – Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions. There are no instruments requiring Level 3 classification.

The financial instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Each of the financial instruments below has been valued utilizing the market approach.

The following table presents the financial instruments carried at fair value as of June 30, 2016 grouped by hierarchy level:

Assets	Total Fair Value	Level 1	Level 2
Cash and cash equivalents (1)	$ 464,821	$ 464,821	$ -
Commercial paper (1)	63,933	63,933	-
Certificates of deposit (1)	1,826	-	1,826
U.S. Treasuries (2)	344,534	-	344,534
Corporate bonds (2)	352,578	-	352,578
Asset backed securities (2)	249,694	-	249,694
Equities and equity funds (3)	897,545	897,545	-
Fixed income funds (4)	148,781	148,781	-
Totals	$ 2,523,712	$ 1,575,080	$ 948,632
Liabilities			
Interest rate swap agreements (5)	$ 300,883	$ -	$ 300,883

The following table presents the financial instruments carried at fair value as of June 30, 2015 grouped by hierarchy level:

Assets	Total Fair Value	Level 1	Level 2
Cash and cash equivalents (1)	$ 630,666	$ 630,666	$ -
Commercial paper (1)	26,482	26,482	-
Certificates of deposit (1)	1,822	-	1,822
U.S. Treasuries (2)	398,064	-	398,064
Corporate bonds (2)	304,319	-	304,319
Asset backed securities (2)	177,784	-	177,784
Equities and equity funds (3)	933,110	933,110	-
Fixed income funds (4)	198,832	146,530	52,302
Totals	$ 2,671,079	$ 1,736,788	$ 934,291
Liabilities			
Interest rate swap agreements (5)	$ 213,287	$ -	$ 213,287

(1) Cash equivalents, commercial paper, money market funds, and overnight investments include investments with original maturities of three months or less. Certificates of deposit are carried at amortized cost. Certificates of deposit and commercial paper that have original maturities greater than three months are considered short-term investments. Cash and cash equivalents, commercial paper, money market funds, and overnight investments are

rendered level 1 due to their frequent pricing and ease of converting to cash. Computed prices and frequent evaluation versus fair value render the certificates of deposit level 2.

(2) For investments in U.S. Treasuries (notes, bonds, and bills), corporate bonds, and asset backed securities, fair value is based on quotes for similar securities; therefore these investments are rendered level 2. These investments fluctuate in value based upon changes in interest rates.

(3) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered level 1.

(4) Fixed income funds are investments in mutual funds and fixed income instruments. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. The mutual funds are valued based on the closing price on the primary market and are rendered level 1. For the fixed income instruments, fair value is based on quotes for similar securities; therefore these investments are rendered level 2.

(5) The interest rate swap agreements, discussed further in footnote 9 "Derivative Financial Instruments," are valued using a swap valuation model that utilizes an income approach using observable market inputs including long-term interest rates, LIBOR swap rates, and credit default swap rates.

During 2016 and 2015, there were no significant transfers between level 1 and 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while JHHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

JHHS holds investments that are not traded on national exchanges or over-the counter markets. These investments are valued utilizing the net asset values (”NAV”) provided by the underlying investment companies unless management determines some other valuation is more appropriate. There are no unfunded commitments related to JHHS’ investments measured at NAV as a practical expedient.

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2016 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 144,427	Monthly	5 days
Equity long/short hedge funds (2)	90,560	Monthly or quarterly	5 to 60 days
Hedge Fund of Funds (3)	89,110	Monthly or quarterly	25 to 70 days
Commingled Equity Funds (4)	102,161	Daily or monthly	6 to 30 days
Commingled Fixed Income (5)	45,353	Daily or monthly	1 to 5 days
Total	$ 471,611		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2015 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 148,425	Monthly	5 days
Equity long/short hedge funds (2)	80,190	Monthly or quarterly	5 to 60 days
Hedge Fund of Funds (3)	95,461	Monthly or quarterly	25 to 45 days
Commingled Equity Funds (4)	113,019	Daily or monthly	6 to 30 days
Commingled Fixed Income (5)	49,189	Daily or monthly	1 to 15 days
Total	$ 486,284		

(1) Absolute return hedge funds: Investment managers who seek low correlation to global equity markets. Strategies have the ability to identify opportunities across multiple sectors, asset classes, and geographic regions.
(2) Equity long/short hedge funds: Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. Strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure and leverage employed.
(3) Hedge Fund of Funds: Invest with multiple hedge fund managers to create a diversified portfolio of hedge funds. Hedge Fund of Funds strategies serve to dampen volatility within the overall investment portfolio, while offering the investor more frequent liquidity terms and lower capital requirements as compared to investing with an individual hedge fund manager. The Fund of Funds manager has discretion in choosing the individual investment strategies for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers across multiple strategies.
(4) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.
(5) Commingled fixed income: Fixed income strategies that invest in publicly-issued debt instruments, though the funds are not traded on a public exchange.

The estimated total fair value of long-term debt excluding capital leases, rendered level 2 based on quoted market prices for the same or similar issues, was approximately $1.7 billion for both years ended June 30, 2016 and 2015.

5. Cash and Cash Equivalents, Investments, and Assets Whose Use is Limited

Cash and cash equivalents and investments (short and long-term) as of June 30 consisted of the following (in thousands):

	2016 Carrying Amount	2015 Carrying Amount
Cash and cash equivalents measured at fair value	$ 464,821	$ 630,666
Cash and cash equivalents included in AWUIL	(39,020)	(51,177)
Total cash and cash equivalents	$ 425,801	$ 579,489
U.S. Treasuries	193,361	190,085
Commercial paper	63,933	25,526
Certificates of deposit	1,826	1,822
Corporate bonds	202,940	165,804
Asset backed securities	135,194	96,607
Fixed income funds	105,895	140,560
Equities and equity funds	510,726	538,243
Short and long-term investments measured at fair value	1,213,875	1,158,647
Investments in affiliates	229,918	195,430
Investments measured at NAV as a practical expedient	466,112	401,082
Total short and long-term investments	$ 1,909,905	$ 1,755,159

Assets whose use is limited as of June 30 consisted of the following (in thousands):

	2016 Carrying Amount	2015 Carrying Amount
Commercial paper	$ -	$ 956
U.S. Treasuries	151,173	207,979
Corporate bonds	149,638	138,515
Asset backed securities	114,500	81,177
Fixed income funds	42,886	58,272
Equities and equity funds	386,819	394,867
Assets whose use is limited measured at fair value	845,016	881,766
Cash in AWUIL reported as cash and cash equivalents on leveling table	39,020	51,177
Investments measured at NAV as a practical expedient	5,499	85,202
Pledges receivable	29,820	35,136
Beneficial interest remainder trust	16,510	17,438
Interest in net assets of HHF	15,307	16,688
Other	964	541
Total assets whose use is limited	$ 952,136	$ 1,087,948

Realized and unrealized gains on investments for the years ended June 30, included in the non-operating revenues and expenses section of the Combined Statement of Operations and Changes in Net Assets consisted of the following (in thousands):

	2016	2015
Realized gains on investments	$ 14,697	$ 45,735
Changes in unrealized (losses) gains on investments	(75,369)	(70,739)
Total	$ (60,672)	$ (25,004)

Investments recorded under the cost or equity method as of June 30 consisted of the following (in thousands):

Affiliate	Cost / Equity	%	2016	2015
Johns Hopkins International, LLC (“JHI”)	Equity	50.00%	$ 49,176	$ 39,082
Johns Hopkins Home Care Group, Inc. (“JHHCG”)	Equity	50.00%	8,820	9,908
FSK Land Corporation	Equity	50.00%	9,701	7,910
Mt. Washington Pediatric Hospital and Foundation	Equity	50.00%	36,368	34,604
JHMI Utilities, LLC	Equity	50.00%	13,660	12,487
Sibley-Suburban Home Health Agency, Inc.	Equity	50.00%	6,268	6,468
West County, LLC	Equity	50.00%	8,344	7,979
Medbridge Healthcare	Equity	25.00%	10,358	-
MCIC Bermuda	Cost	10.00%	65,253	57,941
Other			21,970	19,051
			$ 229,918	$ 195,430

Summarized below are the aggregate assets, liabilities, revenues and expenses for JHI, Mt. Washington Pediatric Hospital and Foundation, and JHMI Utilities, LLC as of and for the year ended June 30, 2016 and June 30, 2015 (in thousands):

	2016	2015
Assets	$ 591,556	$ 500,060
Liabilities	377,836	311,948
Revenues	288,954	325,678
Expenses	262,586	279,487

JHHS consolidates certain affiliates that it owns 50% or more, but less than 100%, because JHHS has control and significant influence over those affiliates. The net asset activity attributable to the noncontrolling interests consisted of the following as of June 30, (in thousands):

	2016	2014
Net assets attributable to noncontrollling interests at beginning of period	$ 78,359	$ 71,421
Income (loss) attributable to noncontrolling interests	(30,695)	11,588
Distributions attributable to noncontrolling interests	859	(4,650)
Net assets attributable to noncontrolling interests at end of period	$ 48,523	$ 78,359

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization consisted of the following as of June 30 (in thousands):

	2016		2015	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land and land improvements	$ 169,885	$ 14,579	$ 170,646	$ 12,644
Buildings and improvements	2,211,038	844,124	2,226,815	774,585
Fixed and moveable equipment	1,834,166	927,715	1,749,502	853,855
Capitalized software	155,928	131,472	160,008	132,971
Construction in progress	362,638	-	260,209	-
	$ 4,733,655	$ 1,917,890	$ 4,567,180	$ 1,774,055

Accruals for purchases of property, plant and equipment as of June 30, 2016 and 2015 amounted to $19.5 million and $23.6 million, respectively, and are included in accounts payable and accrued liabilities in the Combined Balance Sheets. Depreciation and amortization expense for the years ended June 30, 2016 and 2015 amounted to $262.3 million and $264.6 million, respectively.

During the year ended June 30, 2016 and 2015, JHHS retired long-lived assets determined to have no future value. During 2016, the original cost and corresponding accumulated depreciation of these long-lived assets was $118.6 million and $113.9 million, respectively. No proceeds from retirement were received in 2016. During 2015, the original cost and corresponding accumulated depreciation of these long-lived assets was $112.9 million and $107.6 million, respectively. No proceeds from retirement were received in 2015.

7. Medical Claims Reserves

JHHC's activity related to its liability for unpaid health claims for the years ended June 30 are summarized in the table below (in thousands):

	2016	2015
Balance, July 1	$ 106,885	$ 102,531
Incurred related to:		
Current year	1,207,371	1,095,017
Prior year	(14,672)	(15,684)
Total incurred	1,192,699	1,079,333
Paid related to:		
Current year	1,080,666	988,132
Prior year	92,213	86,847
Total paid	1,172,879	1,074,979
Balance, June 30	$ 126,705	$ 106,885

The medical claims reserve is inherently subject to a number of highly variable circumstances, including changes in payment patterns, cost trends and other relevant factors. Consequently, the actual experience may vary materially from the original estimate. The above medical claims reserves include intercompany activity that is eliminated in combination.

8. Debt

Debt as of June 30 is summarized as follows (in thousands):

	Interest Rate(s)	Final Maturity	2016	2015
Tax Exempt Maryland Health and Higher Education Facilities Authority ("MHHEFA") Bonds and Notes:				
1985 Series A and B – Pooled Loan Program Issue (JHBMC, JHHSC)	1.00%	2030	$ 2,914	$ 4,163
1990 Series - Revenue Bonds (JHH)	7.30% to 7.35%	2019	32,469	40,545
2004 Series A - Revenue Bonds (SHI)	4.7% to 5.5%	2016	-	3,310
2004 – Commercial Paper Revenue Notes Series B (JHBMC)	0.15%	2025	63,870	69,510
2010 Series - Revenue Bonds (JHH)	4.38% to 5.00%	2040	148,194	148,195
2011 Series A - Revenue Bonds (JHH)	2.00% to 5.00%	2026	66,995	67,095
2011 Series B – Revenue Bonds (JHH)	1.36%	2042	-	48,245
2012 Series A – Note (JHH)	0.64%	2023	-	49,470
2012 Series B - Revenue Bonds (JHH)	2.00% to 5.00%	2033	88,175	91,200
2012 Series C – Revenue Bonds (JHH)	1.04%	2038	83,230	83,600
2012 Series D – Revenue Bonds (JHH)	1.04%	2038	83,450	83,900
2012 Series E – Floating Rate Note (JHH)	0.75%	2029	100,000	100,000
2013 Series A – Revenue Bonds (JHHSC)	0.81%	2046	88,250	88,250
2013 Series B – Revenue Bonds (JHHSC)	0.79%	2029	55,190	57,490
2013 Series C – Revenue Bonds (JHHSC)	3.00% to 5.00%	2043	235,076	238,000
2015 Series A - Revenue Bonds (JHHSC)	2.00% to 5.00%	2040	132,815	134,735
2015 Series B - Revenue Bonds (JHHSC)	0.76%	2018	48,245	48,245
2016 Series A - Revenue Bonds (JHHSC)	0.80%	2023	48,565	-
2016 Series B - Revenue Bonds (JHHSC)	0.80%	2042	48,245	-
Tax Exempt City of St. Petersburg Health Facilities Authority Revenue				
2012 Series A – Revenue Refunding Bonds (JHACH)	0.68%	2035	95,650	97,450
Taxable Revenue Bonds:				
2013 Series – Taxable Bonds (JHHSC)	1.42% to 2.77%	2023	148,165	148,165
Other debt:				
Johns Hopkins Endowment (JHHSC)	6.00%	2018	993	1,446
			1,570,491	1,603,014
Unamortized premiums and discounts, net			26,199	29,533
Unamortized debt issuance costs			(7,160)	(8,044)
Obligations under capital leases			48,843	33,369
			1,638,373	1,657,872
Current maturities of long-term debt and capital leases			(37,836)	(44,477)
Total long-term debt and obligations under capital leases, net of current portion			$ 1,600,537	$ 1,613,395

Financing expenses. Financing expenses incurred in connection with the issuance of debt are presented in the Combined Balance Sheet as a direct deduction from the carrying value of the associated debt. The expenses are being amortized over the terms of the related debt issues using the effective interest method. The total amount expensed for the period ended June 30, 2016 and 2015 was $981 thousand and $988 thousand, respectively.

Obligated Group

The Johns Hopkins Health System Obligated Group ("JHHS Obligated Group") consists of JHH, JHBMC, HCGH, SHI, SHHS, SMH, JHACH and JHHSC. The most recent admission to the JHHS Obligated Group was JHACH in November 2014. All of the debt of JHH, JHBMC, HCGH, SHI, SHHS, SMH, JHACH and JHHSC is parity debt, and as such is jointly and separately liable through a claim on and a security interest in all of JHH's, JHBMC's, HCGH's, SHI's, SHHS', SMH's, JHACH's, and JHHSC's receipts as defined in the Master Loan Agreement with MHHEFA. JHH, JHBMC, HCGH, SHI, SHHS, SMH, JHACH and JHHSC are required to achieve a defined minimum debt service coverage ratio each year. The outstanding JHHS Obligated Group parity debt was $1.6 billion and $1.7 billion as of June 30, 2016 and 2015, respectively.

2016 Series A Revenue Bonds - JHHSC
In May 2016, JHHSC closed the Series 2016A MHHEFA revenue bond issuance of $48.6 million to refund its JHH 2012A series revenue bonds. The Series 2016A bonds mature in 2023 and pay interest monthly based on a floating rate equal to 67% of one-month LIBOR plus 48 basis points.

2012 Series E Bonds - JHH
On July 1, 2015, JHH made a $9.0 million principal payment related to the scheduled maturity of its 2012 Series E bonds. In connection with this principal payment, in February 2016, JHH issued an additional $9.0 million of bonds to replace the matured principal amount. On July 1, 2014, JHH made a $11.0 million principal payment and in February 2016, JHH issued an additional $11.0 million of bonds to replace that matured principal amount. The additional bonds are subject to the same terms and conditions of the original 2012 Series E bonds.

2016 Series B Revenue Bonds - JHHSC
In June 2016, JHHSC closed the Series 2016B MHHEFA revenue bond issuance of $48.2 million to refund its JHH 2011B series revenue bonds. The Series 2016B bonds mature in 2042 and pay interest monthly based on a floating rate equal to 67% of one-month LIBOR plus 50 basis points.

2015 Series A Revenue Bonds - JHHSC
In May 2015, JHHSC closed the Series 2015A tax-exempt revenue bond issuance of $134.7 million to advance refund its SMH 2009 series revenue bonds, as well as its JHACH 2009A series revenue bonds. The Series 2015A bonds were sold at a premium of $13.8 million which is being accounted for using the bond outstanding method. The SMH 2009 series bonds ($60.9 million outstanding as of the advance refunding date) were issued as tax-exempt revenue bonds with fixed interest rates and a final maturity date of October 1, 2039. The JHACH 2009A series bonds ($63.3 million outstanding as of the advance refunding date) were issued as tax-exempt revenue bonds with fixed interest rates and a final maturity date of November 15, 2039. The SMH 2009 series bonds and the JHACH 2009A series bonds had a call provision where the bonds could not be redeemed for 10 years. Therefore, all future interest costs plus principal were placed in an escrow account with a trustee that will make the required principal and interest payments until which time the bonds can be called and redeemed in 2019. The advance refunding of the interest costs created a charge of $16.5 million that is included in the non-operating section of the Combined Statements of Operations and Changes in Net Assets. .

The 2015A Bonds consisted of serial bonds and term bonds. They were issued at coupon rates of 5.00%, 4.00% and 2.00%, and reflect a premium structure resulting in yield to maturities ranging from 0.29% to 4.027%. The final maturity date is May 15, 2040.

2015 Series B Revenue Bonds - JHHSC
In May 2015, JHHSC closed the Series 2015B tax-exempt revenue bond issuance of $48.2 million to refund its outstanding JHHS 2008B revenue bonds. The 2015B Bonds are variable rate bonds that were issued with a three year term and a mandatory repurchase date of May 15, 2018. They pay interest monthly based on 67% of one-month LIBOR plus 0.55%. The reset date for LIBOR is on the first business day of each month.

2002 Series Revenue Bonds and 2007 Series B Revenue Bonds - JHACH
On October 1, 2014, a conditional notice of optional redemption was issued for the 2002 Series and 2007 Series B Bonds. On October 31, 2014, the 2002 Series bonds were redeemed in the principal amounts of $18.3 million plus accrued interest. Also on October 31, 2014, the 2007 Series B bonds were redeemed in the principal amounts of $25.9 million plus accrued interest.

Letters of Credit
As of June 30, 2015, the MHHEFA Pooled Loan Program Issue was supported by a letter of credit agreement provided by TD Bank, which has an expiration date of August 27, 2019. In connection with the 2004 MHHEFA Commercial Paper Revenue Notes, JHBMC has a $63.9 million line of credit agreement with Wells Fargo to provide for payment of such commercial paper at maturity, subject to certain conditions described therein. This agreement expires on September 9, 2019 subject to extension or earlier termination. No amounts were outstanding as of June 30, 2016 or 2015.

For the debt of JHHS and Affiliates, total maturities of debt and sinking fund requirements, excluding capital leases, during the next five fiscal years and thereafter are as follows as of June 30, 2016 (in thousands):

2017	$ 34,672
2018	142,561
2019	48,004
2020	53,567
2021	43,795
Thereafter	1,247,892
	$ 1,570,491

For the debt of JHHS and Affiliates described above, interest costs on debt and interest rate swaps incurred, paid and capitalized in the years ended June 30 are as follows (in thousands):

	2016	2015
Net interest costs:		
Capitalized	$ 10,369	$ 12,181
Expensed	60,123	64,305
Allocated to others	55	63
	$ 70,547	$ 76,549
Interest costs paid	$ 69,304	$ 75,306

Capital Leases

SHHS has a lease agreement with an unrelated party for the lease of real property. The leased property consists of land and a building, located in north Bethesda, Maryland, which is known as the Suburban Outpatient Medical Center ("SOMC"). The lease term began on August 1, 2001 and will continue through December 31, 2026. The base rent escalates 2.25% per year, in accordance with the lease agreement. The lease contains four optional renewal periods for five years each. The SOMC lease has been recorded as a capital lease.

JHHSC has a lease agreement with an unrelated party for the lease of real property. The leased property consists of land and building, located in Baltimore, Maryland, which is known as the Science and Technology Park at Johns Hopkins. The lease term began on July 1, 2016 and will continue through June 30, 2031. The base rent escalates 2.5% per year, in accordance with the lease agreement. JHHSC has recorded as a capital lease.

The total leased property of $60.4 million and $39.9 million is reflected in property, plant and equipment as of June 30, 2016 and 2015, respectively. Accumulated depreciation on the leased assets was $22.4 million and $22.1 million as of June 30, 2016 and 2015, respectively.

Depreciation expense on these leased assets is included within depreciation expense in the Combined Statements of Operations and Changes in Net Assets.

The future minimum lease payments required under JHHS capital leases are as follows as of June 30, 2016 (in thousands):

	Capital Lease Payments
2017	$ 5,845
2018	5,852
2019	5,629
2020	5,760
2021	5,893
2022 and thereafter	42,416
Minimum lease payments	71,395
Interest on capital lease obligations	(22,552)
Net minimum payments	48,843
Current portion of capital lease obligation	(3,164)
Capital lease obligation, less current	$ 45,679

9. Derivative Financial Instruments

JHHS' primary objective for holding derivative financial instruments is to manage interest rate risk. Derivative financial instruments are recorded at fair value and are included in other long-term liabilities. The total notional amount of interest rate swap agreements was $749.6 million and $758.9 million as of June 30, 2016 and 2015, respectively.

JHHS follows accounting guidance on derivative financial instruments that are based on whether the derivative instrument meets the criteria for designation as cash flow or fair value hedges. All of JHHS' derivative financial instruments are interest rate swap agreements without hedge accounting designation.

JHHS does not hold derivative instruments for the purpose of managing credit risk and limits the amount of credit exposure to any one counterparty and enters into derivative transactions with high quality counterparties. JHHS recognizes gains and losses from changes in fair values of interest rate swap agreements as a non-operating revenue or expense within excess of revenues over expenses on the Combined Statements of Operations and Changes in Net Assets.

Each swap agreement has certain collateral thresholds whereby, on a daily basis, if the fair value of the swap agreement declines such that its devaluation exceeds the threshold, cash must be deposited by JHHS with the swap counterparty for the difference between the threshold amount and the fair value. As of June 30, 2016 and 2015, the amount of required collateral was $162.7 million and $92.7 million, respectively.

The following table summarizes JHHS' interest rate swap agreements (in thousands):

Swap Type	Expiration Date	Counterparty	JHHS Pays	JHHS Receives	Notional Amount at June 30 2016	2015
Fixed	2022	J.P. Morgan	3.3290%	67% of 1-Month LIBOR	$ 48,565	$ 49,500
Fixed	2025	Bank of America	3.3265%	67% of 1-Month LIBOR	63,870	69,500
Fixed	2021	J.P. Morgan	3.9190%	68% of 1-Month LIBOR	25,000	25,000
Fixed	2034	Royal Bank of Canada	3.6235%	62.2% of 1-Month LIBOR + 0.27%	14,410	14,500
Fixed	2034	Citibank, N.A.	3.6235%	62.2% of 1-Month LIBOR + 0.27%	24,040	24,200
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9110%	67% of 1-Month LIBOR	150,000	150,000
Fixed	2040	Goldman Sachs Capital Markets, L.P.	3.9220%	67% of 1-Month LIBOR	150,000	150,000
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9460%	67% of 1-Month LIBOR	40,000	40,000
Fixed	2038	Goldman Sachs Capital Markets, L.P.	3.8190%	67% of 1-Month LIBOR	82,475	82,900
Fixed	2038	Merrill Lynch Capital Services	3.8091%	67% of 1-Month LIBOR	82,875	83,800
Fixed	2025	Goldman Sachs Capital Markets, L.P.	3.6910%	67% of 1-Month LIBOR	8,325	9,500
Fixed	2047	Citibank, N.A.	3.8505%	61.8% of 1-Month LIBOR + 0.25%	60,000	60,000
					$ 749,560	$ 758,900

Fair value of derivative instruments as of June 30 (in thousands):

	Derivatives reported as liabilities			
	2016		2015	
	Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Interest rate swaps not designated as hedging instruments	Other long-term liabilities	$ 300,883	Other long-term liabilities	$ 213,287

Derivatives not designated as hedging instruments as of June 30 (in thousands):

Classification of derivative loss in Statement of Operations	Amount of gain (loss) recognized in change in unrestricted net assets 2016	2015
Interest rate swaps:		
Non-operating expense	$ (87,596)	$ (22,666)

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of June 30 (in thousands) are restricted to:

	2016	2015
Purchase of property, plant, and equipment	$ 41,872	$ 43,454
Health care services	71,147	135,903
Health education and counseling	5,849	4,882
Indigent care	1,782	2,219
	$ 120,650	$ 186,458

Permanently restricted net assets as of June 30 (in thousands) are restricted to:

	2016	2015
Health care services	$ 45,268	$ 45,841
Health education and counseling	12,655	12,906
	$ 57,923	$ 58,747

The JHHS endowments do not include amounts designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of JHHS has interpreted UPMIFA in the State of Maryland, the State of Florida, and the District of Columbia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, JHHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

11. Pension Plans

The Affiliates sponsor a variety of defined benefit pension plans (the “Plans”) covering substantially all of their employees. The retirement income benefits are based on a combination of years of service and compensation at various points of service. The FASB’s guidance on employer’s accounting for defined benefit pension and other postretirement plans requires that the funded status of defined benefit postretirement plans be recognized on JHHS’ Combined Balance Sheets, and changes in the funded status be reflected as a change in net assets.

The funding policy of all Affiliates is to make sufficient contributions to meet the Internal Revenue Service minimum funding requirements. Assets in the Plans as of June 30, 2016 and 2015 consisted of cash and cash equivalents, equities and equity funds, fixed income funds, and alternative investments. All assets are managed by external investment managers, consistent with the Plans’ investment policy.

The change in benefit obligation, plan assets, and funded status of the Plans is shown below (in thousands):

Change in benefit obligation	2016	2015
Benefit obligation as of beginning of year	$ 1,829,634	$ 1,697,672
Service cost	66,677	62,453
Interest cost	85,657	77,502
Actuarial loss	257,460	41,283
Benefits paid	(52,915)	(49,276)
Benefit obligation as of June 30	$ 2,186,513	$ 1,829,634

Change in plan assets	2016	2015
Fair value of plan assets as of beginning of year	$ 1,293,092	$ 1,248,837
Actual return on plan assets	38,065	(18,280)
Employer contribution	119,161	111,560
Benefits paid	(52,915)	(49,025)
Fair value of plan assets as of June 30	$ 1,397,403	$ 1,293,092

Funded Status as of June 30	2016	2015
Fair value of plan assets	$ 1,397,403	$ 1,293,092
Projected benefit obligation	(2,186,513)	(1,829,634)
Unfunded status	$ (789,110)	$ (536,542)

Amounts recognized in the Combined Balance Sheets consist of (in thousands):

	2016	2015
Net pension liability	$ (789,110)	$ (536,542)
Net amount recognized	$ (789,110)	$ (536,542)

The projected benefit obligation is greater than the fair value of plan assets for all plans that are aggregated with these statements.

Amounts not yet recognized in net periodic benefit cost and included in unrestricted net assets consist of (in thousands):

	2016	2015
Actuarial net loss	$ 900,663	$ 637,752
Prior service cost	310	279
	$ 900,973	$ 638,031
Accumulated benefit obligation	$ 1,998,886	$ 1,687,713

Net Periodic Pension Cost

	2016	2015
Service cost	$ 66,677	$ 62,453
Interest cost	85,657	77,502
Expected return on plan assets	(97,957)	(92,123)
Amortization of prior service cost	(31)	(6)
Recognized net actuarial loss	52,361	51,873
Settlement loss recognized	1,772	1,666
Net periodic pension cost	$ 108,479	$ 101,365

Components of net periodic pension cost (in thousands):

Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets	2016	2015
Net loss	$ 317,352	$ 151,686
Amortization of net loss	(54,133)	(53,539)
Amortization of prior service cost	31	6
Total recognized in unrestricted net assets	$ 263,250	$ 98,153
Total loss recognized in net periodic benefit cost and unrestricted net assets	$ 371,729	$ 199,518

The estimated net loss and prior service cost credit that will be amortized from unrestricted net assets into net periodic pension cost over the next fiscal year are $74.0 million and 52.3 million, respectively.

The assumptions used in determining net periodic pension cost for all plans except the SMH plan where noted are as follows for the years ended June 30:

	2016	2015
Discount rate	4.76%	4.64%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase - ultimate	2.50%	2.50%

The SMH plan utilized a rate of return on assets of 7.00% for the years ended June 30, 2016 and 2015 due to the nature of the plan being frozen and management’s future expectations surrounding this plan.

The assumptions used in determining the benefit obligations for all plans except the SMH plan where noted are as follows as of July 1:

	2016	2015
Discount rate	4.05%	4.76%
Expected return on plan assets	7.60%	8.00%
Rate of compensation increase - ultimate	2.50%	2.50%

The SMH plan utilized an expected rate of return on assets of 6.00% and 7.00% for the years ended June 30, 2016 and 2015, respectively, due to the nature of the plan being frozen and management's future expectations surrounding this plan.

The expected rate of return on plan assets assumption, excluding SMH, was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future conditions.

Plan Assets

Pension plan weighted average asset allocations as of June 30 by asset class are as follows:

Asset Class	2016	2015
Cash and cash equivalents	0.74%	1.34%
Equities and equity funds	10.11%	14.47%
Fixed income funds	36.72%	33.01%
Investments measured at NAV as a practical expedient	52.43%	51.18%
Total	100.00%	100.00%

The Plans assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with JHHS' risk tolerance. This is achieved through the utilization of asset managers and systematic allocation to investment management style(s), providing a broad exposure to different segments of the fixed income and equity markets. The Plans strive to allocate assets between equity securities (including global asset allocation) and debt securities at a target rate of approximately 75% and 25%, respectively.

Fair Value of Plan Assets

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted market prices for identical assets or liabilities in active markets;
- Level 2 – Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions.

The following table presents the plan assets carried at fair value as of June 30, 2016 grouped by hierarchy level (in thousands):

Assets	Fair Value	Level 1	Level 2
Cash equivalents (1)	$ 10,337	$ 10,337	$ -
Equities and equity funds (2)	141,208	141,208	-
Fixed income funds (3)	513,067	443,549	69,518
	664,612	595,094	69,518
Investments measured at NAV as a practical expedient	732,791		
Total plan assets	$ 1,397,403		

The following table presents the plan assets carried at fair value as of June 30, 2015 grouped by hierarchy level (in thousands):

Assets	Fair Value	Level 1	Level 2
Cash equivalents (1)	$ 17,323	$ 17,323	$ -
Equities and equity funds (2)	187,080	187,080	-
Fixed income funds (3)	426,807	365,088	61,719
	631,210	569,491	61,719
Investments measured at NAV as a practical expedient	661,882		
Total plan assets	$ 1,293,092		

(1) Cash and cash equivalents, commercial paper, and money market funds include investments with original maturities of three months or less, and are rendered level 1 due to their frequent pricing and ease of converting to cash.
(2) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered level 1.
(3) Fixed income funds are investments in mutual funds and fixed income instruments. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. For the fixed income instruments, fair value is based on quotes for similar securities; therefore these investments are rendered level 2.

There are no unfunded commitments related to the Plans' investments measured at NAV as a practical expedient.

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2016 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 210,487	Monthly	5 to 30 days
Equity long/short hedge funds (2)	57,914	Monthly or quarterly	15 to 30 days
Event driven hedge funds (3)	78,817	Quarterly or annually	60 to 90 days
Relative value hedge funds (4)	27,343	Quarterly	95 days
Opportunistic Credit hedge Funds (5)	14,013	Annually	60 to 90 days
Commingled Equity Funds (6)	123,822	Daily or monthly	3 to 15 dasy
Commingled Fixed Income (7)	220,395	Daily or monthly	10 to 15 days
Total	$ 732,791		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2015 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 215,949	Monthly	5 to 30 days
Equity long/short hedge funds (2)	38,143	Quarterly	30 to 45 days
Event driven hedge funds (3)	109,355	Quarterly or annually	60 to 90 days
Relative value hedge funds (4)	27,592	Quarterly	95 days
Opportunistic Credit hedge Funds (5)	34,142	Annually	60 to 90 days
Commingled Equity Funds (6)	97,266	Daily or monthly	3 to 15 dasy
Commingled Fixed Income (7)	139,435	Daily or monthly	10 to 15 days
Total	$ 661,882		

(1) Absolute return hedge funds: Investment managers who seek low correlation to global equity markets. Strategies have the ability to identify opportunities across multiple sectors, asset classes, and geographic regions.
(2) Equity long/short hedge funds: Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. Strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure and leverage employed.
(3) Event-Driven hedge funds: Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.
(4) Relative Value hedge funds: Investment Managers with an investment thesis predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types can range broadly across equity, fixed income, derivative or other security types.
(5) Opportunistic credit strategies employ an investment process focused primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or (par value) at maturity as a result of either a formal bankruptcy proceeding or financial market perception of near term proceedings.
(6) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.
(7) Commingled fixed income: Fixed income strategies that invest in publicly-issued debt instruments, though the funds are not traded on a public exchange.

Contributions and Estimated Future Benefit Payments
JHHS expects to contribute $94.3 million to its pension plans in the fiscal year ending June 30, 2017.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the following fiscal years as of June 30, 2016 (in thousands):

2017	$	66,019
2018		71,515
2019		77,992
2020		84,854
2021		91,296
Next five years		553,489

Defined Contribution Plans

HCGH participates in a defined contribution 401(k) savings plan available to all employees, which was amended during 1996. The revised plan provides that HCGH will contribute 1% to 2% of each employee's total compensation in addition to contributing from fifty cents to one dollar and fifty cents, based on years of service, for each dollar contributed by the employee. HCGH's contribution match basis is limited to 6% of the employee's total compensation. HCGH contributed approximately $3.5 million and $3.4 million to the plan for the years ended June 30, 2016 and 2015, respectively.

SMH participates in a defined contribution 401(k) savings plan available to all eligible employees. Under the plan, SMH matches one-half of a maximum 3% of employee contributions. SMH also makes a basic hospital contribution and excess contribution for each eligible participant in the plan without regard to the participant's elective deferral, and which is calculated based on each participant's compensation earned during the applicable payroll period. SMH contributed approximately $5.8 million and $2.9 million to the plan for the years ended June 30, 2016 and 2015, respectively.

JHACH participates in a defined contribution retirement plan of ACHS covering substantially all of its employees. Contributions are determined at the discretion of the Board of Directors of ACHS. JHACH contributed approximately $4.5 million and $7.0 million to the plan for the years ended June 30, 2016 and 2015, respectively.

12. Professional and General Liability Insurance

The University and JHHS and Affiliates participate in an agreement with four other medical institutions to provide a program of professional and general liability insurance for each member institution. As part of this program, the participating medical institutions have formed a risk retention group ("RRG") and a captive insurance company to provide self-insurance for a portion of their risk.

JHH and the University each have a 10% ownership interest in the RRG and the captive insurance company, which is included in investments on the Combined Balance Sheets. The medical institutions obtain primary and excess liability insurance coverage from commercial insurers and the RRG. The primary coverage is written by the RRG, and a portion of the risk is reinsured with the captive insurance company. Commercial excess insurance and reinsurance is purchased under a claims-made policy by the participating institutions for claims in excess of primary coverage retained by the RRG and the captive. Primary retentions range between $1.0 million and $5.0 million per incident. Primary coverage is insured under a retrospectively rated claims-made policy; premiums are accrued based upon an estimate of the ultimate cost of the experience to date of each participating member institution. The basis for loss accruals for unreported claims under the primary policy is an actuarial estimate of asserted and unasserted claims including reported and unreported incidents and includes costs associated with settling claims. Projected losses were discounted using 0.94% and 0.87% as of June 30, 2016 and 2015, respectively.

JHHS applies the provisions of ASU 2010-24, "Presentation of Insurance Claims and Related Insurance Recoveries", which clarifies that health care entities should not net insurance recoveries against the related claims liabilities. JHHS recorded an increase in its assets and liabilities in the accompanying Combined Balance Sheet as of June 30, 2016 and 2015 as follows:

Caption on Combined Balance Sheet		2016		2015
Estimated malpractice recoveries, current portion	$	47,031	$	37,344
Estimated malpractice recoveries, net of current		35,300		33,915
Total assets	$	82,331	$	71,259
Current portion of estimated malpractice costs	$	47,031	$	37,344
Estimated malpractice costs, net of current portion		35,300		33,915
Total liabilities	$	82,331	$	71,259

The assets and liabilities represent JHHS' estimated self-insured captive insurance recoveries for claims reserves and certain claims in excess of self-insured retention levels. The insurance recoveries and liabilities have been allocated between short-term and long-term assets and liabilities based upon the expected timing of the claims payments. The adoption had no impact on JHHS' results of operations or cash flows.

Professional and general liability insurance expense incurred by JHHS and Affiliates was $47.5 million and $58.2 million for the years ended June 30, 2016 and 2015, respectively. Reserves were $175.8 million and $168.8 million as of June 30, 2016 and 2015, respectively.

13. Related Party Transactions

During the years ended June 30, 2016 and 2015, JHHS and its Affiliates engaged in various related party transactions. These transactions were not eliminated because these entities are not consolidated. There were no significant intercompany profits that were eliminated. The following is a summary of the significant related party transactions and balances for the year ended June 30:

<u>Revenue/(expense) transactions (in thousands):</u>

		2016		2015
Pharmacy management and patient discharge planning costs to JHHCG	$	(28,244)	$	(23,838)
Security and management of housekeeping and parking garage services provided by Broadway Services, Inc		(20,192)		(20,482)
Utility, telecommunication and clinical application services provided by JHMI Utilities, LLC		(87,613)		(74,223)

Due from/(to) related party balances as of June 30 (in thousands):

		2016		2015
Note receivable - JHMI Utilities, LLC	$	11,294	$	10,525
Note receivable - JHI		2,981		-
Due from other affiliates, net		2,838		3,177
Due from affiliates, current portion, net	$	17,113	$	13,702
Note receivable - JHMI Utilities, LLC	$	88,398	$	93,690
Note receivable - JHI		13,662		-
Due from other affiliates		7,322		7,578
Due from affiliates, net of current portion	$	109,382	$	101,268

Affiliate Notes Receivable:

JHHS has made loans to certain affiliates that do not consolidate within JHHS. The loans to these affiliates do not eliminate in consolidation. The short-term portion of these notes receivable are included in Due from affiliates, current portion, and the long-term portion is included in Due from affiliates, net of current portion in the Combined Balance Sheets.

JHH and JHHSC have affiliate notes receivable with JHMI Utilities, LLC. JHH's note receivable has a balance of $5.0 million as of June 30, 2016 and 2015. JHHSC's note receivable has a balance of $94.7 million and $99.2 million as of June 30, 2016 and 2015, respectively. The JHH note receivable has an initial repayment date of December 1, 2019, accrues interest in the initial period at a fixed rate of 6.0%, with interest payments paid monthly. The JHHSC note receivable is due in April 2023, accrues interest at a fixed rate of 5.85%, with principal and interest payments paid monthly.

JHH has an affiliate note receivable with JHI. JHH's note receivable has a balance of $16.6 million as of June 30, 2016. The note is due in June 2021, accrues interest in the initial period at a fixed rate of 5.4%, with principal payments paid quarterly and interest payments paid monthly.

14. Contracts, Commitments and Contingencies

There are several lawsuits pending in which JHHS has been named as a defendant. In the opinion of JHHS' management, after consultation with legal counsel, the potential liability, in the event of adverse settlement, will not have a material impact on JHHS' financial position.

In one case, on April 1, 2015, a complaint was filed in the Circuit Court for Baltimore City against The Johns Hopkins University, its Bloomberg School of Public Health and its School of Medicine, The Johns Hopkins Health System Corporation and The Johns Hopkins Hospital (collectively the "Johns Hopkins Defendants"), as well as another institution and a pharmaceutical company. The case was removed to the United States District Court for the District of Maryland the same day. The claims arise from human experiments conducted in Guatemala between 1946 and 1948 (the "Study") under the auspices of the United States Public Health Service, the Guatemala government, and the Pan American Sanitary Bureau. The complaint alleges that physicians and scientists employed by defendants "approved, encouraged, and directed nonconsensual and nontherapeutic human experiments in Guatemala" in which research subjects were intentionally exposed to and infected with venereal diseases without informed consent, and that the individuals were not told about the consequences of the experiments or given follow-up care, treatment, or education. The complaint includes various claims, including, without limitation, claims of lack of consent/lack of informed consent, negligence, battery, unjust enrichment, wrongful death, fraud or deceit by misrepresentation, fraudulent concealment, and intentional infliction of emotional distress, and seeks compensatory damages in excess of $75 thousand and punitive damages of $1 billion. The Johns Hopkins Defendants dispute both the factual allegations and legal claims in the complaint. The Johns Hopkins Defendants did not initiate, pay for, direct, or conduct the Study. In 2010, the United States government accepted responsibility for the Study and apologized to all who were affected by it. Management and legal counsel believe the claims asserted are not supported by the facts or the law. JHHSC and JHH intend to vigorously defend the lawsuit.

JHHS and Affiliates

JHHS has agreements with the University, under which the University provides medical administration and educational services, conducts medical research programs, provides patient care medical services, provides resident physicians who furnish services at JHHS hospitals, and provides certain other administrative and technical support services through the physicians employed by The Johns Hopkins University School of Medicine ("JHUSOM"). Compensation for providing medical administration and educational services is paid to the University by JHHS; funding for services in conducting medical research is paid from grant funds and by JHHS; compensation for patient care medical care services is derived from billings to patients (or third-party payors) by the University; and compensation for other support services is paid to the University by JHHS. The aggregate amount of purchased services incurred by JHHS under these agreements was $296.1 million and $291.4 million for the years ended June 30, 2016 and 2015, respectively.

JHH had non-cancellable commitments under construction contracts of $67.0 million and $59.8 million as of June 30, 2016 and 2015, respectively, which includes the renovation of several buildings on the East Baltimore campus.

Commitments for leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2016, that have initial or remaining lease terms in excess of one year (in thousands).

2017	$	19,257
2018		17,317
2019		16,229
2020		13,749
2021		12,216

Rental expense for all operating leases for the years ended June 30, 2016 and 2015 amounted to $44.6 million and $43.7 million, respectively.

Asset Retirement Obligations

During 2006, JHHS recorded asset retirement obligations associated with the abatement of asbestos in several of its buildings constructed prior to 1980. The fair value of the estimated asset retirement obligations as of June 30, 2016 and 2015 was $19.5 million and $19.4 million, respectively.

The change in asset retirement obligation for the years ended June 30 consisted of the following (in thousands):

	2016	2015
Retirement obligation at beginning of year	$ 19,418	$ 19,446
Liabilities settled	(522)	(612)
Accretion expense	571	584
Retirement obligation at end of year	$ 19,467	$ 19,418

The Johns Hopkins Hospital
In 2005, JHH and the University created a Limited Liability Company (JHMI Utilities, LLC) to provide utility and telecommunication services for their East Baltimore Campus. Each member owns 50% of the LLC and shares equally in the governance of the LLC. The LLC has also assumed the liability for the JHH's 1985 Pooled Loan obligation of $8.5 million. The cost of acquiring and upgrading the existing utility facilities, the construction of a new power plant and an upgrade of the telecommunication system have been financed through the issuance of tax exempt bonds by MHHEFA and the proceeds of the Pooled Loan program sponsored by MHHEFA. JHH and the University have guaranteed the total debt issued by MHHEFA. As of June 30, 2016, the amount of the debt guarantee by JHH was $89.4 million. JHH accounts for this investment under the equity method of accounting.

JHH has pledged investments, having an aggregate market value of $25.9 million as of June 30, 2016 and 2015, for JHHS compliance with regulations of the Workers Compensation Commission and the Department of Economic and Employment Development's Unemployment Insurance Fund. These investments are included in assets whose use is limited by board of trustees in the Combined Balance Sheet.

Department of Defense Agreement – MSC
JHMSC entered into a contract with the Department of Defense to provide the TRICARE Prime benefit to eligible beneficiaries enrolled in the Johns Hopkins Uniformed Services Family Health Plan ("USFHP"). Under the USFHP contract, JHMSC provides services covered under the TRICARE Designated Provider Contract to enrollees for a monthly capitation fee. Revenues generated under the contract were $395.8 million and $378.0 million for the years ended June 30, 2016 and 2015, respectively. The current sole source commercial contract was awarded for the period commencing October 1, 2013 through September 30, 2023, with a Base Year and nine one-year Option Periods to be exercised at the Government's discretion. The Base Year was exercised and the third Option Period will begin on October 1, 2016.

15. Functional Expenses

JHHS provides general health care services to residents within its geographic location as well as to national and international patients. Expenses related to providing these services for the years ended June 30 consisted of the following (in thousands):

	2016	2015
Health care services	$ 4,534,101	$ 4,262,984
General and administrative services	1,090,880	1,042,080
Fundraising	6,232	7,278
Program service	12,081	8,862
Total expenses	$ 5,643,294	$ 5,321,204

16. The Johns Hopkins Hospital Endowment Fund, Incorporated

The Endowment Corporation was organized for the purpose of holding and managing the endowment and certain other funds transferred from and for the benefit of JHHS. The affairs of the Endowment Corporation are managed by a Board of Trustees, comprised of Trustees who are self-perpetuating. Neither JHHS nor any Affiliate holds legal title to any Endowment Corporation funds. The Board of Trustees may, in its discretion, award funds from the Endowment Corporation to organizations other than JHHS if the Board of Trustees determines that doing so is for the support, benefit of, or in furtherance of the mission of JHHS. Accordingly, these amounts are not presented in the combined financial statements of JHHS and its Affiliates until they are subsequently distributed to JHHS and its affiliates from the Endowment Corporation. The Endowment Corporation's net assets were $626.8 million and $661.5 million as of June 30, 2016 and 2015, respectively. The Endowment Corporation's distributions from net assets to JHHS and its affiliates were $16.1 million and $10.8 million for the years ended June 30, 2016 and 2015, respectively, and were recorded as other revenue.

17. Subsequent Events

JHHS has performed an evaluation of subsequent events through September 28, 2016, which is the date the financial statements were issued.

Supplementary Information

Report of Independent Auditors
on Accompanying Combining Information

To the Board of Trustees of
The Johns Hopkins Health System Corporation and Affiliates

We have audited the combined financial statements of The Johns Hopkins Health System Corporation and Affiliates as of June 30, 2016 and 2015 and for the years then ended and our report thereon appears on page 1 of this document. Those audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole. The combining information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, and the results of operations and changes in net assets of the individual companies and is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position, and the results of operations and changes in net assets of the individual companies.

PricewaterhouseCoopers LLP

September 28, 2016

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Combining Balance Sheets
June 30, 2016
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Consolidated Entities	Sibley Memorial Hospital	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Other	Eliminations	Combined Johns Hopkins Health System Corporation and Affiliates
ASSETS															
Current assets:															
Cash and cash equivalents	$ 88,742	$ 27,790	$ 17,208	$ 18,099	$ 21,271	$ 3,766	$ 29,549	$ 87,093	$ 511	$ -	$ 294,029	$ 65,748	$ 66,024	$ -	$ 425,801
Short-term investments	34,147	-	49	204	774	273	550	-	-	-	35,997	-	691	-	36,688
Assets whose use is limited - used for curr liabs	12,543	-	-	1,050	-	-	-	-	-	-	13,593	-	-	-	13,593
Patient accounts receivables, net						-							-		
of estimated uncollectibles of $173,199	325,156	71,196	31,555	28,332	34,382	-	55,735	-	620	-	546,976	76,981	18,455	(26,275)	616,137
Due from others, current portion	38,753	6,145	762	5,020	3,934	100	-	4,650	222	-	59,586	7,193	2,440	-	69,219
Due from affiliates, current portion	20,753	223	134	340	-	-	2,050	52,165	66	(38,151)	37,580	24,533	25,271	(62,838)	24,546
Inventories of supplies	65,692	9,539	4,948	10,236	5,179	-	9,425	5,066	241	-	110,326	-	159	-	110,485
Estimated malpractice recoveries, current portion	27,512	3,535	1,242	1,046	3,484	-	4,888			-	41,707	659	4,665	-	47,031
Prepaid expenses and other current assets	9,596	1,554	1,624	2,492	4,997	47	9,029	2,468	664	-	32,471	25,953	2,565	-	60,989
Total current assets	622,894	119,982	57,522	66,819	74,021	4,186	111,226	151,442	2,324	(38,151)	1,172,265	201,067	120,270	(89,113)	1,404,489
Assets whose use is limited															
By long-term debt agreements for:															
Construction fund	-	-	-	-	427	-	-	-	-	-	427	-	-	-	427
By donors or grantors for:															
Future campus development	1,082	-	-	-	-	-	-	-	-	-	1,082	-	-	-	1,082
Pledges receivable	1,910	162	-	4,054	-	16,861	-	-	-	-	22,987	-	6,833	-	29,820
Other	-	7,885	-	19,785	4,363	40,422	10,278	-	-	-	82,733	-	14,022	-	96,755
By Board of Trustees	68,422	32,901	-	249,534	71,148	303,062	13,838	-	16,990	-	755,895	-	150	-	756,045
Interest in net assets of HHF/ACHF	-	-	15,307	-	-	-	70,972	-	-	-	86,279	-	-	(70,972)	15,307
Other	22,612	970	133	2,009	-	-	-	12,993	190	-	38,907	200	-	-	39,107
Total assets whose use is limited	94,026	41,918	15,440	275,382	75,938	360,345	95,088	12,993	17,180	-	988,310	200	21,005	(70,972)	938,543
Investments	655,805	70,959	119,976	-	329,424	12,135	354,049	184,385	6,240	-	1,732,973	65,968	121,232	(46,956)	1,873,217
Property, plant and equipment	2,282,843	476,403	255,396	262,055	537,160	198	528,941	134,573	85,081	-	4,562,650	49,015	121,990	-	4,733,655
Less: allowance for depreciation and amort	(921,777)	(276,120)	(111,295)	(152,437)	(89,578)	(30)	(160,116)	(68,202)	(43,023)	-	(1,822,578)	(16,205)	(79,107)	-	(1,917,890)
Total property, plant and equipment, net	1,361,066	200,283	144,101	109,618	447,582	168	368,825	66,371	42,058	-	2,740,072	32,810	42,883	-	2,815,765
Due from affiliates, net of current portion	277,647	394	288	462	490	-	366	783,362	-	(787,638)	275,371	-	874	(166,863)	109,382
Due from others, net of current portion	-	796	-	-	-	-	-	-	-	-	796	-	-	-	796
Estimated malpractice recoveries, net of current portion	19,198	2,467	866	730	2,431	-	5,640	-	-	-	31,332	713	3,255	-	35,300
Swap counterparty deposit	-	-	-	-	-	-	-	-	-	-	-		162,740	-	162,740
Other assets	7,297	-	51	(1)	3,461	-	-	5,786	1,977	-	18,571	8,078	2,622	-	29,271
Total assets	$ 3,037,933	$ 436,799	$ 338,244	$ 453,010	$ 933,347	$ 376,834	$ 935,194	$ 1,204,339	$ 69,779	$ (825,789)	$ 6,959,690	$ 308,836	$ 474,881	$ (373,904)	$ 7,369,503
LIABILITIES AND NET ASSETS															
Current liabilities:															
Current portion of long-term debt															
and capital lease obligation	$ 18,633	$ 6,043	$ -	$ -	$ -	$ -	$ 1,850	$ 9,372	$ 1,487	$ -	$ 37,385	$ 451	$ -	$ -	$ 37,836
Accounts payable and accrued liabilities	207,946	50,420	22,588	37,861	31,289	4,784	38,858	87,718	1,859	-	483,323	58,481	57,330	-	599,134
Medical claims reserve	-	-	-	-	-	-	-	-	-	-	-	126,705	-	(31,595)	95,110
Deferred revenue	-	6,282	-	-	-	-	-	-	-	-	6,282	1,881	1,043	-	9,206
Current portion of due to affiliates	17,439	9,021	10,148	4,637	7,798	72	20,518	3,061	322	(38,151)	34,865	20,560	9,526	(57,518)	7,433
Accrued vacation	20,234	6,050	6,163	7,609	10,656	38	5,655	14,128	204	-	70,737	-	-	-	70,737
Advances from third-party payors	109,927	18,996	11,173	9,828	-	-	9,550	-	-	-	159,474	-	-	-	159,474
Current portion of est malpractice costs	28,793	3,733	1,319	1,069	3,575	-	5,959	-	-	-	44,448	-	5,091	-	49,539
Total current liabilities	402,972	100,545	51,391	61,004	53,318	4,894	82,390	114,279	3,872	(38,151)	836,514	208,078	72,990	(89,113)	1,028,469
Long-term debt and capital lease obligation,															
net of current portion	596,034	57,956	-	-	-	-	93,800	822,868	29,589	-	1,600,247	290	-	-	1,600,537
Est malpractice costs, net of current portion	69,156	9,879	3,755	1,909	6,922	-	22,435	-	-	-	114,056	-	12,199	-	126,255
Net pension liability	421,994	179,484	1,582	5,644	1,110	-	-	179,296	-	-	789,110	-	-	-	789,110
Long-term note payable affiliate	192,375	58,412	149,986	45,085	247,605	-	89,917	4,258	-	(787,638)	-	-	167,548	(166,863)	685
Other long-term liabilities	258,302	12,819	24,288	4,579	17,440	45	42,011	2,481	677	-	362,642	3,006	4,728	-	370,376
Total liabilities	1,940,833	419,095	231,002	118,221	326,395	4,939	330,553	1,123,182	34,138	(825,789)	3,702,569	211,374	257,465	(255,976)	3,915,432
Net assets:															
Unrestricted	1,086,134	9,657	91,801	310,950	603,123	319,492	583,587	79,325	35,641	-	3,119,710	97,462	105,282	(46,956)	3,275,498
Temporarily restricted	10,966	4,522	12,041	12,920	1,985	39,224	8,225	1,832	-	-	91,715	-	89,227	(60,292)	120,650
Permanently restricted	-	3,525	3,400	10,919	1,844	13,179	12,829	-	-	-	45,696	-	22,907	(10,680)	57,923
Total net assets	1,097,100	17,704	107,242	334,789	606,952	371,895	604,641	81,157	35,641	-	3,257,121	97,462	217,416	(117,928)	3,454,071
Total liabilities and net assets	$ 3,037,933	$ 436,799	$ 338,244	$ 453,010	$ 933,347	$ 376,834	$ 935,194	$ 1,204,339	$ 69,779	$ (825,789)	$ 6,959,690	$ 308,836	$ 474,881	$ (373,904)	$ 7,369,503

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Combining Balance Sheets
June 30, 2015
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Consolidated Entities	Sibley Memorial Hospital	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Other	Eliminations	Combined Johns Hopkins Health System Corporation and Affiliates
ASSETS															
Current assets:															
Cash and cash equivalents	$ 95,642	$ 6,500	$ 14,030	$ 17,463	$ 36,020	$ 3,422	$ 132,653	$ 56,990	$ 696	$ -	$ 363,416	$ 146,211	$ 69,862	$ -	$ 579,489
Short-term investments	17,547	14,302	9,622	203	763	271	708	7,765	-	-	51,181	37,986	735	-	89,902
Assets whose use is limited - used for curr liabs	13,300	-	-	1,220	-	-	-	-	-	-	14,520	-	-	-	14,520
Patient accounts receivables, net of estimated uncollectibles of $164,107	316,159	66,696	30,112	34,589	32,856	-	55,688	-	653	-	536,753	47,082	17,900	(23,910)	577,825
Due from others, current portion	6,916	2,639	398	4,797	4,019	1	-	1,608	72	-	20,450	5,168	4,091	-	29,709
Due from affiliates, current portion	17,242	706	87	212	-	-	13,510	44,320	49	(24,979)	51,147	25,287	3,971	(54,979)	25,426
Inventories of supplies	57,655	8,936	5,076	9,755	4,003	-	8,845	5,448	183	-	99,901	-	488	-	100,389
Estimated malpractice recoveries, current portion	21,371	2,980	984	1,144	3,858	-	2,668	-	-	-	33,005	800	3,539	-	37,344
Prepaid expenses and other current assets	16,412	1,620	1,894	2,873	5,222	39	10,718	2,237	688	-	41,703	21,346	2,498	-	65,547
Total current assets	562,244	104,379	62,203	72,256	86,741	3,733	224,790	118,368	2,341	(24,979)	1,212,076	283,880	103,084	(78,889)	1,520,151
Assets whose use is limited															
By long-term debt agreements for:															
Construction fund	-	995	-	-	39,934	-	-	-	-	-	40,929	-	-	-	40,929
By donors or grantors for:															
Future campus development	1,082	-	-	-	-	-	-	-	-	-	1,082	-	-	-	1,082
Pledges receivable	2,562	255	-	4,565	-	16,886	-	-	-	-	24,268	-	10,868	-	35,136
Other	-	7,327	-	23,759	4,966	36,790	11,881	-	-	-	84,723	-	14,707	-	99,430
By Board of Trustees	66,219	14,416	-	135,170	72,371	310,969	14,248	-	121,424	-	734,817	-	150	-	734,967
Interest in net assets of HHF/ACHF	-	-	16,688	-	-	-	73,728	-	-	-	90,416	-	-	(73,728)	16,688
Other	129,011	1,065	133	1,780	-	-	-	12,810	197	-	144,996	200	-	-	145,196
Total assets whose use is limited	198,874	24,058	16,821	165,274	117,271	364,645	99,857	12,810	121,621	-	1,121,231	200	25,725	(73,728)	1,073,428
Investments	601,915	86,494	102,896	-	321,083	11,467	234,656	183,662	5,645	-	1,547,818	65,937	105,222	(53,720)	1,665,257
Property, plant and equipment	2,211,459	494,500	248,580	244,525	489,192	198	534,220	103,593	83,716	-	4,409,983	35,528	121,669	-	4,567,180
Less: allowance for depreciation and amort	(831,470)	(284,637)	(98,790)	(143,086)	(75,289)	(22)	(151,125)	(57,587)	(40,125)	-	(1,682,131)	(14,700)	(77,224)	-	(1,774,055)
Total property, plant and equipment, net	1,379,989	209,863	149,790	101,439	413,903	176	383,095	46,006	43,591	-	2,727,852	20,828	44,445	-	2,793,125
Due from affiliates, net of current portion	203,361	1,071	785	1,257	1,333	-	995	699,811	-	(713,002)	195,611	472	309	(95,124)	101,268
Due from others, net of current portion	-	1,796	-	-	-	-	-	-	-	-	1,796	-	-	-	1,796
Estimated malpractice recoveries, net of current portion	17,914	2,498	825	959	3,234	-	4,847	-	-	-	30,277	671	2,967	-	33,915
Swap counterparty deposit	-	-	-	-	-	-	-	-	-	-	-	-	92,690	-	92,690
Other assets	7,246	2	44	18	3,987	-	11,766	6,207	2,136	-	31,406	5,372	4,227	-	41,005
Total assets	$ 2,971,543	$ 430,161	$ 333,364	$ 341,203	$ 947,552	$ 380,021	$ 960,006	$ 1,066,864	$ 175,334	$ (737,981)	$ 6,868,067	$ 377,360	$ 378,669	$ (301,461)	$ 7,322,635
LIABILITIES AND NET ASSETS															
Current liabilities:															
Current portion of long-term debt and capital lease obligation	$ 23,220	$ 6,648	$ -	$ 3,282	$ -	$ -	$ 1,800	$ 7,838	$ 1,277	$ -	$ 44,065	$ 412	$ -	$ -	$ 44,477
Accounts payable and accrued liabilities	192,789	48,883	24,040	32,833	46,680	2,199	60,091	67,082	1,573	-	476,170	45,551	31,472	-	553,193
Medical claims reserve	-	-	-	-	-	-	-	-	-	-	-	106,885	-	(32,301)	74,584
Deferred revenue	-	7,104	-	-	-	-	-	-	-	-	7,104	74,611	1,064	-	82,779
Current portion of due to affiliates	11,821	12,347	9,777	3,883	7,788	454	4,089	-	77	(24,979)	25,257	11,896	21,159	(46,588)	11,724
Accrued vacation	19,427	6,052	6,159	7,394	9,827	28	7,925	12,572	185	-	69,569	-	-	-	69,569
Advances from third-party payors	89,964	17,220	9,712	8,282	-	-	6,659	-	-	-	131,837	-	-	-	131,837
Current portion of est malpractice costs	22,597	3,162	1,056	1,168	8,940	-	4,802	-	-	-	41,725	-	3,751	-	45,476
Total current liabilities	359,818	101,416	50,744	56,842	73,235	2,681	85,366	87,492	3,112	(24,979)	795,727	239,355	57,446	(78,889)	1,013,639
Long-term debt and capital lease obligation, net of current portion	702,437	63,993	-	45	-	-	95,650	719,562	31,079	-	1,612,766	629	-	-	1,613,395
Est malpractice costs, net of current portion	65,747	9,573	3,630	1,877	6,254	-	25,006	-	-	-	112,087	-	11,225	-	123,312
Net pension liability	266,945	129,760	852	2,180	2,184	-	-	134,621	-	-	536,542	-	-	-	536,542
Long-term note payable affiliate	96,495	59,022	154,081	46,865	251,969	-	92,993	11,577	-	(713,002)	-	1,455	93,832	(95,124)	163
Other long-term liabilities	190,633	11,594	17,351	5,189	15,887	26	29,299	2,683	810	-	273,472	2,828	4,020	-	280,320
Total liabilities	1,682,075	375,358	226,658	112,998	349,529	2,707	328,314	955,935	35,001	(737,981)	3,330,594	244,267	166,523	(174,013)	3,567,371
Net assets:															
Unrestricted	1,278,988	47,221	89,884	199,881	594,011	326,557	609,047	109,439	140,333	-	3,395,361	133,093	97,169	(115,564)	3,510,059
Temporarily restricted	10,480	4,057	13,422	17,405	2,167	37,548	9,187	1,490	-	-	95,756	-	91,347	(645)	186,458
Permanently restricted	-	3,525	3,400	10,919	1,845	13,209	13,458	-	-	-	46,356	-	23,630	(11,239)	58,747
Total net assets	1,289,468	54,803	106,706	228,205	598,023	377,314	631,692	110,929	140,333	-	3,537,473	133,093	212,146	(127,448)	3,755,264
Total liabilities and net assets	$ 2,971,543	$ 430,161	$ 333,364	$ 341,203	$ 947,552	$ 380,021	$ 960,006	$ 1,066,864	$ 175,334	$ (737,981)	$ 6,868,067	$ 377,360	$ 378,669	$ (301,461)	$ 7,322,635

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Combining Statements of Operations and Changes in Net Assets
June 30, 2016
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Consolidated Entities	Sibley Memorial Hospital	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Other	Eliminations	Combined Johns Hopkins Health System Corporation and Affiliates
Operating revenues:															
Net patient service revenue before provision for bad debts	$ 1,968,018	$ 564,379	$ 264,100	$ 265,982	$ 278,476	$ -	$ 403,924	$ -	$ 9,813	$ -	$ 3,754,692	$ 1,634,823	$ 677,797	$ (873,870)	$ 5,193,442
Provision for bad debts	(25,774)	(20,382)	(6,249)	(2,947)	(10,544)	-	(3,198)	-	(28)	-	(69,122)	(5,794)	(10,832)	-	(85,748)
Net patient service revenue	1,942,244	543,997	257,851	263,035	267,932	-	400,726	-	9,785	-	3,685,570	1,629,029	666,965	(873,870)	5,107,694
Other revenue	281,177	58,975	6,385	20,921	35,881	1,301	47,859	301,821	8,426	(209,192)	553,554	67,282	162,638	(152,184)	631,290
Investment income	11,578	2,134	896	1,782	5,395	5,228	5,740	54,278	1,453	-	88,484	836	12,197	(40,236)	61,281
Net assets released from restrict used for operations	650	571	-	1,650	1,939	103	1,863	-	-	-	6,776	-	4,066	-	10,842
Total operating revenues	2,235,649	605,677	265,132	287,388	311,147	6,632	456,188	356,099	19,664	(209,192)	4,334,384	1,697,147	845,866	(1,066,290)	5,811,107
Operating expenses:															
Salaries, wages and benefits	801,814	257,755	121,553	119,706	146,310	731	195,866	166,999	4,242	-	1,814,976	113,429	289,588	(10,603)	2,207,390
Purchased services	654,601	199,428	67,936	67,440	61,519	1,492	99,055	145,097	6,803	(185,555)	1,117,816	1,559,679	531,219	(1,015,451)	2,193,263
Supplies and other	550,562	105,311	42,612	67,014	70,199	22	71,199	2,636	2,754	-	912,309	7,758	26,689	-	946,756
Interest	18,315	2,783	5,085	588	2,121	-	3,860	21,525	2,797	(23,637)	33,437	-	131	-	33,568
Depreciation and amortization	129,466	28,994	13,416	15,711	18,811	8	28,501	11,975	2,982	-	249,864	5,771	6,682	-	262,317
Total operating expenses	2,154,758	594,271	250,602	270,459	298,960	2,253	398,481	348,232	19,578	(209,192)	4,128,402	1,686,637	854,309	(1,026,054)	5,643,294
Income from operations	80,891	11,406	14,530	16,929	12,187	4,379	57,707	7,867	86	-	205,982	10,510	(8,443)	(40,236)	167,813
Non-operating revenues and expenses:															
Interest expense on swap agreements	(18,591)	(2,291)	(1,492)	(923)	-	-	(3,258)	-	-	-	(26,555)	-	-	-	(26,555)
Change in fair value of swap agreements	(67,279)	(1,004)	(6,803)	457	-	-	(12,967)	-	-	-	(87,596)	-	-	-	(87,596)
Change in realized and unrealized gains (losses) on investments	(19,356)	(1,955)	(1,708)	(5,679)	(5,842)	(4,532)	(11,488)	(157)	(4,778)	-	(55,495)	-	(5,177)	-	(60,672)
Other non-operating expenses	(8,647)	62	84	(552)	116	-	(22,580)	(3,514)	-	-	(35,031)	-	(215)	-	(35,246)
Excess of revenues (under) over expenses before noncontrolling interests	(32,982)	6,218	4,611	10,232	6,461	(153)	7,414	4,196	(4,692)	-	1,305	10,510	(13,835)	(40,236)	(42,256)
Noncontrolling interests	-	-	-	-	-	-	-	-	(88)		(88)	22,035	1,057	7,691	30,695
Excess of revenues (under) over expenses	(32,982)	6,218	4,611	10,232	6,461	(153)	7,414	4,196	(4,780)	-	1,217	32,545	(12,778)	(32,545)	(11,561)
Contributions (to) from affiliates	(5,630)	8,125	(4,234)	100,000	143	-	(32,874)	11,558	(100,000)	-	(22,912)	(46,141)	21,948	47,000	(105)
Change in funded status of defined benefit plans	(155,418)	(52,283)	(532)	(4,590)	(4,500)	-	-	(45,927)	-	-	(263,250)	-	-	-	(263,250)
Net assets released from restrictions used for						-									
purchases of property, plant, and equipment	1,176	376	2,072	5,546	96	-	-	60	-	-	9,326	-	-	-	9,326
Noncontrolling interests	-	-	-	-	-	-	-	-	88	-	88	(22,035)	(1,057)	(7,691)	(30,695)
Other	-	-	-	(119)	6,701	(6,701)	-	(1)	-	-	(120)	-	-	61,844	61,724
(Decrease) increase in unrestricted net assets	(192,854)	(37,564)	1,917	111,069	8,901	(6,854)	(25,460)	(30,114)	(104,692)	-	(275,651)	(35,631)	8,113	68,608	(234,561)
Changes in temporarily restricted net assets:															
Gifts, grants and bequests	2,312	1,412	2,072	2,711	(112)	3,744	908	-	-	-	13,047	-	1,946	2,197	17,190
Net assets released from restrictions used for						-									
purchases of property, plant, and equipment	(1,176)	(376)	(2,072)	(5,546)	-	(96)	-	(60)	-	-	(9,326)	-	-	-	(9,326)
Net assets released from restrict used for operations	(650)	(571)	-	(1,650)	(1,939)	(103)	(1,863)	-	-	-	(6,776)	-	(4,066)	-	(10,842)
Other	-	-	(1,381)	-	2,079	(2,079)	(7)	402	-	-	(986)	-	-	(61,844)	(62,830)
Increase (decrease) in temporarily restricted net assets	486	465	(1,381)	(4,485)	28	1,466	(962)	342	-	-	(4,041)	-	(2,120)	(59,647)	(65,808)
Changes in permanently restricted net assets:															
Gifts, grants and bequests	-	-	-	-	-	(31)	(629)	-	-	-	(660)	-	(723)	559	(824)
Decrease in permanently restricted net assets	-	-	-	-	-	(31)	(629)	-	-	-	(660)	-	(723)	559	(824)
(Decrease) increase in net assets	(192,368)	(37,099)	536	106,584	8,929	(5,419)	(27,051)	(29,772)	(104,692)	-	(280,352)	(35,631)	5,270	9,520	(301,193)
Net assets at beginning of year	1,289,468	54,803	106,706	228,205	598,023	377,314	631,692	110,929	140,333	-	3,537,473	133,093	212,146	(127,448)	3,755,264
Net assets at end of year	$ 1,097,100	$ 17,704	$ 107,242	$ 334,789	$ 606,952	$ 371,895	$ 604,641	$ 81,157	$ 35,641	$ -	$ 3,257,121	$ 97,462	$ 217,416	$ (117,928)	$ 3,454,071

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Combining Statements of Operations and Changes in Net Assets
June 30, 2015
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Consolidated Entities	Sibley Memorial Hospital	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Other	Eliminations	Combined Johns Hopkins Health System Corporation and Affiliates
Operating revenues:															
Net patient service revenue before provision for bad debts	$ 1,879,981	$ 539,599	$ 251,579	$ 258,603	$ 262,765	$ -	$ 415,086	$ -	$ 9,938	$ -	$ 3,617,551	$ 1,543,328	$ 649,304	$ (818,807)	$ 4,991,376
Provision for bad debts	(19,830)	(23,763)	(8,689)	(7,755)	(10,151)	-	(6,668)	-	(64)	-	(76,920)	(5,163)	(11,688)	-	(93,771)
Net patient service revenue	1,860,151	515,836	242,890	250,848	252,614	-	408,418	-	9,874	-	3,540,631	1,538,165	637,616	(818,807)	4,897,605
Other revenue	224,852	58,640	4,916	20,645	38,197	2,005	51,306	267,873	8,195	(188,571)	488,058	63,216	150,251	(136,146)	565,379
Investment income	11,081	1,875	1,779	1,676	5,702	5,399	6,604	75,142	1,418	-	110,676	1,443	11,072	(53,818)	69,373
Net assets released from restrict used for operations	645	553	-	1,936	1,242	94	356	61	-	-	4,887	-	2,845	-	7,732
Total operating revenues	2,096,729	576,904	249,585	275,105	297,755	7,498	466,684	343,076	19,487	(188,571)	4,144,252	1,602,824	801,784	(1,008,771)	5,540,089
Operating expenses:															
Salaries, wages and benefits	770,776	247,023	111,078	116,317	142,636	1,014	213,534	152,631	4,033	-	1,759,042	104,613	274,227	(10,008)	2,127,874
Purchased services	609,569	189,319	61,659	66,255	62,513	954	98,769	129,709	6,491	(169,912)	1,055,326	1,419,191	491,296	(944,945)	2,020,868
Supplies and other	499,233	97,412	41,972	63,664	64,120	53	67,369	2,508	2,574	-	838,905	7,888	24,367	-	871,160
Interest	20,226	1,201	5,212	824	3,091	-	5,034	16,791	2,901	(18,659)	36,621	-	91	-	36,712
Depreciation and amortization	128,456	25,504	15,555	15,820	18,670	8	34,386	10,336	3,155	-	251,890	5,104	7,596	-	264,590
Total operating expenses	2,028,260	560,459	235,476	262,880	291,030	2,029	419,092	311,975	19,154	(188,571)	3,941,784	1,536,796	797,577	(954,953)	5,321,204
Income from operations	68,469	16,445	14,109	12,225	6,725	5,469	47,592	31,101	333	-	202,468	66,028	4,207	(53,818)	218,885
Non-operating revenues and expenses:															
Interest expense on swap agreements	(19,187)	(2,570)	(1,534)	(951)	-	-	(3,351)	-	-	-	(27,593)	-	-	-	(27,593)
Change in fair value of swap agreements	(19,593)	823	(2,176)	615	-	-	(2,335)	-	-	-	(22,666)	-	-	-	(22,666)
Change in realized and unrealized gains (losses) on investments	(10,465)	(1,076)	(1,200)	(2,075)	6,811	6,261	(16,357)	(528)	(1,697)	-	(20,326)	-	(4,678)	-	(25,004)
Other non-operating expenses	(8,012)	-	-	-	(10,826)	1	(14,571)	(2,724)	-	-	(36,132)	-	(22)	(1,765)	(37,919)
Excess of revenues over (under) expenses before noncontrolling interests	11,212	13,622	9,199	9,814	2,710	11,731	10,978	27,849	(1,364)	-	95,751	66,028	(493)	(55,583)	105,703
Noncontrolling interests	-	-	-	-	-	-	-	-	89	-	89	(3,442)	533	(8,768)	(11,588)
Excess of revenues over (under) expenses	11,212	13,622	9,199	9,814	2,710	11,731	10,978	27,849	(1,275)	-	95,840	62,586	40	(64,351)	94,115
Contributions (to) from affiliates	-	-	(568)	(75)	(75)	-	(11,833)	6,473	11	-	(6,067)	(40,710)	5,131	36,060	(5,586)
Change in funded status of defined benefit plans	(64,130)	(14,711)	(421)	(2,267)	(2,612)		-	(14,012)	-	-	(98,153)	-	-	-	(98,153)
Net assets released from restrictions used for purchases of property, plant, and equipment	3,035	-	2,400	913	-		50	229	-	-	6,627	-	60	-	6,687
Noncontrolling interests	-	-	-	-	-		-	-	(89)	-	(89)	3,442	(533)	8,768	11,588
Other	-	-	-	-	12,721	(12,721)	-	(27)	(49)	-	(76)	-	-	-	(76)
(Decrease) increase in unrestricted net assets	(49,883)	(1,089)	10,610	8,385	12,744	(990)	(805)	20,512	(1,402)	-	(1,918)	25,318	4,698	(19,523)	8,575
Changes in temporarily restricted net assets:															
Gifts, grants and bequests	3,531	1,138	2,401	1,710	-	12,593	554	383	-	-	22,310	-	8,254	-	30,564
Net assets released from restrictions used for purchases of property, plant, and equipment	(3,035)	-	(2,400)	(913)	-	-	(50)	(229)	-	-	(6,627)	-	(60)	-	(6,687)
Net assets released from restrict used for operations	(645)	(553)	-	(1,936)	(1,242)	(94)	(356)	(61)	-	-	(4,887)	-	(2,845)	-	(7,732)
Other	-	-	2,862	-	1,152	(1,152)	(267)	-	-	-	2,595	-	-	267	2,862
(Decrease) increase in temporarily restricted net assets	(149)	585	2,863	(1,139)	(90)	11,347	(119)	93	-	-	13,391	-	5,349	267	19,007
Changes in permanently restricted net assets:															
Gifts, grants and bequests	-	-	182	-	-	100	(616)	-	-	-	(334)	-	(83)	573	156
Increase (decrease) in permanently restricted net assets	-	-	182	-	-	100	(616)	-	-	-	(334)	-	(83)	573	156
(Decrease) increase in net assets	(50,032)	(504)	13,655	7,246	12,654	10,457	(1,540)	20,605	(1,402)	-	11,139	25,318	9,964	(18,683)	27,738
Net assets at beginning of year	1,339,500	55,307	93,051	220,959	585,369	366,857	633,232	90,324	141,735	-	3,526,334	107,775	202,182	(108,765)	3,727,526
Net assets at end of year	$ 1,289,468	$ 54,803	$ 106,706	$ 228,205	$ 598,023	$ 377,314	$ 631,692	$ 110,929	$ 140,333	$ -	$ 3,537,473	$ 133,093	$ 212,146	$ (127,448)	$ 3,755,264

Report of Independent Auditors
on Supplementary Financial Information

To the Board of Trustees of
The Johns Hopkins Health System Corporation and Affiliates

We have audited the combined financial statements of The Johns Hopkins Health System Corporation and Affiliates as of June 30, 2016 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary Hopkins Elder Plus PACE Program Statement of Operations information is presented for purposes of additional analysis and is not a required part of the combined financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 28, 2016

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The Johns Hopkins Health System Corporation and Affiliates
Hopkins Elder Plus - Pace Program
Statement of Operations
for the year ended June 30, 2016
(in thousands)

Revenue	
Output revenue	$ 12,214
Total revenue	12,214
Expenses	
Salaries, wages and benefits	3,595
Purchased services	6,116
Supplies and other	1,938
Depreciation	8
Total expenses	11,657
Excess of revenue over expenses	$ 557