GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Consolidated Financial Statements

Federal OMB Circular A-133 Reports

Year ended December 31, 2014

(With Independent Auditors' Reports Thereon)

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

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KPMG LLP
Suite 2900
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Independent Auditors' Report

The Board of Trustees
Group Health Cooperative and Subsidiaries
Seattle, Washington:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Group Health Cooperative and Subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015 on our consideration of the Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Group's internal control over financial reporting and compliance.

KPMG LLP

March 27, 2015

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

(In thousands)

Assets		2014	2013
Current assets:			
Cash and cash equivalents	$	157,254	212,244
Short-term marketable securities		26,904	12,709
Accounts receivable – net		150,547	120,216
Inventories		16,764	12,823
Other		43,854	27,317
Total current assets		395,323	385,309
Long-term marketable securities		1,032,424	894,677
Long-term investments – other		58,365	56,018
Restricted assets		38,440	8,848
Land, buildings and equipment:			
Land		31,048	31,022
Buildings and improvements		597,368	589,314
Equipment		403,083	491,541
Construction in progress		33,139	14,160
Total land, buildings, and equipment		1,064,638	1,126,037
Less accumulated depreciation		(646,780)	(700,125)
Land, buildings, and equipment – net		417,858	425,912
Other assets		60,946	62,595
Total	$	2,003,356	1,833,359

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

(In thousands)

Liabilities and Net Assets		**2014**	**2013**
Current liabilities:			
Accounts payable	$	144,183	113,011
External delivery services payable		228,920	224,011
Unearned premiums and deposits		75,254	54,344
Accrued employee compensation		86,359	84,392
Accrued taxes and interest		48,775	16,708
Current portion of long-term debt		6,003	5,271
Current portion of reserve for self-insurance		18,622	23,279
Current portion of retiree medical benefits		4,475	4,492
Total current liabilities		612,591	525,508
Noncurrent liabilities:			
Long-term debt		122,901	124,535
Self-insurance		48,357	50,459
Retiree medical benefits		47,400	41,509
Pension		190,643	78,089
Other		22,371	42,877
Total noncurrent liabilities		431,672	337,469
Total liabilities		1,044,263	862,977
Commitments and contingencies (note 12)			
Net assets:			
Unrestricted		942,437	953,765
Temporarily restricted		7,208	7,349
Permanently restricted		9,448	9,268
Total net assets		959,093	970,382
Total	$	2,003,356	1,833,359

See accompanying notes to consolidated financial statements.

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2014 and 2013

(In thousands)

	2014	2013
Revenues:		
Premiums	$ 3,236,544	3,270,632
Clinical services – net	326,843	282,003
Other	120,752	109,292
Total operating revenues	3,684,139	3,661,927
Expenses:		
External delivery services	1,829,984	1,793,798
Employee compensation	608,490	666,433
Group Health Permanente expense	380,090	392,822
Medical and operating supplies	315,453	292,087
Other expenses	176,018	157,101
Services purchased	115,965	126,211
Business taxes and insurance	121,742	84,034
Depreciation and amortization	56,222	58,166
Total operating expenses	3,603,964	3,570,652
Operating gain	80,175	91,275
Nonoperating income (expense):		
Investment income – net	41,894	73,383
Interest expense	(1,228)	(10,939)
Total nonoperating income	40,666	62,444
Excess of revenues over expenses	120,841	153,719
Change in net unrealized investment gains and losses	15,224	17,830
Change in defined benefit pension and other postretirement plans	(147,253)	146,628
Other	(140)	(121)
Change in unrestricted net assets	(11,328)	318,056
Change in temporarily restricted net assets	(141)	1,781
Change in permanently restricted net assets	180	1,112
Change in net assets	(11,289)	320,949
Net assets:		
Beginning of year	970,382	649,433
End of period	$ 959,093	970,382

See accompanying notes to consolidated financial statements.

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

(In thousands)

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	(11,289)	320,949
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		56,222	58,166
Provision for self-insurance		11,391	21,720
Self-insurance claims paid			
Realized and change in unrealized investments gains and losses		(21,502)	(17,766)
Change in fair value of interest rate swap		2,954	(6,198)
Gain on sale of land, buildings, and equipment		(15,374)	(4,381)
Equity income of equity method investees		(5,373)	(44,673)
Other		(1,227)	(6,183)
Cash provided by operating assets and liabilities:			
Accounts receivable – net		(30,333)	14,797
Inventories		(3,941)	5,134
Other current and noncurrent assets		6,007	4,194
Accounts payable		37,607	14,134
External delivery services payable		4,909	(16,188)
Accrued employee compensation		1,967	15,309
Self-insurance		(18,150)	(17,529)
Accrued taxes and interest		32,067	7,304
Unearned premiums and deposits		23,827	23,361
Pension		112,554	(141,272)
Retiree medical benefits		5,874	(4,015)
Other noncurrent liabilities		(20,915)	10,296
Net cash provided by operating assets and liabilities		167,275	237,159
Cash flows from investing activities:			
Payments for land, buildings, and equipment		(29,843)	(64,241)
Proceeds from disposal of land, buildings, and equipment		13	5,330
Proceeds from sale of marketable securities		344,532	344,196
Purchases of marketable securities		(487,068)	(382,055)
Distribution from equity investments		4,828	40,839
Purchases of equity investments		(1,801)	(30,245)
Restricted assets		(29,592)	—
Collateralized security		(22,700)	—
Net cash used in investing activities		(221,631)	(86,176)
Cash flows from financing activities:			
Repayment of long-term debt		(30,578)	(9,890)
Long-term borrowings		30,085	—
Other		(141)	(121)
Net cash used in financing activities		(634)	(10,011)
Net (decrease) increase in cash and cash equivalents		(54,990)	140,972
Cash and cash equivalents :			
Beginning of year		212,244	71,272
End of period	$	157,254	212,244
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$	3,711	4,135
Income taxes		6,388	2,980

See accompanying notes to consolidated financial statements.

(1) Organization

The accompanying consolidated financial statements include the accounts of Group Health Cooperative (GHC), GHC's wholly owned subsidiary, Group Health Options, Inc. (GHO), and controlled affiliates, KPS Health Plans (KPS), Group Health Foundation (the Foundation), and Columbia Medical Associates, LLC (CMA), (collectively, the Group).

GHC is a Washington nonprofit corporation registered as a health maintenance organization headquartered in Seattle, Washington. GHC offers comprehensive, coordinated health care to an enrolled membership for a fixed prepaid fee through its owned and leased facilities, employed providers, and contracted providers, in addition to providing certain health care services on a fee-for-service basis to both enrollees and nonenrollees.

GHO is a Washington for-profit corporation registered and operating as a health care service contractor headquartered in Seattle, Washington. GHO provides health care coverage products that feature increased customer choice, including point of service and preferred provider organization plan benefits. It is also registered in Idaho as a Disability, Including Managed Care Carrier, operating in two counties.

KPS is a Washington taxable nonprofit corporation registered and operating as a health care service contractor headquartered in Bremerton, Washington. KPS provides health care services through contracts with participating physicians and hospitals.

The Foundation is a Washington nonprofit corporation. It is organized exclusively to benefit, perform the functions of, and carry out the purposes of GHC and other affiliated tax-exempt organizations. It supports research, health careers, training, health education, GHC programs, and other projects that promote high quality health care. Grants are awarded to qualified health-related community organizations, extending the internal resources of GHC to the community. The Foundation's operations are largely a function of the level of donations it receives.

CMA is a Washington limited liability company headquartered in Spokane, Washington. CMA provides medical services to families and individuals within the greater Spokane area.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include those of GHC, its wholly owned subsidiaries, and controlled affiliates. All significant intercompany accounts and transactions have been eliminated in these consolidated financial statements.

The Group has prepared the accompanying consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

(b) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant estimates and assumptions are used in the recording of external delivery services payable, fair value of financial instruments, allowances for uncollectible accounts, self-insurance reserves, pension liabilities, retiree medical liabilities, and the evaluation of contingencies and litigation. Changes in these estimates and assumptions may have a material impact on the consolidated financial statements.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of liquid investments with original or remaining maturities of three months or less at the date of purchase and approximate fair value. Cash equivalents generally consist of money market funds.

The Group is potentially subject to a concentration of credit risk related to financial instruments such as funds held at high credit quality financial institutions, and at times, such balances with any one financial institution may exceed the Federal Deposit Insurance Corporation's (FDIC) insured limits.

(d) Marketable Securities

Marketable securities are readily convertible to cash, are carried at fair value, and are classified as available-for-sale securities. The Group considers securities that will mature within one year as short-term investments. The change in unrealized gains and losses is recorded as a separate component of the change in net assets for GHC, GHO, and KPS. The Foundation records the change in unrealized gains and losses in investment income. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security. The discount or premium is amortized using the effective-yield method. Such amortization and accretion is included in investment income. Realized gains or losses on sale are calculated using the first-in, first-out (FIFO) method and are recorded in investment income. The Group's investment transactions are recorded on a trade-date basis.

(e) Repurchase Agreements

Repurchase agreements are used to obtain short-term use of funds. Under the terms of a repurchase agreement, the transferor (borrower) transfers a security to a transferee (lender) in exchange for cash and concurrently agrees to reacquire the security at a future date. If the transferor does not surrender control of the underlying security, the transaction is accounted for as a secured borrowing and reported as a receivable by the transferee. When the transferor does surrender control, the transaction is accounted for as a sale.

The Group enters into tri-party repurchase agreements where it lends cash and receives highly liquid, high quality securities, such as U.S. Treasuries, and are accounted for as secured borrowings. The Group requires a minimum of 102% of the fair value of securities purchased under repurchase agreements to be maintained as collateral and has accepted collateral that is permitted by contract or custom to sell or repledge. The fair value of the collateral held was $23,197,000 and $0 as of December 31, 2014 and 2013, respectively, of which none has been sold or repledged. The carrying amount of the repurchase agreements held as of December 31, 2014 and 2013 was $22,700,000 and $0, respectively, with remaining maturity of less than 30 days and is a component of current other assets.

(f) Other-than-Temporary Impairment (OTTI)

An investment is impaired if the fair value of the investment is less than its book value or amortized cost, resulting in an unrealized loss position. Impaired securities are assessed to determine if the impairment is other-than-temporary. The Group evaluates investment securities for OTTI based on qualitative and quantitative factors. If the Group has the intent to sell, or it is more likely than not that it will sell the security before recovery, OTTI is recorded in income equal to the entire difference between the security's book or amortized cost basis and its fair value at the consolidated balance sheet date.

For debt securities, if the Group does not intend to sell or it is more likely than not it will be required to sell the security before recovery, OTTI is separated into the amount representing the credit loss and the amount related to all other factors. The credit component of the OTTI is recognized in income and the noncredit component is recognized as a component of the changes in net assets. The credit component of OTTI is determined by comparing the present value of projected future cash flows with the amortized cost basis of the fixed income security. The present value is calculated by discounting the projected future cash flows at the effective interest rate implicit in the fixed income maturity at the date of acquisition. For mortgage-backed and asset-backed securities, cash flow estimates are based on assumptions regarding the underlying collateral including prepayment speeds, type of underlying assets, geographic concentrations, default rates, recoveries, and changes in value. For all other debt securities, cash flow estimates are driven by assumptions regarding probability of default, including changes in credit ratings, and estimates regarding timing and amount of recoveries associated with a default. Unrealized losses caused by noncredit related factors related to debt securities, for which the Group expects to fully recover the amortized cost basis, continue to be recognized as a component of net assets.

(g) Accounts Receivable

Accounts receivable are primarily comprised of premiums, receivables for noncovered health care services, copays and deductibles, receivables for fee-for-service clinical services provided to nonenrollees, and reinsurance. The Group records a reduction in the related premium revenues for an estimate of amounts related to retroactive enrollment changes. Provisions for contractual adjustments and bad debts related to clinical services revenues are recorded on the accrual basis and deducted from gross revenues.

(h) Provision for Uncollectible Accounts and Retroactivity

The Group provides an allowance for potential uncollectible accounts receivable whereby such receivables are reduced to their estimated net realizable value. There are various factors that can impact the collection trends and the estimation process, such as changes in the economy, the increased burden of copays and deductibles to be made by enrollees, and business practices related to collection efforts.

The Group estimates the allowance for receivables of noncovered health care services, fee-for-service clinical services, and other receivables based on the aging of accounts receivable, historical collection experience, and other relevant factors. The allowance for uncollectible accounts was $3,086,000 and $3,451,000 at December 31, 2014 and 2013, respectively.

The allowance for receivables of premiums is based on aging of accounts receivable and historical experience of enrollment retroactive changes. The allowance for retroactivity was $7,136,000 and $2,234,000 as of December 31, 2014 and 2013, respectively.

(i) Inventories

Inventories consist of pharmaceuticals and are stated at the lower of weighted average cost or market.

(j) Long-Term Investments – Other

Long-term investments – other consists of equity and cost method investments, which includes a commingled securities trust.

(k) Fair Value Measurement for Alternative Investments

The Group may elect to measure alternative instruments, as defined by GAAP, using the net asset value (NAV) or its equivalent as a practical expedient if there is no readily determinable fair value. The election will occur at inception and on an instrument-by-instrument basis.

(l) Restricted Assets

Restricted assets are assets restricted as to use pursuant to terms and conditions of the revenue bonds and bank loan agreement (note 6).

The Series 2006 revenue bonds require a debt service reserve fund for the benefit of the bond owners, which shall be maintained as long as any Series 2006 bonds remain outstanding. The amount of the debt service reserve fund is $8,848,000 for December 31, 2014 and 2013.

The bank loan is secured by cash collateral maintained at all times in an amount not less than the outstanding principal balance of the loan. The amount of the cash collateral account for December 31, 2014 is $29,592,000.

(m) Charitable Gift Annuities

As of December 31, 2014 and 2013, the Foundation had a charitable gift annuities liability of $1,206,000 and $1,146,000, respectively, which is recorded as a component of other noncurrent liabilities in the accompanying consolidated balance sheets. Investments held for the charitable gift annuities are $1,804,000 and $2,129,000 as of December 31, 2014 and 2013, respectively, and are recorded as a component of noncurrent other assets in the accompanying consolidated balance sheets.

(n) Land, Buildings, and Equipment

Land, buildings and improvements, and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the term of the related lease, whichever is shorter. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in operations. The estimated useful lives of buildings, improvements, and leasehold improvements are 5 to 40 years, and the estimated useful life of equipment is 2 to 20 years.

(o) Construction in Progress (CIP)

CIP projects include costs incurred while preparing assets for their intended use. CIP projects consist of major computer system installations, the construction or remodel of buildings, or the installation of major equipment. The Group capitalizes interest costs on borrowings incurred during construction or development of qualifying assets. Capitalized interest is added to the cost of the underlying assets during construction and is depreciated or amortized over the useful lives of the assets.

(p) Long-Lived Assets

In accounting for its long-lived assets, the Group makes estimates about the expected useful lives of the assets, the expected residual values of the assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, a significant change in the long-lived assets' condition, and operating cash flow losses associated with the use of the long-lived assets.

There is inherent risk in estimating the future cash flows used in the impairment test. If cash flows do not materialize as estimated, there is a risk the impairment charges recognized to date may be inaccurate, or further impairment charges may be necessary in the future.

(q) Intangible Assets

Intangible assets are recorded at fair value and those that are subject to amortization are amortized on a straight-line basis over their estimated useful lives of 3 to 15 years. Intangible assets consist of trade name, favorable contracts and future compensation. As of December 31, 2014 and 2013, the net carrying amount was $526,000 and $675,000, respectively, and is a component of noncurrent other assets in the accompanying consolidated balance sheets.

The Group performs an impairment review annually or when a triggering event occurs between annual impairment tests. No impairment losses were recorded for the years ended December 31, 2014 and 2013.

(r) Notes Receivable

Notes receivable relate to long-term financing arrangements that exceed one year and bear interest at a market rate based on negotiated terms and are recorded at face value. Interest is recognized over the life of the note. The Group requires collateral for notes for real estate transactions. The Group does not intend to sell these receivables. Amounts collected on notes receivable are included in net cash provided by investing activities in the consolidated statements of cash flows. Notes receivable balance was $23,166,000 and $27,679,000 at December 31, 2014 and 2013, respectively, and is a component of noncurrent other assets. At December 31, 2014, future annual payments on notes receivable due within one year is $0 and due in five years or more is $23,166,000.

(s) Current Other Assets and Noncurrent Other Assets

Current other assets and noncurrent other assets consist of interest receivable, notes receivable, deferred financing costs, interest rate swap, deposits, prepaid assets, deferred tax assets, federal tax receivable, and repurchase agreements.

(t) Self-Insurance

The Group is self-insured for professional liability, industrial accident claims, and unemployment benefits. The Group purchases excess insurance coverage to limit its exposure for professional liability claims and industrial accident claims and maintains excess insurance on a claims-made basis. Retention levels for professional liability are $10,000,000 per claim with annual aggregates of $40,000,000 in 2014 and 2013. Retention levels for industrial accident claims are $750,000, per claim and in aggregate, in 2014 and 2013. Professional liability and industrial accident claims liability are determined using case-based estimates for reported claims and actuarial estimates for incurred but not reported claims. These estimates are based on historical information along with certain assumptions about future events. Changes in assumptions related to expected claims development as well as changes in actual experience could cause these estimates to change. At December 31, 2014 and 2013, the estimated liability for professional liability claims was $55,369,000 and $61,652,000, respectively. At December 31, 2014 and 2013, the estimated liability for industrial accident claims was $7,631,000 and $7,942,000, respectively. At December 31, 2014 and 2013, the estimated liability for unemployment claims was $3,979,000 and $4,144,000, respectively. Insurance recovery receivables for 2014 and 2013 are $1,854,000 and $1,732,000, respectively, and are a component of noncurrent other assets. The Group is a subscriber of and purchases its professional liability excess insurance coverage from a Risk Retention Group (RRG). As a subscriber of the RRG, the Group is also an owner granting it rights to its subscriber’s equity in the RRG.

(u) Reinsurance

The Group limits certain exposure to claims loss by ceding reinsurance to other insurance companies. For each of its reinsurance contracts, the Group must determine if the contract provides indemnification against loss or liability related to insurance risk. Reinsurance contracts that have been determined to transfer risk record the premiums as revenue and claims payment as an expense. For those contracts that have been determined not to transfer risk, the Group records as a receivable or a liability, if applicable.

Reinsurance contracts do not relieve the Group from its obligations to claimants. Failure of reinsurers to honor their obligations could result in losses to the Group.

(v) Derivatives

In certain instances, the Group enters into derivative instruments to hedge specific assets and liabilities, which are carried at fair value. Prior to entering into a derivative contract designated as a hedge, the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy, is formally documented. On the date the Group enters into a derivative contract utilized as a hedge, the derivative instrument is designated as either a hedge of the fair value of a recognized asset or liability of an unrecognized firm commitment (known as a fair value hedge) or a hedge of the variability in expected future cash flows associated with an existing recognized asset or liability or a forecasted transaction (known as a cash flow hedge).

(w) Revenues

Revenues are derived principally from health care premiums and clinical service billings. Premiums received in advance of the coverage period are deferred, and revenues are recognized in the period in which services are covered. Group contracts cover employee groups and are entered into with employers or union trusts. Clinical service revenues are generated through the provision of certain medical and pharmacy services not fully covered under existing benefit policies and from services provided to nonenrollees who receive care at the Group's facilities.

GHC participates in the Medicare Advantage program and offers both Medicare Advantage (MA) and Medicare Advantage Prescription Drug (MA-PD) plans. MA plans offer Part C Medicare benefits to members and GHC receives capitated revenue from the Centers for Medicare and Medicaid Services (CMS), as well as supplemental premiums from the member. MA-PD plans offer Part C and Part D Medicare benefits to members and GHC receives capitated revenue from CMS, as well as supplemental premiums from the member. GHO offers MA-PD plans to its Medicare eligible members.

The capitated revenue from CMS for Part C and Part D is based on a risk adjustment model, where the demographic and health status (i.e., risk score) of the member is a factor used in determining payment. The other major factors of the capitated payment are the member's county of residence and the plan/product in which the member is enrolled. Capitated payments from CMS are received monthly and are prospective. Adjustments for enrollment and certain member status updates are made to the payments retrospectively. Various accruals related to Part C and Part D revenue as a result of the risk-sharing arrangement, as well as federal reinsurance, and low-income cost-sharing subsidies are recognized as well. Retrospective settlements of payment are made after the end of the calendar year.

The table below presents the balances of the significant operating revenue types for the years ended December 31 (in thousands):

		2014	2013
Premiums:			
Group	$	2,034,013	2,094,836
Medicare		998,221	998,116
Individual and family		204,310	177,680
Total premiums		3,236,544	3,270,632
Clinical services revenue, net of contractual allowances and discounts		335,092	291,871
Less provision for bad debt		(8,249)	(9,868)
Clinical services revenue-net		326,843	282,003
Other revenue:			
Grants		43,745	46,559
Other		33,301	25,963
Self-funded administrative service fees		26,980	20,490
Sales		16,726	16,280
Total other		120,752	109,292
Total operating revenues	$	3,684,139	3,661,927

The Group has agreements with third-party payors that provide for payments of amounts different from established charges. The Group's clinical services revenue, net of contractual allowances and discounts, came from the following major payor sources:

	2014	2013
Commercial/other	56%	50%
Private	39	45
Medicare	4	4
Medicaid	1	1
Total	100%	100%

There is a corresponding significant concentration of credit risk in net accounts receivable balances at December 31:

	2014	2013
Commercial/other	51%	48%
Private	45	48
Medicare	3	3
Medicaid	1	1
Total	100%	100%

Commercial/other represents receivables from other insurance companies and from nonenrollees receiving fee-for-service clinical services. The private accounts receivable represents noncovered health care services, copays and deductibles from enrollees.

The Group has entered into payment agreements with certain commercial insurance carriers including employer groups under self-funded plans. The basis for payment to the Group under these agreements includes prospectively determined rates per unit of service and discounts from established charges. Most arrangements provide for payment or reimbursement to the Group at amounts different from established rates. Contractual discounts represent the difference between established rates for services and amounts paid or reimbursed by these third-party payors.

The Group has estimated payments for services rendered to nonenrollee Medicare and Medicaid fee-for-service patients during the year by applying the payment principles of the applicable governmental agencies and believes that an adequate provision has been made in the accompanying consolidated financial statements for final settlement.

Most outpatient services provided to Medicare patients are reimbursed based on prospectively determined rates. Medicaid patients are also reimbursed based on a combination of prospectively determined rates and cost reimbursement methodology. Continuation of these reimbursement programs at the present level, and on the present basis, is dependent upon future policies of the federal and state governmental agencies.

Other revenues include grants awarded to the Group Health Research Institute, a division of GHC, optical sales, and self-funded administrative service fees. Also included in other revenues are unconditional promises to donate cash and other assets to the Foundation, which are reported at fair value at the date the promise is received. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the time and purpose of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

(x) Premium Deficiencies

A premium deficiency reserve is recognized when the expected future claims payments and administrative costs of a grouping of existing contracts exceed the premiums to be collected for the remainder of a contract period. Deficiencies in one grouping of contracts are not offset by anticipated surpluses in other groupings. The Group considers anticipated investment income in determining if a premium deficiency exists. Reserves are regularly reviewed and adjusted as experience develops or new information becomes known. Such adjustments would be included in current operations. No reserve was considered necessary at December 31, 2014 and 2013.

(y) Charity Care

Charity care represents medically necessary hospital-based care to patients who have demonstrated an inability to pay and receive care at a Group facility. Patients must have income at or less than 200% of the Federal Poverty Level. Only the portion of a patient’s account that meets the Group’s criteria is recognized as charity care. The method to estimate costs associated with charity care involves a ratio of gross charges. The cost of charity care was estimated at $719,000 and $939,000 for the years ended December 31, 2014 and 2013, respectively.

(z) External Delivery Services

External delivery services represent health care expenses incurred by GHC, GHO, and KPS for care provided to their respective members by contracted and noncontracted health care facilities and practitioners, other than Group Health Permanente P.C. (note 2aa). The liability reflected on the consolidated balance sheets is determined using actuarial estimates. These estimates are based on historical information along with certain assumptions about future events. Changes in assumptions related to expected claims development as well as changes in actual experience could cause these estimates to change.

(aa) Group Health Permanente Expense

Group Health Permanente P.C. is an independent medical group with an exclusive contract to provide medical services at the Group’s facilities providing primary, specialty, and inpatient care. The Group’s net liability to Group Health Permanente P.C. was $40,744,000 and $41,911,000 as of December 31, 2014 and 2013, respectively, which is a component of accounts payable in the accompanying consolidated balance sheets.

(bb) Advertising

Advertising costs are expensed as incurred and are recorded within services purchased in the consolidated statements of operations and changes in net assets. The Group recorded advertising expense of $4,293,000 and $3,927,000 for the years ended December 31, 2014 and 2013, respectively.

(cc) Leases

Rent revenue and expense is recorded on a straight-line basis over the term of the respective leases. Lease incentives are amortized ratably over the lease term (note 12).

The Group is obligated under capital leases covering certain equipment that expire at various dates during the next two years. Amortization of assets held under capital leases is included with depreciation.

(dd) Income Taxes

GHO and KPS are subject to federal income taxes. These companies file federal tax returns and are not subject to any state income tax filing requirements. GHC is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as a charitable organization under Section 501(c)(3) of the Code, except for unrelated business income tax. The Foundation has received a determination letter from the Internal Revenue Service (IRS) that it is a tax-exempt public foundation in accordance with Section 501(c)(3) and a public charity in accordance with Section 170(b)(1)(A)(vi) of the Code. CMA is considered a disregarded entity for federal tax purposes and would be included with any GHC federal income tax filing.

GHO and KPS recognize deferred income taxes for the tax consequences in future years of the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to reverse. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Interest and penalties, if any, are recognized as other expense in the period in which the interest would be accruing according to tax law or in the period the tax position is initially taken.

(ee) Net Assets

Changes in unrestricted net assets result from the excess (deficit) of revenues over expenses and the changes in net unrealized investment gains (losses) as well as pension and other postretirement plan changes. Temporarily and permanently restricted net assets are accounted for within the Foundation. Temporarily restricted net assets account for funds restricted by donors for specific time and purposes, unappropriated earnings on permanent endowments and are available to support the Foundation in carrying out its missions.

(Continued)

Temporarily restricted net assets are available for the following purposes as of December 31 (in thousands):

		2014	2013
Health care services	$	4,696	4,890
Health education		1,861	1,726
Health care research and development		75	649
Time restricted		576	84
Total temporarily restricted net assets	$	7,208	7,349

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets as of December 31, 2014 and 2013 are contributions restricted by the donor to be invested in perpetuity.

The change in temporarily restricted net assets was comprised of $1,292,000 and $1,347,000 of contributions, $(1,905,000) and $(1,689,000) of release from restrictions, and investment income of $472,000 and $2,123,000, for the years ended December 31, 2014 and 2013, respectively.

(ff) Accounting Changes

In July 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-06, Other Expenses (Topic 720): *Fees Paid to the Federal Government by Health Insurers (a consensus of the FASB Emerging Issues Task Force)*, which requires fees imposed on health insurers mandated by the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable. This standard requires the Group to record a deferred cost that is amortized to expense using a straight-line method and was effective for the Group's 2014 consolidated financial statements. The impact of this standard is disclosed in note 16.

(gg) New Accounting Pronouncements

In April 2013, the FASB issued ASU No. 2013-06, *Not-for-Profit Entities (Topic 958) Services Received from Personnel of an Affiliate (a consensus of the FASB Emerging Issues Task Force)*. ASU 2013-06 provides guidance to not-for-profit entities that receive services from personnel of an affiliate company, including shared services, for which they are not charged at least the approximate amount of the direct personnel costs. The recipient entity is required to recognize the services rendered at an amount equal to the cost incurred by the affiliate for the personnel providing the services. If recognizing the value at cost would result in a significant overstatement or understatement of the actual value of the services received, then fair value of the service rendered may be used. Presentation of these transactions should be similar to the presentation of other such expenses or assets and should not be presented as a contra-expense or contra-asset. Disclosures of these transactions are required in accordance with *Topic 850 Related Party Disclosures. Topic 954, Not-for-Profit, Business-Oriented Health Care Entities* is also updated to add references pointing back to these changes to Topic 958. The new standard is to be applied prospectively for fiscal years beginning after June 15, 2014. This standard will be effective for the Group's 2015 consolidated financial statements. The adoption of this standard is not expected to have a material impact on the Group's consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Income taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the consolidated financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. This standard will be effective for the Group's 2015 consolidated financial statements. The adoption of this standard is not expected to have a material impact on the Group's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 makes comprehensive changes to previous revenue recognition guidance and to revenue disclosures. This standard will be effective for the Group's 2017 consolidated financial statements. Management is evaluating the impact this standard will have on the Group's consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-11, *Transfers and Servicing (Topic 860) Repurchase-to-Maturity Transactions, Repurchase Financing, and Disclosures*. ASU 2014-11 requires disclosures for repurchase-to-maturity transactions and linked repurchase financing to secured borrowing accounting. This standard will be effective for the Group's 2015 consolidated financial statements. Management is evaluating the impact this standard will have on the Group's consolidated financial statements.

(3) Marketable Securities

Marketable securities as of December 31, 2014 and 2013 consist of the following (in thousands):

	2014			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Debt securities:				
U.S. government	$ 70,842	325	(655)	70,512
U.S. government agency	57,076	520	(37)	57,559
Municipal debt	46,754	2,207	(86)	48,875
International government	7,907	82	(10)	7,979
Corporate debt	416,371	5,738	(2,114)	419,995
Mortgage-backed	134,791	2,368	(678)	136,481
Asset-backed	30,750	325	(63)	31,012
Collateralized mortgage obligations	13,166	120	(115)	13,171
Domestic equity securities:				
Mutual funds:				
Large blend	74,876	32,616	(188)	107,304
Large value	14,492	6,415	(470)	20,437
Large growth	2,207	1,183	(13)	3,377
Medium growth	10,919	560	(2)	11,477
Small value	22,698	4,902	(55)	27,545
Small growth	8,244	297	(1,045)	7,496
Intermediate term	3,260	53	(3)	3,310
Short term	2,153	36	(14)	2,175
Other	2,067	5	(548)	1,524
Common stock:				
Communications	5,808	456	(219)	6,045
Consumer	23,771	3,924	(745)	26,950
Energy	6,128	226	(550)	5,804
Financial	18,151	2,649	(579)	20,221
Industrial	8,667	1,500	(153)	10,014
Technology	9,078	1,485	(295)	10,268
Utilities	4,917	843	(61)	5,699
Other	3,671	622	(195)	4,098
Total	$ 998,764	69,457	(8,893)	1,059,328

	2013			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Debt securities:				
U.S. government	$ 78,779	27	(3,111)	75,695
U.S. government agency	52,419	28	(491)	51,956
Municipal debt	49,916	613	(1,911)	48,618
International government	5,852	18	(128)	5,742
Corporate debt	322,186	4,876	(2,476)	324,586
Mortgage-backed	145,024	527	(4,117)	141,434
Asset-backed	25,969	93	(118)	25,944
Collateralized mortgage obligations	10,790	169	(55)	10,904
Domestic equity securities:				
Mutual funds:				
Large blend	55,257	22,212	(153)	77,316
Large value	12,481	4,373	(300)	16,554
Large growth	1,956	1,269	—	3,225
Medium growth	10,919	2,792	—	13,711
Small blend	20,307	5,409	(11)	25,705
Small value	369	157	—	526
Small growth	243	281	—	524
Intermediate term	2,439	44	(13)	2,470
Other	3,866	1	(406)	3,461
Common stock:				
Communications	2,533	322	(7)	2,848
Consumer	8,884	2,012	(21)	10,875
Energy	3,038	450	(59)	3,429
Financial	6,216	1,349	(196)	7,369
Industrial	2,888	1,129	(5)	4,012
Technology	4,576	948	(54)	5,470
Other	3,416	607	(41)	3,982
Foreign equity securities:				
Mutual funds:				
Large value	32,960	8,064	—	41,024
Other	7	—	—	7
Total	$ 863,290	57,770	(13,673)	907,387

Contractual maturities of debt securities held as of December 31, 2014 include the following (in thousands):

		Fair value				
		Within 1 year	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total fair value**
Debt securities:						
U.S. government	$	1,451	30,997	38,064	—	70,512
U.S. government agency		2,499	43,272	11,788	—	57,559
Municipal debt		1,013	13,204	13,299	21,359	48,875
International government		150	2,576	5,253	—	7,979
Corporate debt		21,791	275,469	104,324	18,411	419,995
Mortgage-backed		—	723	11,130	124,628	136,481
Asset-backed		—	5,643	15,117	10,252	31,012
Collateralized mortgage obligations		—	2,911	490	9,770	13,171
Total	$	26,904	374,795	199,465	184,420	785,584

Securities not due at a single maturity date are reflected in the table above by its final maturity date.

The Group records investment income net of related expenses and consists of the following as of December 31 (in thousands):

		2014	**2013**
Interest	$	27,189	23,669
Realized gains on sale		7,997	45,712
Realized losses on sale		(2,290)	(1,424)
Dividends and capital gains		13,072	9,312
Amortization, accretion, and other		(3,534)	(3,866)
OTTI		(540)	(20)
Total investment income	$	41,894	73,383

In January 2013, GHC’s investment in the joint venture, Westlake Terry, LLC, sold two buildings that it had developed. GHC’s portion of the gain from the sale was $35,922,000 and was included in realized gains in 2013.

The following tables show the fair value and gross unrealized losses of the Group's marketable securities with unrealized losses. These securities are aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2014 and 2013 (in thousands):

	Less than 12 months		12 months or greater		Total	
2014	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**
Debt securities:						
U.S. government	$ 14,680	(45)	28,393	(610)	43,073	(655)
U.S. government agency	7,295	(24)	990	(13)	8,285	(37)
Municipal debt	1,989	(5)	6,361	(81)	8,350	(86)
International government	1,535	(10)	—	—	1,535	(10)
Corporate debt	143,280	(1,904)	10,210	(210)	153,490	(2,114)
Mortgage-backed	9,142	(67)	28,688	(611)	37,830	(678)
Asset-backed	16,234	(57)	494	(6)	16,728	(63)
Collateralized mortgage obligations	4,784	(106)	736	(9)	5,520	(115)
Domestic equity securities:						
Mutual funds:						
Large blend	354	(21)	882	(167)	1,236	(188)
Large value	951	(103)	947	(367)	1,898	(470)
Large growth	191	(13)	—	—	191	(13)
Medium growth	998	(2)	—	—	998	(2)
Small value	9,947	(55)	—	—	9,947	(55)
Small growth	6,956	(1,045)	—	—	6,956	(1,045)
Intermediate term	380	(3)	—	—	380	(3)
Short term	1,534	(10)	247	(4)	1,781	(14)
Other	550	(49)	553	(499)	1,103	(548)
Common stock:						
Communications	3,059	(219)	—	—	3,059	(219)
Consumer	7,435	(745)	—	—	7,435	(745)
Energy	2,682	(550)	—	—	2,682	(550)
Financial	6,652	(579)	—	—	6,652	(579)
Industrial	2,316	(153)	—	—	2,316	(153)
Technology	2,469	(295)	—	—	2,469	(295)
Utilities	1,058	(61)	—	—	1,058	(61)
Other	1,286	(195)	—	—	1,286	(195)
Total	$ 247,757	(6,316)	78,501	(2,577)	326,258	(8,893)

2013	Less than 12 months Fair value	Less than 12 months Unrealized losses	12 months or greater Fair value	12 months or greater Unrealized losses	Total Fair value	Total Unrealized losses
Debt securities:						
U.S. government	$ 70,605	(3,111)	—	—	70,605	(3,111)
U.S. government agency	39,271	(491)	—	—	39,271	(491)
Municipal debt	25,061	(1,826)	1,097	(85)	26,158	(1,911)
International government	3,412	(128)	—	—	3,412	(128)
Corporate debt	118,043	(2,386)	3,263	(90)	121,306	(2,476)
Mortgage-backed	105,761	(3,808)	7,322	(309)	113,083	(4,117)
Asset-backed	16,017	(118)	—	—	16,017	(118)
Collateralized mortgage obligations	1,760	(49)	509	(6)	2,269	(55)
Domestic equity securities:						
Mutual funds:						
Large blend	—	—	973	(153)	973	(153)
Large value	52	(2)	1,016	(298)	1,068	(300)
Small blend	989	(11)	—	—	989	(11)
Intermediate term	440	(9)	62	(4)	502	(13)
Other	2,385	(38)	754	(368)	3,139	(406)
Common stock:						
Communications	702	(7)	—	—	702	(7)
Consumer	451	(21)	—	—	451	(21)
Energy	497	(59)	—	—	497	(59)
Financial	1,418	(196)	—	—	1,418	(196)
Industrial	118	(5)	—	—	118	(5)
Technology	1,497	(54)	—	—	1,497	(54)
Other	556	(41)	—	—	556	(41)
Total	$ 389,035	(12,360)	14,996	(1,313)	404,031	(13,673)

The unrealized losses in the Group's marketable securities in 2014 were due primarily to changes in interest rates and, in the case of equities, market price movements. The majority of debt security positions are investment grade and rated high quality, AA, or higher by Standard & Poor's rating agency. Securities with contractual payments are current and no payments were missed in 2014. The Group has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, and considers these investments to be temporarily impaired.

(4) External Delivery Services Payable

Activity in the external delivery services payable for unpaid claims and claim adjustment expenses is summarized as follows (in thousands):

		2014	2013
Balances at January 1	$	224,011	240,199
Incurred related to:			
Current year		1,851,147	1,815,994
Prior years		6,516	(22,196)
Total incurred		1,857,663	1,793,798
Paid related to:			
Current year		1,632,211	1,603,279
Prior years		220,543	206,707
Total paid		1,852,754	1,809,986
Balances at December 31	$	228,920	224,011

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claims payments becomes known. This information is compared to the originally established year end liability. Amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts different from originally estimated.

(5) Medical Loss Ratio (MLR)

Effective January 1, 2011, as part of the Patient Protection and Affordable Care Act (Health Care Reform), minimum medical loss ratios were mandated for all commercial fully insured medical plans with annual rebates owed to policyholders if the actual loss ratios, calculated in a manner prescribed by the U.S. Department of Health and Human Services (HHS), fall below certain targets (85% for large employer groups and 80% for small employer groups and individuals). In the 2014 contract year, MA and MA-PD became subject to MLR requirements similar to the commercial fully insured medical plans. The target medical loss ratios for the Medicare plans is 85%. HHS issued guidance specifying the types of costs that should be included in benefit expense for purposes of calculating medical loss ratios. The Group’s medical loss ratios were above the minimum target levels and no liability for rebates was recorded in 2014 and 2013.

(6) Borrowing Arrangements

GHC has a commercial paper financing program under which notes may be issued from time to time up to the aggregate face amount of $75,000,000. The notes may be sold at a discount from the par amount to reflect an interest component to the maturity date. The maturity date of the notes will be 1 to 270 days and the notes are not subject to redemption prior to the maturity date. The notes are secured by GHC’s gross receivables, certain equipment, and a lien on certain real property.

(Continued)

Revenue bonds were issued through the Washington Health Care Facilities Authority (the Authority). As security for the repayment of the bonds, GHC has granted the Authority a security interest in its gross receivables, bond funds, and liens against certain facilities and equipment. The loan agreements for the revenue bonds require, among other restrictions, that GHC achieve certain minimum debt service coverage ratios. Management believes GHC was in compliance with all debt covenants at December 31, 2014 and 2013.

In 2014, GHC redeemed the Series 2001 revenue bonds and entered into a bank loan agreement for $30,085,000. The bank loan agreement has an interest rate of London Interbank Offered Rate (LIBOR) plus 0.80% and requires a cash collateral account for the same amount. The account is a component of restricted assets and has a balance of $29,592,000 as of December 31, 2014.

Long-term debt at December 31 consists of the following (in thousands):

	Year(s) of maturity	**2014**	**2013**
Revenue bonds:			
Series 2001, 5.00% to 5-3/8%, plus bond premium of $323 in 2013	2013–2019	$ —	30,408
Series 2006, 4-1/2% to 5.00%, plus bond premium of $1,348 and $1,432 in 2014 and 2013, respectively	2022–2036	99,312	99,398
Bank Loan, LIBOR plus 0.80%	2019	29,592	—
Subtotal		128,904	129,806
Less current portion		(6,003)	(5,271)
Total long-term debt		$ 122,901	124,535

Future annual principal payments on long-term debt for each of the next five years and thereafter at December 31, 2014 are as follows (in thousands):

Years ending December 31:	
2015	$ 5,918
2016	5,918
2017	5,918
2018	5,918
2019	5,918
Thereafter	97,966
Subtotal	127,556
Add unamortized premium net	1,348
Total	$ 128,904

Interest paid during 2014 and 2013 was $3,711,000 and $4,135,000, respectively. Interest expense was $1,228,000 and $10,939,000 during 2014 and 2013, respectively, and the amount of interest capitalized was $234,000 and $56,000 in 2014 and 2013, respectively. The effect of the interest rate swap decreased interest expense by $5,976,000 in 2014 and increased interest expense by $3,206,000 in 2013.

(7) Derivative Financial Instruments

GHC is exposed to the effects of changing interest rates. This exposure is managed, in part, with the use of derivatives. In January 2007, GHC entered into an interest rate swap with Citigroup on the 2006 Series bonds as part of the effort to rebalance the mix of variable and fixed rate exposure. The swap entitles GHC to receive payments based on a fixed rate and pay a variable rate based on the Securities Industry and Financial Markets Association Municipal Swap Index. The terms include a provision to cap the market value of the swap at $22,500,000, and a par termination option with a term to match the call provision of the 2006 Series bonds. GHC has elected to account for the swap as a free standing derivative; therefore, changes in the fair value are recorded in interest expense. The notional amount of this derivative is $75,000,000.

(8) Disclosure about Fair Value of Financial Instruments

Assets and liabilities that are recorded at fair value are required to be grouped in three levels, based on the markets in which the assets and liabilities are traded and the observability of the inputs used to determine fair value. The three levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market and net asset value. These unobservable assumptions reflect the Group’s estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models and similar techniques, which included unobservable inputs of discount factor, forward rate, and credit risk of counterparty and GHC.

Fair value is based on 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. The Group maximizes the use of observable inputs and minimizes the use of unobservable inputs when developing fair value measurements. Fair value measurements for assets and liabilities where there is limited or no observable market data and, therefore, are based primarily upon estimates calculated by the Group, are based on the economic and competitive environment, the characteristics of the asset or liability, and other factors. Therefore, the results cannot be determined with precision and may not be realized upon an actual settlement of the asset or liability. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of the current or future values.

(Continued)

Following is a description of valuation methods and assumptions used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value but required to be disclosed:

(a) Assets and Liabilities

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable – net, accounts payable, external delivery services payable, accrued employee compensation, and accrued taxes and interest approximate fair value.

(b) Notes Receivable

Long-term notes receivable are carried at face value; however, accounting standards require the Group to disclose the fair value. The fair value of the Group's long-term notes receivable is determined as the present value of future contractual cash flows discounted at an interest rate that reflects the risk inherent in those cash flows. The discount rate is 5% and approximates rates currently observed in publicly traded debt markets for debt of similar terms with companies with comparable credit risk. The fair value of the long-term notes receivable was $17,287,000 and $19,870,000 as of December 31, 2014 and 2013, respectively.

(c) Long-Term Debt

Long-term debt is carried at amortized cost; however, accounting standards require the Group to disclose the fair value. The fair value of the Group's revenue bonds is based on quoted market prices in markets that are not active, which are Level 2 inputs. The fair value of the revenue bonds was $100,693,000 and $118,420,000 as of December 31, 2014 and 2013, respectively.

The fair value of the Group's bank loan is determined as the present value of future contractual cash flows discounted at an interest that reflects the risk inherent in those cash flows. This discount rate is 0.97% and approximates rates observed in publicly traded debt markets for debt of similar terms. The fair value of the bank loan was $28,221,000 as of December 31, 2014.

(Continued)

(d) Marketable Securities, Restricted Assets, Commingled Securities Trust, and Interest Rate Swap

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013 (in thousands):

		Fair value measurements at December 31, 2014 using		
	Fair value at December 31, 2014	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Marketable securities:				
Debt securities:				
U.S. government	$ 70,512	70,512	—	—
U.S. government agency	57,559	—	57,559	—
Municipal debt	48,875	—	48,875	—
International government	7,979	—	7,979	—
Corporate debt	419,995	—	419,995	—
Mortgage-backed	31,012	—	31,012	
Asset-backed	136,481	—	136,481	—
Collateralized mortgage obligations	13,171	—	13,171	—
Domestic equity securities:				
Mutual funds:				
Large blend	107,304	107,304	—	—
Large value	20,437	20,437	—	—
Large growth	3,377	3,377	—	—
Medium growth	11,477	11,477	—	—
Small value	27,545	27,545	—	—
Small growth	7,496	7,496	—	—
Intermediate term	3,310	3,310	—	—
Short term	2,175	2,175	—	—
Other	1,524	1,524	—	—

	Fair value at December 31, 2014	Fair value measurements at December 31, 2014 using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Common stock:				
Communications	$ 6,045	6,045	—	—
Consumer	26,950	26,950	—	—
Energy	5,804	5,804	—	—
Financial	20,221	20,221	—	—
Industrial	10,014	10,014	—	—
Technology	10,268	10,268	—	—
Utilities	5,699	5,699	—	—
Other	4,098	4,098	—	—
Total marketable securities	$ 1,059,328	344,256	715,072	—
Restricted assets:				
Guaranteed investment contract	$ 8,848	—	—	8,848
Total restricted assets	$ 8,848	—	—	8,848
Long-term investment – other:				
Commingled securities trust	$ 31,182	—	—	31,182
Other assets:				
Interest rate swap	6,457	—	—	6,457

		Fair value measurements at December 31, 2013 using		
	Fair value at December 31, 2013	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Marketable securities:				
Debt securities:				
U.S. government	$ 75,695	75,695	—	—
U.S. government agency	51,956	—	51,956	—
Municipal debt	48,618	—	48,618	—
International government	5,742	—	5,742	—
Corporate debt	324,586	—	324,586	—
Mortgage-backed	141,434	—	141,434	
Asset-backed	25,944	—	25,944	—
Collateralized mortgage obligations	10,904	—	10,904	—
Domestic equity securities:				
Mutual funds:				
Large blend	77,316	77,316	—	—
Large value	16,554	16,554	—	—
Large growth	3,225	3,225	—	—
Medium growth	13,711	13,711	—	—
Small blend	25,705	25,705	—	—
Small value	526	526	—	—
Small growth	524	524	—	—
Intermediate term	2,470	2,470	—	—
Other	3,461	3,461	—	—
Common stock:				
Communications	2,848	2,848	—	—
Consumer	10,875	10,875	—	—
Energy	3,429	3,429	—	—
Financial	7,369	7,369	—	—
Industrial	4,012	4,012	—	—
Technology	5,470	5,470	—	—
Other	3,982	3,982	—	—

(Continued)

	Fair value at December 31, 2013	Fair value measurements at December 31, 2013 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Foreign equity securities:				
Mutual funds:				
Large value	$ 41,024	41,024	—	—
Other	7	—	—	7
Total marketable securities	$ 907,387	298,196	609,184	7
Funds held by trustee:				
Guaranteed investment contract	$ 8,848	—	—	8,848
Total funds held by trustee	$ 8,848	—	—	8,848
Long-term investment – other:				
Commingled securities trust	$ 30,582	—	—	30,582
Other assets:				
Interest rate swap	3,503	—	—	3,503

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows (in thousands):

		Fair value measurements using significant unobservable inputs (Level 3)				
		Marketable securities	**Commingled securities trust**	**Restricted assets**	**Interest rate swap**	**Total**
Beginning balance at January 1, 2013	$	9	—	8,848	9,701	18,558
Purchases		—	30,000	—	—	30,000
Sales		—	—	—	—	—
Total unrealized gains (losses) included in changes in net assets		(2)	582	—	(6,198)	(5,618)
Ending balance at December 31, 2013		7	30,582	8,848	3,503	42,940
Purchases		—	—	—	—	—
Sales		—	—	—	—	—
Total unrealized gains (losses) included in changes in net assets		(7)	600	—	2,954	3,547
Ending balance at December 31, 2014	$	—	31,182	8,848	6,457	46,487

There were no transfers between assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with other observable inputs (Level 2) during the years ended December 31, 2014 and 2013.

(e) Commingled Securities Trust Net Asset Valuation

Investments recorded in long-term investments – other that are reported at net asset value as a practical expedient for fair value are presented by major category (in thousands):

		Fair value at December 31, 2014	**Redemption frequency**	**Redemption notice period**
Commingled securities trust (a)	$	31,182	Monthly	30–60 days
Total	$	31,182		

a. This category is comprised of a long-term strategy to maximize returns by investing in high yield bank loan fund in 2014. This investment is reported at NAV and grouped with other Level 3 assets and liabilities. Additionally, it is accounted for under the equity method as the

Group's ownership percentage in the fund was 36% as of December 31, 2014. The fair value option was elected.

At December 31, 2014 there were no outstanding funding commitments.

(9) Pension Plans

The Group sponsors two defined benefit plans (the Plans), a defined contribution plan (the DC Plan), three 401(k) plans, a 403(b) plan, and contributes to several union negotiated plans that collectively cover substantially all of its employees. The Group's policy is to fund pension costs for the Plans based on actuarially determined funding requirements, thereby accumulating funds adequate to provide for all accrued benefits. Contributions for the defined contribution plan are based on a percentage of covered employees' salaries. Matching contributions to the 401(k) and 403(b) plans are based on a percentage of participants' contributions as set forth in the plan agreements. The total expense for the defined benefit plans was $12,843,000 and $41,273,000 in 2014 and 2013, respectively, and the total expense for the other plans was $29,913,000 and $28,626,000 in 2014 and 2013, respectively.

GHC amended its defined benefit pension plan (the Plan), effective January 1, 2014, to freeze the accrued benefits of eligible employees whose terms of employment are not covered by a collective bargaining agreement (nonunion employees) and exclude nonunion employees from actively participating in the Plan. As a result of this amendment, effective January 1, 2014, these participants stopped accruing benefits under the Plan and will not earn additional benefits under the Plan based on hours of service earned or pay received after December 31, 2013. Participants were automatically enrolled in the DC Plan as of January 1, 2014 and earn contributions on pay received after January 1, 2014 subject to terms of the DC Plan.

KPS amended its defined benefit pension plan to freeze benefits in 2009. As a result, each active participant's pension benefit was determined based on the participant's compensation and duration of employment. The most significant financial effect is that no new benefits are being accrued after the date of freeze.

For the defined benefit plans, the actuarial cost method used in determining the net periodic pension cost is the projected unit credit cost method. At December 31, 2014 and 2013, net periodic pension expense related to the Group's participation in the Plans for 2014 and 2013 included the following components (in thousands):

		2014	2013
Service cost	$	17,373	27,829
Interest cost on projected benefits		33,838	30,804
Expected return on plan assets		(48,799)	(45,815)
Amortization of net loss		10,431	28,318
Actuarial loss		—	137
Net periodic benefit cost	$	12,843	41,273

	2014	2013
Discount rate (preretirement)	5.10%–5.25%	4.15%–4.20%
Discount rate (postretirement)	4.95–5.25	4.10–4.20
Rate of increase in compensation levels	4.00	4.00
Expected return on plan assets	5.25–8.00	6.50–8.50

The Plans' funded status and amounts included in unrestricted net assets to be recognized as a component of net periodic pension cost as of December 31, 2014 and 2013 are shown in the following table (in thousands):

		2014	2013
Change in projected benefit obligation:			
Projected benefit obligation – beginning of year	$	677,904	758,822
Service cost		17,373	27,829
Interest cost		33,838	30,804
Actuarial loss (gain)		124,190	(89,040)
Mergers, sales, and closures		—	(10,419)
Benefits paid		(56,586)	(40,092)
Projected benefit obligation – end of year		796,719	677,904
Change in plan assets:			
Fair value of plan assets – beginning of year		599,815	539,461
Actual return on plan assets		22,847	63,446
Employer contributions		40,000	37,000
Benefits paid		(56,586)	(40,092)
Fair value of plan assets – end of year		606,076	599,815
Funded status	$	(190,643)	(78,089)

		2014	2013
Amounts recognized in unrestricted net assets consist of:			
Net actuarial loss	$	276,755	137,046
Accumulated benefit obligation – end of year		764,690	652,585
Discount rate (preretirement)		4.25%–4.30%	5.10%–5.25%
Discount rate (postretirement)		4.20–5.25	4.95–5.25
Rate of increase in compensation levels		Graded to 3%	4.00

The funded status is recorded as a component of noncurrent liabilities as of December 31, 2014 and 2013 in the consolidated balance sheets.

(Continued)

Expected amounts to be recognized as components of 2015 net periodic pension cost are as follows (in thousands):

Service cost	$	21,660
Interest cost on projected benefits		32,826
Expected return on plan assets		(46,007)
Amortization of net loss		26,907
Net periodic pension cost	$	35,386

The estimated net loss amount will be amortized from unrestricted net assets into net periodic benefit cost.

The benefits expected to be paid in each of the next five years, and in the aggregate for the five fiscal years thereafter, as of December 31, 2014 are as follows (in thousands):

Years ending December 31:		
2015	$	48,550
2016		50,041
2017		51,164
2018		51,830
2019		52,353
2020 – 2024		268,844
Total	$	522,782

The Group participates in a multiemployer defined benefit pension plan under the terms of collective-bargaining agreements that cover its union-represented employees. The risk of participating in this multiemployer plan is different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Group chooses to stop participating in its multi-employer plan, the Group may be required to pay these plans an amount based on the underfunded status of the plan referred to as a withdrawal of money.

The Group participates in the Sound Retirement Trust, formerly Retail Clerks Pension Trust (Federal Identification Number 91-6069306), which includes Pharmacy and Optical employees under the United Food and Commercial Workers (UFCW) union. The collective bargaining agreement with Pharmacy employees expires June 30, 2016 and the Optical employees expires April 30, 2015. The most recent Pension Protection Act (PPA) zone status available is for the plan's year end of September 30, 2014. The zone status has been designated as red status. The zone status is based on information that the Group received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than

65% funded, plans in the yellow zone are between 65% and 79% funded, and plans in the green zone are at least 80% funded. The Plan has a financial improvement plan (FIP) or rehabilitation plan that has been implemented. The contributions to the plan were $1,116,000 and $1,144,000 for the years ended December 31, 2014 and 2013, respectively. The Group's contributions represent less than five percent of total contributions to the plan. The Group paid rehabilitation surcharges in 2014 and 2013.

(a) Investment Policies and Strategies

The Group has adopted investment policies for its defined benefit plans that incorporate a strategic, long-term asset allocation mix designed to best meet its long-term pension obligations. Plan fiduciaries set the investment policies and strategies for the pension trust. This includes the following:

- Selecting investment managers
- Setting long-term and short-term target asset allocations
- Periodic review of the target asset allocations, and, if necessary, to make adjustments based on changing economic and market conditions
- Monitoring the actual asset allocations, and, when necessary, rebalancing to the current target allocation

As of December 31, 2014 and 2013, the following table summarizes the target allocation range defined in the investment policies compared to the actual allocations of the Group's plan assets:

	2014		2013	
	Target allocation	**Actual allocation**	**Target allocation**	**Actual allocation**
Equity securities	32%–67%	52%	30%–66%	58%
Debt securities	14–41	33	14–45	30
Cash equivalents	0–5	—	0–5	1
Other investments	4–44	15	0–16	11

The investment policy emphasizes the following key objectives:

- Maintain a diversified portfolio among various asset classes and investment managers
- Invest in a prudent manner for the exclusive benefit of plan participants
- Preserve the funded status of the plan
- Balance between acceptable level of risk and maximizing returns
- Maintain adequate control over administrative costs
- Maintain adequate liquidity to meet expected benefit payments

(b) Expected Long-Term Rate of Return on Assets

The Group uses a “building block” approach to determine the expected rate of return on plan assets assumption for the Plans. This approach analyzes historical long-term rates of return for various investment categories, as measured by appropriate indices. The rates of return on these indices are then weighted based upon the percentage of plan assets in each applicable category to determine a composite expected return. The Group reviews its expected rate of return assumption annually. However, this is considered to be a long-term assumption and hence not anticipated to change annually, unless there are significant changes in economic and market conditions.

There are required employer contributions expected to be made to the Plans in 2015 of $40,000,000.

(c) Fair Value of Pension Assets

The Group’s pension assets are reported at fair value and are required to be grouped in three levels, based on the markets in which they are traded and the observability of the inputs used to determine fair value. The three levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, net asset value, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market and net asset value. These unobservable assumptions reflect the Group’s estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of discounted cash flow models and similar techniques.

The table below presents the balances of plan assets measured at fair value on a recurring basis as of December 31, 2014 and 2013 (in thousands):

	Fair Value at December 31, 2014	Fair value measurements at December 31, 2014 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Plan assets:				
Cash and cash equivalents	$ 2,615	2,615	—	—
Commingled trusts	177,614	—	155,244	22,370
Common stocks	132,901	132,901	—	—
Limited partnership	174,359	—	163,665	10,694
Private equity	52,393	—	—	52,393
Trust index fund	10,122	—	10,122	—
Mutual funds:				
Domestic equities:				
Large blend	2,575	2,575	—	—
Long-term bond	22,867	22,867	—	—
Intermediate-term bond	29,521	29,521	—	—
Foreign equities:				
Large blend	1,109	1,109	—	—
Total plan assets	$ 606,076	191,588	329,031	85,457

(Continued)

	Fair Value at December 31, 2013	Fair value measurements at December 31, 2013 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Plan assets:				
Cash and cash equivalents	$ 11,489	11,489	—	—
Commingled trusts	170,794	—	170,794	—
Common stocks	170,530	170,530	—	—
Limited partnership	153,237	—	132,129	21,108
Private equity	27,996	—	—	27,996
Trust index fund	10,480	—	10,480	—
Mutual funds:				
Domestic equities:				
Large blend	2,287	2,287	—	—
Long-term bond	19,230	19,230	—	—
Intermediate-term bond	32,628	32,628	—	—
Foreign equities:				
Large blend	1,144	1,144	—	—
Total plan assets	$ 599,815	237,308	313,403	49,104

The changes in Level 3 plan assets measured at fair value on a recurring basis are summarized as follows (in thousands):

	Fair value measurements using significant unobservable inputs (Level 3)			
	Limited partnership	**Private equity**	**Commingled fund**	**Total**
Beginning balance at January 1, 2013	$ 29,730	6,949	—	36,679
Purchases, sales, and settlements	(10,000)	20,324	—	10,324
Total net gains (realized/unrealized)	1,378	723	—	2,101
Ending balance at December 31, 2013	21,108	27,996	—	49,104
Purchases, sales, and settlements	—	20,659	6,352	27,011
Level transfers	(10,666)	—	18,767	8,101
Total net gains (realized/unrealized)	252	3,738	(2,749)	1,241
Ending balance at December 31, 2014	$ 10,694	52,393	22,370	85,457

	Fair value measurements using significant unobservable inputs (Level 3)			
	Limited partnership	**Private equity**	**Commingled fund**	**Total**
Net unrealized gains (losses) relating to assets held at December 31, 2013	$ (401)	662	—	261
Net unrealized gains (losses) relating to assets held at December 31, 2014	(190)	2,868	(2,741)	(63)

There were no transfers between assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with other observable inputs (Level 2) during the years ended December 31, 2014 and 2013.

(d) Pension Net Asset Valuation

Alternative investments held in the Plans that are reported at net asset value as a practical expedient for fair value are presented by major category (in thousands):

		Fair value at December 31, 2014	Redemption frequency	Redemption notice period
Commingled trust (a)	$	177,614	Daily, Monthly	3–10 days
Limited partnership (b)		174,359	Daily, Monthly, Quarterly	1–30 days
Private equity (c)		52,393	—	—
Trust index fund (d)		10,122	Monthly	10 days
Total	$	414,488		

a. This category is comprised of seven different fund strategies: 1) An index fund that invests in treasury inflation protected securities. 2) An index fund that invests in U.S. investment grade bonds. 3) An index fund that invests in non-U.S. global equities. 4) A global index fund that invests in equities in energy, materials and agriculture industries. 5) Two actively managed funds that invest in emerging market local and U.S. Dollar debt employing a long-term strategy focused on income and capital appreciation. 6) An actively managed fund that invests in noninvestment grade floating rate bank loans focused on income.

b. This category is comprised of six fund strategies: 1) An index fund that invests in Russell 3000 equities that meet a defined criteria related to quality, stability and income. 2) Two actively managed funds that invest in noninvestment grade bonds employing a long-term strategy focused on income and capital appreciation. 3) An actively managed fund that invests in non-U.S. developed markets equities (Europe, Australia, Asia and Far East) employing a long-term value approach to stock selection. 4) Two actively managed funds that invest in frontier market equities employing strategies that take advantage of mispriced high quality stocks for long-term capital appreciation.

c. Private equity investments include both U.S. and foreign investments with strategies that can include debt, venture capital, buyout, real estate, natural resources, and infrastructure. Fair values have been estimated by using either the net asset value per share or the net asset value of the Group’s ownership interest in the partners’ capital. These funds do not allow the Group to submit redemption requests. Distributions from these funds will be received as the underlying investments are liquidated. Based on the expiration dates of the funds, it is estimated that the underlying assets will be liquidated over the next 3 to 10 years.

d. This category is comprised of an index fund that invests in commodity futures.

At December 31, 2014 and 2013, the private equity investments have outstanding funding commitments totaling $76,248,000 and $45,429,000, respectively.

(10) Retiree Medical Plan

GHC provides certain medical benefits for eligible retired employees. Employees became eligible for these benefits upon retirement, attainment of a specified age, and upon completion of a certain number of years of service.

In 2009, GHC completed the curtailment of this benefit. The contribution to the premiums for collective bargaining active employees was discontinued. This resulted in the final phase out of the benefit. In 2008, the phase out of the benefit occurred for the nonunion active employees.

At December 31, 2014 and 2013, net periodic postretirement benefit cost is comprised of interest costs on accumulated benefit obligation of $2,235,000 and $2,351,000, respectively.

Amounts recognized in unrestricted net assets consisted of net actuarial losses of $16,821,000 and $8,745,000 at December 31, 2014 and 2013, respectively.

GHC's accumulated postretirement benefit obligation (APBO) is unfunded. The APBO is included in the components of the retiree medical benefits liability on the consolidated balance sheets at December 31, and comprises the following components (in thousands):

		2014	2013
Change in accumulated postretirement benefit obligation:			
Accumulated postretirement benefit obligation – beginning of year	$	46,001	50,016
Interest cost		1,949	1,805
Actuarial loss		8,362	(1,260)
Benefits paid		(4,437)	(4,560)
Accumulated postretirement benefit obligation – end of year	$	51,875	46,001
Change in plan assets:			
Employer contributions	$	4,437	4,560
Benefits paid		(4,437)	(4,560)

Future benefit costs were estimated assuming medical costs would increase at a 7.30% annual rate. A 1% increase in this annual trend rate would have increased the APBO at December 31, 2014, by $3,631,000 and the sum of service cost and interest cost for 2014 by $143,000. A 1% decrease in this annual trend rate would have decreased the APBO at December 31, 2014 by $3,268,000 and the sum of service cost and interest cost for 2014 by $129,000.

The weighted average discount rate used in determining the APBO was 4.50% in 2014 and 3.65% in 2013. The assumptions used to determine the APBO are measured at year-end. The weighted average discount rate used in determining the net periodic postretirement benefit cost was 3.85% in 2014 and 4.35% in 2013, and is based on beginning of year assumptions.

(Continued)

Expected amounts to be recognized as components of 2015 net periodic postretirement benefit cost are interest cost on projected benefits of $1,911,000 and amortization of net loss of $895,000.

GHC funds the plan as benefit payments are required. The expected benefit payments to be paid, and contributions to be made, in each of the next five years, and in the aggregate for the five fiscal years thereafter, as of December 31, 2014, are as follows (in thousands):

Years ending December 31:		
2015	$	4,475
2016		4,487
2017		4,446
2018		4,360
2019		4,276
2020–2024		19,367
Total	$	41,411

(11) Reinsurance

GHC has a Participation Agreement with Companion Captive Insurance Company (Companion). Companion is a corporation organized under the laws of South Carolina and licensed as a sponsored captive insurer. Companion sponsors a captive insurance program to provide reinsurance coverage for programs of insurance administered by the Group. The purpose of this agreement is to allow the Group to facilitate competitive stop loss arrangements for its self-funded employer groups. Self-funded employer groups may purchase stop loss coverage under these arrangements from a Fronting Insurer. The Fronting Insurer is at risk for claims which exceed the deductible elected by the self-funded employer group. A portion of the Fronting Insurer's risk is then sent, or ceded, to Companion through a binding reinsurance agreement between Companion and the Fronting Insurer. Through the Participation Agreement, GHC participates in the financial risk that was ceded from the Fronting Insurer to Companion. Premiums earned were $841,000 and $0 in 2014 and 2013, respectively, and claims expense was $1,156,000 and $0 in 2014 and 2013, respectively under reinsurance contracts.

KPS purchases reinsurance to limit its exposure on all of its insured contracts except the Federal Employees Health Benefit Plan and Medicare Supplemental products. Retention levels of $600,000 per claim with a coinsurance level of 90% were held in 2014 and 2013 by KPS. Reinsurance receivables were $0 as of December 31, 2014 and 2013.

(12) Commitments and Contingencies

(a) Leases

The Group is obligated under capital leases covering certain equipment that expires at various dates during the next two years. At December 31, the gross amount of equipment and related accumulated amortization recorded under capital leases were as follows (in thousands):

		2014	2013
Equipment	$	6,420	5,056
Less accumulated amortization		(3,102)	(1,464)
Net equipment under capital lease	$	3,318	3,592

The Group has various operating leases for land, buildings, and equipment. Total rent expense was $22,623,000 and $24,248,000 on these leases in 2014 and 2013, respectively. Total sublease rental revenue was $3,614,000 and $3,314,000 in 2014 and 2013, respectively, and is recorded as a component of other revenue. Future minimum rental payments, future minimum sublease rental receipts under noncancelable operating lease and sublease agreements, and future minimum capital lease payments as of December 31, 2014 are as follows (in thousands):

		Operating lease rental payments	Operating sublease rental receipts	Capital lease payments
Years ending December 31:				
2015	$	23,155	2,304	1,987
2016		23,019	2,132	1,987
2017		15,325	2,000	—
2018		6,367	1,702	—
2019		2,553	305	—
Thereafter		6,767	—	—
Total	$	77,186	8,443	3,974
Less amount representing interest (at rates ranging from 6.50% to 7.43%)				(283)
Present value of net minimum capital lease payments				3,691
Less current installments of obligations under capital leases				(2,729)
Obligations under capital leases, excluding current installments				$ 962

GHC entered into a sale-leaseback transaction in 2006 involving the sale of its administrative main building located in Tukwila, Washington, and then entered into a 10-year operating lease with the purchaser. The gain on sale was deferred and is being amortized over 120 months with the amortization recorded in other expense in the consolidated statements of operations and changes in net assets. The deferred gain is a component of unearned premiums and deposits and other noncurrent liabilities in the consolidated balance sheets in the amount of $4,619,000 and $7,536,000 as of December 31, 2014 and 2013, respectively.

(b) Labor

Approximately 62% of GHC's employees are covered under collective bargaining agreements. These employees provide nursing and other technical services to GHC. Seven of the collective bargaining agreements expire within one year. Bargaining disputes could adversely affect GHC.

(c) Litigation

The Group is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates accruals, if any, that are necessary related to these matters. Management believes the recorded amounts are adequate and the ultimate outcome of the matters will not have a material adverse effect on the Group's consolidated financial position or results of operations.

(d) Government Contracts

The Group's Medicare business primarily consists of products covered under MA and MA-PD contracts with the federal government. CMS performs coding audits to validate the supporting documentation maintained by health plans and their care providers. These coding audits may result in retrospective payment adjustments to health plans.

In February 2013, the Group received a subpoena from the United States Attorney's Office, Western District of New York, requesting information related to the Group's Medicare Advantage Risk Adjustment submissions made for payment years 2008 through 2012. The Group is continuing to respond to intermittent requests for additional information subject to the subpoena. No amounts have been accrued in the accompanying consolidated financial statements related to this matter because the investigation remains in a preliminary stage and it is not possible to estimate a possible loss or range of loss, if any.

(13) Federal Income Taxes

The components of income tax expense for GHO and KPS related to continuing operations and the change in unrestricted net assets for the years ended December 31, 2014 and 2013 are summarized as follows (in thousands):

		2014	2013
Federal income tax expense on operations	$	13,522	928
Federal income tax (benefit) expense included in the change in unrestricted net assets		(721)	1,476
Federal income tax expense	$	12,801	2,404

Federal income tax expense on operations is recognized as a component of other expenses in the consolidated statements of operations and changes in net assets. Federal income tax expense (benefit) included in the change in unrestricted net assets is recognized as a component of changes in net unrealized investment gains and losses and the change in defined benefit pension and other postretirement plans in the consolidated statements of operations and changes in net assets.

The deferred tax asset is recorded within current other assets and noncurrent other assets and the deferred tax liability is recorded as a component of accrued taxes and interest and in other noncurrent liabilities in the accompanying consolidated balance sheets in the following amounts (in thousands):

		2014	2013
Deferred tax asset	$	5,084	7,183
Deferred tax liability		(1,419)	(1,906)
Net deferred tax asset	$	3,665	5,277

Deferred tax assets primarily relate to the tax effects of temporary differences associated with pension liabilities, buildings and improvements, postretirement accruals and capital and net operating loss carryforwards. The deferred tax liability results primarily from temporary differences in unrealized investment gains and pension accruals.

No valuation allowance has been provided for the net deferred tax asset as management believes it is more likely than not that the entire amount will be realized. At December 31, 2014, the Group has net operating loss carryforwards for federal income tax purposes of $7,258,000, which expire between 2024 and 2033.

(14) Endowments

Endowment funds held at the Foundation consist of approximately 40 individual funds established for a variety of purposes and all are donor-restricted. The change in net assets associated with the endowment funds is classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted endowment assets were $14,697,000 and $14,331,000 at December 31, 2014 and 2013, respectively, and are recorded in temporarily and permanently restricted net assets.

The State of Washington Uniform Prudent Management of Institutional Funds Act of 2009 (the Act) requires 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, the Foundation classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment funds, the original value of subsequent gifts to the permanent endowment fund, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was 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 Foundation in a manner consistent with the standard of prudence prescribed by the Act, unless otherwise stipulated by the donor. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment funds
- The purposes of the Foundation and the endowment funds
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of GHC and the Foundation
- The investment policy of the Foundation

The Foundation has adopted spending and investment policies for endowment assets that are consistent with the provisions of the Act.

Foundation policy limits spending in any calendar year to 5% of the prior year end fair market value of endowment balances. The Foundation may in any year choose to spend less than 5%. In times of low inflation or possible deflation, in the interests of preserving the endowment balances, the Foundation is more likely to keep spending under 5%. The Foundation may also choose to charge up to 1% of the endowment market value as an annual management fee. Total annual spending, including both management fee and spending allocations, cannot exceed the 5% limit. Newly received and named endowment funds are invested for one year before disbursements are made.

Under the investment policy, a diversified asset allocation is used consisting of fixed income and equity securities, and cash equivalents.

(15) Statutory Net Worth

GHC, GHO, and KPS (the Companies) are required to periodically file financial statements with regulatory agencies in accordance with statutory accounting and reporting practices. The Companies must comply with the minimum regulatory net worth requirements under the regulations of the Washington State Office of the Insurance Commissioner. Such requirements are generally based on 100% risk-based capital. The regulatory net worth, so defined, at December 31, 2014 and 2013 was $935,072,000 and $934,157,000, respectively. These balances exceed the minimum regulatory requirements at December 31, 2014 and 2013 by approximately $897,956,000 and $896,684,000, respectively.

(16) Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act, as well as the Health Care and Education Reconciliation Act of 2010, or collectively, Health Care Reform, significantly changed the current U.S. health care system. Health Care Reform includes numerous provisions affecting the delivery of health care services, the financing of health care costs, payments to health care providers and the legal obligation of health insurers, providers and employers. Health Care Reform is intended to expand access to health insurance coverage over time by increasing the eligibility thresholds for most state Medicaid programs and providing certain other individuals and small businesses with tax credits to subsidize a portion of the cost of health insurance coverage.

Health Care Reform requires public health exchanges be available in every state by January 1, 2014. GHC offered individual products in the Washington State Health Benefit Exchange (WSHBE) in 2014. GHC and GHO also offered products in the outside, non-Exchange market for both individuals and small groups. Because individuals seeking to purchase health insurance coverage are guaranteed to be issued a policy, Health Care Reform provides three programs designed to reduce the risk for participating health insurance companies. Those three programs are as follows:

- A three year temporary reinsurance program for the years 2014 through 2016. The program is designed to provide reimbursement for high cost individual enrollees and is funded by the per-customer reinsurance fee assessed against insurers and self-insured group health plans. In 2014, the Group recorded $2,646,000 in ceded reinsurance premium payments, which is a component of external delivery services and has $26,478,000 in reinsurance recoveries on paid losses, which is a component of external delivery services and accounts receivable. Transitional reinsurance fees, recorded as a component of business taxes and insurance, was $24,402,000 for 2014. The estimated 2015 fee assessment is $37,068,000.
- A three-year temporary risk corridor program for the years 2014 through 2016. The program limits the insurer gains and losses and protects against inaccurate rate setting at the outset of the new program. The program creates a mechanism for sharing risk for allowable costs between the federal government and the insurer. The Group’s allowable costs were within the range that resulted in no expected settlement amounts for 2014.
- A permanent risk adjustment program that transfers funds from lower risk to higher risk plans within similar plans in the same state in order to adjust premiums for adverse selection among carriers. The program provides payments to health insurance carriers that disproportionately attract higher-risk populations and transfers funds from plans with lower risk enrollees to plans with higher-risk enrollees. In 2014, the Group recorded a receivable of $1,087,000 and a payable of $6,827,000 resulting in a net premium revenue reduction of $5,740,000.

In 2014, Health Care Reform imposed an annual carrier fee on the health insurance sector of $8 billion, and growing to $14.3 billion in 2018, that will be allocated to health insurers based on the written premium. In 2014, the Group incurred fees of $30,300,000.

(17) Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued that provide additional evidence about conditions that existed at the date of the consolidated balance sheet. The Group has evaluated subsequent events for recognition or disclosure through March 27, 2015, the date these consolidated financial statements were issued.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
Group Health Cooperative and Subsidiaries:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Group Health Cooperative and Subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Group's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Group's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Group's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

March 27, 2015

KPMG LLP
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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Trustees
Group Health Cooperative and Subsidiaries:

Report on Compliance for Each Major Federal Program

We have audited Group Health Cooperative and Subsidiaries' (the Group) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Group's major federal programs for the year ended December 31, 2014. The Group's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Group's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Group's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Group's compliance.

Opinion on Each Major Federal Program

In our opinion, the Group complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Group is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Group's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of the Group as of and for the year ended December 31, 2014, and have issued our report thereon dated March 27, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

March 27, 2015

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

Year ended December 31, 2014

CFDA number	Description	Pass-through entity or award identifying number	Award start date	Award end date	Expenditures
	Agency for Healthcare Research and Quality:				
93.226	Estimating The Cost Of A Medical Home Transformation	1R03HS022618-01	9/30/2013	9/29/2015	$ 35,985
93.226	Evaluation Of Value-Based Health Plan Design Year 4	5R18HS018913-04	7/1/2013	6/30/2015	316,316
93.226	Patient Reminders And Notifications	5R01HS021590-02	6/1/2014	5/31/2015	253,766
93.226	Patient Reminders And Notifications	1R01HS021590-01A1	8/1/2013	5/31/2014	176,932
93.226	Sustained Implementation Of Patient-Centered Care For Alcohol Misuse	1R18HS023173-01	9/1/2014	8/31/2015	65,979
93.226	Understanding & Honoring Priorities In Patients With Multiple Chronic Conditions	1R01HS022364-01A1	9/1/2014	8/31/2015	68,630
					917,608
	Centers for Disease Control:				
93.185	Core – Population-Based Estimation Influenza Vaccine Effectiveness Y3	5U01IP000466-03	7/1/2013	6/30/2014	572,903
93.185	Core – Prospective Estimation Of Influenza Vaccine Effectiveness	5U01IP000466-04	7/1/2014	6/30/2015	249,833
93.RD	Evaluation Of Anaphylaxis And Severe Allergic Reactions Following Vaccination	200-2012-53421	9/28/2012	9/30/2014	7,165
93.RD	NAMCS Pilot Study Evaluate Extracting Data EHR systems	200-2014-M-59960	8/15/2014	5/31/2015	18,322
93.RD	Vaccine Safety Datalink (Vsd) Project: Population Incidence Of Narcolepsy In USA	200-2012-53421	6/12/2013	6/11/2014	10,235
93.RD	Vaccine Safety Datalink (Vsd) Project: Prevention And Public Health Fund (Pphf)	200-2012-53421	9/28/2013	9/27/2014	61,619
93.RD	Vaccine Safety Datalink (Vsd) Project: Vsd Project Infrastructure Activities	200-2012-53421	9/28/2013	9/27/2014	418,750
93.RD	VSD ICD-10 Transition	200-2012-53421	9/29/2014	9/28/2016	6,990
93.RD	VSD Project: Infrastructure Activities	200-2012-53421	9/28/2014	9/27/2015	153,637
					1,499,454
	Department of Veterans Affairs:				
64.RD	Bariatric Surgery'S Return On Investment For Veterans And Vha	558-D45006	11/4/2011	10/31/2014	33,851
64.RD	Spatiotemporal Spread Of Newer Antipsychotics For Bipolar Disorder And Ptsd Y2	523D33072	5/9/2013	5/8/2014	11,058
64.RD	Va Contract For Katherine Bradley – Mentoring And Consulting	VA663-D44025	3/15/2012	3/14/2015	51,780
					96,689
	Health Resources and Services Administration:				
93.510	Affordable Care Act: Primary Care Residency Expansion	T89HP20829	9/30/2014	9/29/2015	61,531
93.510	Affordable Care Act: Primary Care Residency Expansion	1T89HP20829-01-00	9/30/2013	9/29/2014	189,305
					250,836
	National Institutes of Health:				
93.121	Oral Health 4 Life: Promoting Oral Health Among Tobacco Quitline Callers	1U01DE024462-01	8/1/2014	6/30/2015	127,754
93.121	Oral Health Planning Grant	1R34DE022784-01	9/1/2012	8/31/2014	16,290
93.172	Genetic Discovery – Emerge Pharmacogenomics Supplement – 900 Subjects	5U01HG006375-04	8/1/2014	7/31/2015	69,346
93.172	Genetic Discovery – Patient Persps On Broad Consent Biobank Research Emerge	5U01HG006375-04	8/1/2014	7/31/2015	34,405
93.172	Genetic Discovery And Application In A Clinical Setting: Continuing A Partnership	5U01HG006375-04	8/1/2014	7/31/2015	336,624
93.172	Genetic Discovery And Application In A Clinical Setting: Continuing A Partnership Year 3	5U01HG006375-03	8/1/2013	7/31/2014	509,475
93.172	Genetic Discovery Application Clinical Setting: Emerge Pharmacogenomics Supplement – 900 Subjects Year 2	5U01HG006375-03	8/1/2013	7/31/2014	121,532
93.213	Comparison Of Cam And Conventional Mind-Body Therapies For Chronic Back Pain	5R01AT006226-04	6/1/2014	5/31/2015	334,392
93.213	Comparison Of Cam And Conventional Mind-Body Therapies For Chronic Back Pain	5R01AT006226-03	6/1/2013	5/31/2014	384,560
93.213	Dosing Study Of Massage For Neck Pain	5R01AT004411-04	3/1/2012	2/28/2015	30,360
93.213	Implementing Evidence-Based Treatments Persistent Back Pain Primary Care Year 2	5R21AT007326-02	7/1/2013	6/30/2015	135,985
93.213	Measuring Patient Expectations For Cam Therapies Year 4	5R01AT005809-04	12/1/2012	11/30/2013	298

(Continued)

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

Year ended December 31, 2014

CFDA number	Description	Pass-through entity or award identifying number	Award start date	Award end date	Expenditures
93.213	Measuring Patient Expectations For Cam Therapies Year 5	5R01AT005809-05	12/1/2013	11/30/2015	$ 309,189
93.213	Pragmatic Trial Of Population-Based Programs To Prevent Suicide Attempt	1UH2AT007755-01	9/30/2012	9/11/2014	124,616
93.242	MHRN Cardiovascular Risk EMR based clinical decision support	2U19MH092201-04	8/1/2014	6/30/2015	112,556
93.242	MHRN Next Generation Clin Assess Mobile Devices	2U19MH092201-04	8/1/2014	6/30/2015	33,498
93.242	MHRN Understanding Factors Disparities In Depression Treatment	3U19MH092201-04S1	9/10/2014	6/30/2015	50,088
93.242	MHRN: A Geographically And Ethnically Diverse Autism Registry For Effectiveness Studies	5U19MH092201-03	8/1/2012	7/31/2014	21,631
93.242	MHRN: A Population-Based Approach To Transform Research – Infrastructure	2U19MH092201-04	8/1/2014	6/30/2015	462,257
93.242	MHRN: A Population-Based Approach To Transform Research – Infrastructure	5U19MH092201-03	8/1/2012	7/31/2014	184,928
93.242	MHRN: Feasibility Of Behavioral Activation Therapy For Perinatal Depression	5U19MH092201-03	8/1/2012	7/31/2014	165,536
93.242	MHRN: Practice Variation In High – And Low-Value Treatments For Mood Disorders	5U19MH092201-03	8/1/2012	7/31/2014	80,431
93.242	Organized Self-Management Support Services For Chronic Depression Supplement	3R01MH082995-04S1	6/1/2012	4/30/2014	23,105
93.242	Organized Self-Mgmt Supp Services For Chronic Depression	5R01MH082995-04	5/1/2012	4/30/2014	20,440
93.242	Patient Portal To Support Treatment Adherence	5R01MH081750-05	3/1/2012	2/28/2014	84,568
93.242	Pilot Study Of Online Interventions For Population-Based Suicide Prevention Year 2	5R34MH097836-02	7/1/2013	6/30/2015	179,868
93.242	Pragmatic Trial Of Population-Based Programs To Prevent Suicide Attempt	4UH3MH007755-02	9/16/2014	7/31/2015	121,713
93.242	Precursors Of First-Episode Psychosis In A Population-Based Sample	5R01MH099666-02	7/1/2014	6/30/2015	295,810
93.242	Precursors Of First-Episode Psychosis In A Population-Based Sample	1R01MH099666-01A1	7/19/2013	6/30/2014	397,895
93.273	A Novel Patient-Centered Decision Aid To Inform Alcohol Treatment Choices	1R21AA023037-01	9/20/2014	8/31/2015	26,676
93.273	Collab Care For PCPs Alcohol Use Disorders – Supplement – Carryforward	3R01AA018702-04	9/1/2013	8/31/2014	45,258
93.273	Collaborative Care For Primary Care Patients With Alcohol Use Disorders	5R01AA018702-06	9/1/2014	8/31/2015	188,193
93.273	Collaborative Care For Primary Care Patients With Alcohol Use Disorders	5R01AA018702-05	9/1/2013	8/31/2014	662,177
93.273	Evaluation Of Quality Measures For Brief Alcohol Intervention Year 2	5R21AA020894-02	7/1/2013	12/30/2014	137,107
93.279	Internet-Based Med Adhere Program Nicotine Dependence Treatment	5R34DA034612-02	9/1/2014	8/31/2015	81,921
93.279	Internet-Based Medication Adherence Program For Nicotine Dependence Treatment	1R34DA034612-01A1	9/15/2013	8/31/2014	209,966
93.307	Disparities In Chronic Illness Care For Patients With Language Barriers	5R01MD006185-03	2/1/2014	5/15/2014	74,039
93.307	Disparities In Chronic Illness Care For Patients With Language Barriers	5R01MD006185-03	5/16/2014	1/31/2015	178,134
93.307	Disparities In Chronic Illness Care For Patients With Language Barriers	5R01MD006185-02	2/1/2013	1/31/2014	29,278
93.307	Disparities In Chronic Illness Care For Patients With Language Barriers Supplement	3R01MD006185-02S1	9/21/2013	1/31/2014	16,214
93.307	Latino Health Research, Practice And Policy	1R13MD008667-01	9/20/2013	2/28/2015	37,305
93.310	Genetic Discovery Application Clinical Setting: Patient Perspectives On Broad Consent In Biobank Research	3U01HG006375-03S1	8/1/2013	7/31/2014	84,871
93.393	Commonly Used Medications And Risk Of Colorectal Cancer Recurrence	5R01CA172073-02	8/1/2014	7/31/2015	216,149
93.393	Commonly Used Medications And Risk Of Colorectal Cancer Recurrence	1R01CA172073-01A1	9/19/2013	7/31/2014	381,346
93.393	Metformin And Breast Cancer Risk Year 2	5R03CA167589-02	12/1/2013	3/30/2015	66,031
93.393	Optimizing An Online Motivational Tobacco Cessation Program	5R01CA138598-04	1/1/2012	12/31/2013	2,876
93.393	Risk-Based Breast Cancer Screening Buist Registry F Y2	5P01CA154292-02	9/1/2012	8/31/2013	(1,298)
93.393	Risk-Based Breast Cancer Screening Buist Registry F Y3	5P01CA154292-03	9/1/2013	8/31/2014	338,388
93.393	Risk-Based Breast Cancer Screening Core A F Y2	5P01CA154292-02	9/1/2012	8/31/2013	(194)
93.393	Risk-Based Breast Cancer Screening Core A F Y3	5P01CA154292-03	9/1/2013	8/31/2014	264,448
93.393	Risk-Based Breast Cancer Screening Core B F Y2	5P01CA154292-02	9/1/2012	8/31/2013	28,146
93.393	Risk-Based Breast Cancer Screening Core B F Y3	5P01CA154292-03	9/1/2013	8/31/2014	1,624,564
93.393	Risk-Based Breast Cancer Screening Core C F Y3	5P01CA154292-03	9/1/2013	8/31/2014	413,934
93.393	Risk-Based Breast Cancer Screening Proj 1 F Y3	5P01CA154292-03	9/1/2013	8/31/2014	515,084
93.393	Risk-Based Breast Cancer Screening Proj 2 F Y2	5P01CA154292-02	9/1/2012	8/31/2013	1,406
93.393	Risk-Based Breast Cancer Screening Proj 2 F Y3	5P01CA154292-03	9/1/2013	8/31/2014	139,052
93.393	Risk-Based Breast Cancer Screening Proj 3 F Y2	5P01CA154292-02	9/1/2012	8/31/2013	(28,500)
93.393	Risk-Based Breast Cancer Screening Proj 3 F Y3	5P01CA154292-03	9/1/2013	8/31/2014	233,424

(Continued)

CFDA number	Description	Pass-through entity or award identifying number	Award start date	Award end date	Expenditures
93.393	Risk-Based BSCS Buist Registry F Y4	5P01CA154292-04	9/1/2014	8/31/2015	$ 106,957
93.393	Risk-Based BSCS Core A F Y4	5P01CA154292-04	9/1/2014	8/31/2015	73,684
93.393	Risk-Based BSCS Core B F Y4	5P01CA154292-04	9/1/2014	8/31/2015	491,729
93.393	Risk-Based BSCS Core C F Y4	5P01CA154292-04	9/1/2014	8/31/2015	75,326
93.393	Risk-Based BSCS Proj 2 F Y4	5P01CA154292-04	9/1/2014	8/31/2015	63,774
93.393	Risk-Based BSCS Proj 3 F Y4	5P01CA154292-04	9/1/2014	8/31/2015	14,383
93.393	SOS To Increase Colon Cancer Screening And Followup Y6	2R01CA121125-06	9/1/2013	6/30/2014	403,645
93.393	Stat Methods Estimation Of Benefits Harms Of Repeat Cancer Screening	1R03CA182986-01	1/1/2014	10/31/2014	51,996
93.393	Systems Of Support (Sos)To Increase Colon Cancer Screening And Followup	5R01CA121125-07	7/1/2014	6/30/2015	272,240
93.395	Developing Trials Of Animal-Assisted Activities For Youth With Cancer	5R03CA169576-02	4/1/2014	3/31/2015	41,479
93.395	Developing Trials Of Animal-Assisted Activities For Youth With Cancer	1R03CA169576-01A1	4/1/2013	3/31/2014	4,058
93.397	Colorectal Cancer Effective Screening Strategies – Cervical Cancer Unit	3U54CA163261-04S1	7/29/2014	5/31/2015	186,006
93.397	Studying Colorectal Cancer Effectiveness Of Screening Strategies (Success)	5U54CA163261-04	6/1/2014	5/31/2015	618,677
93.397	Studying Colorectal Cancer Effectiveness Of Screening Strategies (Success)	5U54CA163261-03	6/1/2013	5/31/2014	520,601
93.399	Cancer Research Network Across Health Care Systems – Crn3 Infrastructure	5U19CA079689-13	5/1/2011	4/30/2013	(156,191)
93.837	Investigating Sedentary Time In Aging – New Directions Using Technology (Istand)	1K23HL119352-01A1	9/1/2014	7/31/2015	38,894
93.837	Long Term Outcomes And Costs Of Web-Based Hyptension Care	5R01HL075263-06	12/1/2010	11/30/2011	(15)
93.837	Long Term Outcomes And Costs Of Web-Based Hyptension Care	5R01HL075263-07	12/1/2011	11/30/2013	(1)
93.837	Pragmatic Randomized Trial Of Calcitriol In Patients With Chronic Kidney Disease	1UH2HL125122-01	9/19/2014	7/31/2015	42,897
93.847	Bariatric Surgery On Long-Term Diabetes Remission And Complications	5R01DK092317-03	5/1/2014	4/30/2015	341,235
93.847	Impact Of Bariatric Surgery On Long-Term Diabetes Remission And Complications	5R01DK092317-02	5/1/2013	4/30/2014	257,822
93.865	Elective Induction Of Labor And Pregnancy Outcomes	5R01HD071986-02	6/1/2014	5/31/2015	389,010
93.865	Elective Induction Of Labor And Pregnancy Outcomes	1R01HD071986-01A1	9/1/2013	5/31/2014	458,362
93.866	Alzheimers Disease Patient Registry	5U01AG006781-26	9/1/2013	8/31/2015	1,829,886
93.866	Alzheimers Disease Patient Registry – Bridge Funding	3U01AG006781-26S1	8/15/2014	8/31/2015	376,307
93.866	Anticholinergic Medication Use And Risk For Cognitive Decline Neuropathology And Physical Performance	5U01AG006781-26	9/1/2013	8/31/2015	92,105
93.866	Health Risk Assessment Using Real Time Clinical Data	5R01AG039467-02	9/1/2012	8/31/2014	45,067
93.866	Healthcare Improvement For Aging Women	5T32AG027677-08	5/1/2014	4/30/2015	30,068
93.866	Healthcare Improvement For Aging Women	5T32AG027677-08	5/1/2014	4/30/2015	14,891
93.866	Healthcare Improvement For Aging Women T-32 Adams	5T32AG027677-08	5/1/2014	4/30/2015	31,702
93.866	Healthcare Improvement For Aging Women T-32 Roth	5T32AG027677-08	5/1/2014	4/30/2015	11,168
93.866	Healthcare Improvement For Aging Women T-32 WU	5T32AG027677-08	5/1/2014	4/30/2015	36,753
93.866	Healthcare Improvement For Aging Women: Roth Yr 7	5T32AG027677-07	5/1/2013	4/30/2014	16,965
93.866	Healthcare Improvement For Aging Women: Tbn Yr 7	5T32AG027677-07	5/1/2013	4/30/2014	19,350
93.866	Healthcare Improvement For Aging Women: Gell Yr 7	5T32AG027677-07	5/1/2013	4/30/2014	18,295
93.866	Msi Flash: An Rct Of Yoga And Ultra-Low Dose Estrogen Gel For Vasomotor Symptoms	5U01AG032682-05	9/1/2012	2/28/2015	143,292
93.866	Opioids And The Aging Brain: Dementia, Cognitive Decline And Neuropathology Year 2	5R03AG042930-02	8/1/2013	7/31/2014	46,932
93.866	Oral Contraceptive Use And Fractures Around The Menopausal Transition	5R01AG030086-05	6/1/2012	5/31/2014	106,505
93.866	Transition To Long-Term Opioid Use Among Older Adults With Chronic Pain	5R01AG034181-05	5/1/2014	4/30/2015	291,941
93.866	Transition To Long-Term Opioid Use Among Older Adults With Chronic Pain	3R01AG034181-05S1	9/15/2014	4/30/2015	16,476
93.866	Transition To Long-Term Opioid Use Among Older Adults With Chronic Pain Y4	5R01AG034181-04	5/1/2013	4/30/2014	205,282
93.879	Scalable And Robust Clinical Text De-Identification Tools	5R01LM011366-03	9/1/2014	8/31/2015	68,551
93.879	Scalable And Robust Clinical Text De-Identification Tools	5R01LM011366-02	9/1/2013	8/31/2014	170,744
93.RD	Adults Aged 65 plus Assess Mf59 Adjuvanted, A/H7N9 Virus Vaccine	HHS27200002-13.0034.C1.0015	8/7/2014	3/31/2017	129,637

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93.RD	Breast Cancer Surveillance Consortium Data Resource	HHSN261201100031C	8/1/2014	7/31/2015	$ 379,501
93.RD	Breast Cancer Surveillance Consortium Data Resource	SN261201100031C	8/1/2013	7/31/2014	766,357
93.RD	Breast Cancer Surveillance Consortium Data Resource	SN261201100031C	8/1/2013	7/31/2014	31,303
93.RD	BSCS Data Resource F Y4	HHSN261201100031C	8/1/2014	7/31/2015	23,216
93.RD	VTEU Phase 1/2 Randomized Study Immunogenicity Strategies H5N1 Influenza Vaccines	HHSN272200800004C	11/1/2007	9/20/2014	742
93.RD	VTEUS – Core Activities Y2	HHSN27200001	9/16/2014	9/15/2015	55,523
93.RD	VTEUS Core Activities	HHSN27200001	9/16/2013	9/15/2014	67,036
93.RD	VTEUS Eval Of Control Measures Not Aids – Equitable Adjust To The Base	HHSN272200800004C	11/1/2014	10/31/2016	2,642
93.RD	VTEUS Evaluate Controls Not AIDS 05-0048 Material Vaccination Protocol	HHSN272200800004C	12/7/2008	9/20/2014	553
93.RD	VTEUS Evaluate Controls Not AIDS 08-0012 Adolescent Hpv	HHSN272200800004C	9/21/2011	9/30/2015	10,984
93.RD	VTEUS Evaluate Controls Not AIDS 08-0013 H5N1 Avian Influenza Extension	HHSN272200800004C	7/1/2009	9/30/2015	1,178
93.RD	VTEUS Evaluate Controls Not AIDS 08-0017 Rotavirus – Oakland	HHSN272200800004C	11/1/2011	9/30/2015	46,075
93.RD	VTEUS Evaluate Controls Not AIDS 08-0017 Rotavirus Protocol	HHSN272200800004C	2/1/2009	9/30/2015	32,063
93.RD	VTEUS Evaluate Controls Not AIDS 09-0002 Smallpox	HHSN272200800004C	1/16/2010	9/30/2015	819
93.RD	VTEUS Evaluate Controls Not AIDS 09-0005 H1N1 Preg Flu	HHSN272200800004C	9/12/2010	9/30/2015	3,039
93.RD	VTEUS Evaluate Controls Not AIDS 09-0033 Maternal Influenza	HHSN272200800004C	6/7/2009	9/30/2015	845
93.RD	VTEUS Evaluate Controls Not AIDS 09-0043 Csl H1N1	HHSN272200800004C	8/1/2009	9/20/2014	782
93.RD	VTEUS Evaluate Controls Not AIDS 09-0056 H1N1 Pregnancy	HHSN272200800004C	8/30/2009	9/20/2014	453
93.RD	VTEUS Evaluate Controls Not AIDS 09-0058 H1N1 Mix Match	HHSN272200800004C	8/30/2009	9/20/2014	539
93.RD	VTEUS Evaluate Controls Not AIDS 09-0072 H1N1 Preg Novartis	HHSN272200800004C	11/1/2009	9/30/2015	380
93.RD	VTEUS Evaluate Controls Not AIDS 10-0017 H5N1 Mix Match	HHSN272200800004C	12/16/2010	9/30/2015	1,510
93.RD	VTEUS Evaluate Controls Not AIDS 11-0021 Mva Bi-Valent Vaccine	HHSN272200800004C	6/16/2011	9/30/2015	370,729
93.RD	VTEUS Evaluate Controls Not AIDS 11-0024 Anthrax Vaccine	HHSN272200800004C	9/21/2011	9/30/2015	3,837
93.RD	VTEUS Evaluate Controls Not AIDS 11-0034 Pneumococcal Conjugate	HHSN272200800004C	9/21/2011	9/30/2015	533,541
93.RD	VTEUS Evaluate Controls Not AIDS 12-0011 H3N2 Influenza	HHSN272200800004C	9/17/2012	9/30/2015	6,898
93.RD	VTEUS Evaluate Controls Not AIDS 13-0020 Inactivated Wnv Development	HHSN272200800004C	8/27/2013	8/26/2014	47,617
93.RD	VTEUS Evaluate Controls Not AIDS 13-0033 H7N9 Implementation	HHSN272200800004C	8/27/2013	9/30/2015	161,910
93.RD	VTEUS Evaluate Controls Not AIDS 13-0035 H7N9 Elderly	HHSN272200800004C	8/27/2013	9/30/2015	13,327
93.RD	VTEUS Evaluate Controls Not AIDS 6E-09-0007 Postpartum Flu Y5	HHSN272200800004C	6/28/2012	9/30/2015	2,492
93.RD	VTEUS Evaluate Controls Not AIDS Core Option 5	HHSN272200800004C	11/1/2013	10/31/2014	200,812
					21,500,333
	Agency for Healthcare Research and Quality:				
	ABT Associates Inc.:				
93.RD	Developing A Foundation And Framework For Team-Based Care Measures In Primary Care	31806	10/9/2012	8/14/2014	19,399
93.RD	Development Of Rapid-Learning Networks In Primary Care	43828	9/30/2014	9/29/2015	30,310
93.RD	Development Of Rapid-Learning Networks In Primary Care	32180	9/30/2012	9/29/2014	87,755
93.RD	New Models Of Primary Care Workforce And Financing	TBD	8/18/2014	7/17/2016	45,832
93.RD	Research Centers Of Excellence In Clinical Preventative Services Coe Y3	41627	9/23/2013	9/22/2014	113,803
93.RD	Synthesizing Lessons From "Impact" And "Transforming Primary Care Initiatives"	43606	8/4/2014	8/3/2015	33,625
	Kaiser Permanente Division of Research:				
93.RD	Epc Task Order2 Chubak Review	HHSA290201200015I	3/1/2013	7/31/2015	182,857
93.RD	Ongoing Technical Support To The U.S. Preventive Services Task Force	HSA290201200015I	9/28/2013	9/27/2014	75,482
93.RD	Screening For Colorectal Cancer	HHSA290201200015I	2/1/2014	7/31/2015	15,735

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93.RD	Systematic Review Of Skin Cancer Screening – Wernli	HHSA290201200015I	1/1/2014	4/30/2016	$ 133,014
93.RD	Systematic Review Of Thyroid Cancer Screening – Chubak	HHSA290201200015I	1/1/2014	4/30/2016	31,473
93.RD	The Systematic Review Of Screening For Child Lipid Disorders	HHSA290201200015I	3/1/2013	7/31/2015	159,296
	Crosby Marketing (Maryland):				
93.RD	Cdc Stakeholders – Environmental Scan	AHRO-2013-1	5/31/2013	5/30/2014	8,180
93.RD	Focus Groups And Tool Development Guide And Roadmap For Dissemination Of Pcor	AHRO-2013-01	5/31/2013	5/31/2014	75,392
	Kaiser Foundation Health Plan of Colorado:				
93.226	Supreme-Dm: Sustaining A Learning Research Network	1R01HS022963-1	9/30/2013	3/31/2015	49,257
	National Committee for Quality Assurance:				
93.226	Testing The Feas, Reliability, Validity Of Measures For Adolescent Depression	5U18HS020503-04	3/7/2014	12/31/2014	45,675
	Sloan Kettering Institute:				
93.393	Colorectal Cancer Screening Uspstf With Collaborative Modeling	BD516127	9/1/2013	1/31/2015	84,233
	University of Washington:				
93.226	Addressing The Personal Health Information Management Needs Of Older Adults	763386	9/8/2014	8/31/2015	7,317
93.226	The Association Between Sedative Hyponotic Insomnia Treatment And Motor Vehicles Crashes	751292	6/1/2013	6/30/2014	4,201
					1,202,836
	Center for Medicare & Medicaid Innovation:				
	Mathematica Policy Research:				
93.RD	Evaluation Of Comprehensive Primary Care Initiative	40102S03062	7/20/2014	7/19/2015	154,364
93.RD	Evaluation Of Comprehensive Primary Care Initiative Year 2	40102S03062	7/20/2013	7/19/2014	173,490
					327,854
	Centers for Disease Control and Prevention:				
	Kaiser Permanente Division of Research:				
93.068	Knowledge Synthesis Center For Genomic Applications	10EWHIT-03-GHC	9/30/2012	12/31/2013	(1,436)
	Kaiser Foundation Health Plan of Colorado:				
93.RD	Vaccine Safety Datalink: White Paper Safety Of The Childhood Vaccination Schedule	16501-S13035RZ	9/28/2013	12/14/2014	44,359
	Public Health – Seattle and King County:				
93.270	Public Health Seattle & King County Hcv Test And Cure Project	1U51PS004601-01 REVISED	11/1/2014	9/29/2015	4,747
	Public Health Institute:				
93.055	National Leadership Academy For The Public'S Health (Nlaph)	1019587	9/1/2013	12/31/2014	59,117
93.292	National Leadership Academy For The Public'S Health (Nlaph)	1019984	1/1/2014	12/31/2014	14,909
93.523	Phi – Sfdph Laph	1019677	9/1/2013	12/31/2014	5,884
93.524	National Leadership Academy For The Public'S Health (Nlaph)	1019996	1/1/2014	12/31/2014	14,912
	University of California, Berkeley:				
93.531	Public Prevention Health Fund: Community Transformation Grant	8170	9/30/2013	11/30/2014	49,274
	University of Washington:				
93.135	The Direct And Indirect Cost Of Alzheimers Disease	763042	9/30/2014	9/29/2015	1,436
93.135	Alliance For Reducing Cancer, Northwest (Arc Nw)	3U48DP005013-01S1	9/30/2014	9/29/2015	3,229
93.135	Alliance For Reducing Cancer, Northwest (Arc Nw)	755390	9/30/2013	9/29/2014	10,597
93.542	Health Promotion Research Center – Uw Staff Assignment	755441	9/30/2013	9/29/2014	5,057
93.542	Uw Staff Assignment Cdc-Han Health, Aging And Technology Workgroup	755525	9/30/2013	9/29/2014	6,513
					218,598
	Department of Defense:				
	Samueli Institute (Virginia):				
12.420	Samueli Military Medicine Project-Usamraa	W81XWH-08-1-0615	11/1/2013	11/30/2014	49,102
					49,102

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	Department of Health and Human Services				
	ABT Associates Inc.:				
93.RD	Evaluating Education And Training On Multiple Chronic Conditions (Mcc) For The Healthcare Workforce	41924	10/1/2013	3/31/2015	$ 35,217
	Social & Scientific Systems Inc.				
93.RD	Social And Scientific Systems Inc – Group Health Providers Survey	HPDA-SSS-13-003446	11/1/2013	8/31/2014	2,587
	Southcentral Foundation, Anchorage:				
93.933	Perceptions Of Alcohol Use And Sobriety Among Alaska Native People	560101-20-415-000-0965-0000	9/15/2013	9/14/2015	49,647
	University of Washington:				
93.RD	Neighborhood Health Link: Promoting Access To Healthy Community Resources	759579	5/1/2014	4/30/2015	9,710
					97,161
	Food and Drug Administration:				
	Harvard Pilgrim Health Care:				
93.RD	Adverse Events – Regulated Prods Automated Healthcare Sentinel Year 5 Base Activity 1. Update Msdd Quarterly (4X)	HHSF223200910006I-9T	9/23/2013	9/22/2014	80,436
93.RD	Adverse Events – Regulated Prods Automated Healthcare - Sentinel Year 5 Base Activity 2. Support Summary Tables, Query Tool	HHSF223200910006I-9T	9/23/2013	9/22/2014	38,744
93.RD	Adverse Events – Regulated Prods Automated Healthcare - Sentinel Year 5 Base Activity 3, Capac Timely Response To Mscc	HHSF223200910006I-9T	9/23/2013	9/22/2014	81,345
93.RD	Adverse Events – Regulated Prods Automated Healthcare - Sentinel Year 5 Base Activity 4, Core Co-Lead Methods	HHSF223200910006I-9T	9/23/2013	9/22/2014	57,407
93.RD	Analytical Support For Workgroup Activities On Task Order 7	HHSF22301007T-0000	11/1/2013	9/30/2015	5,213
93.RD	Assess Association Between Opioid Use During Pregnancy And Neural Tube Defects	HHSF223201000009I	9/1/2014	4/30/2015	2,398
93.RD	Sentinel Initiative Prospective Observational Monitoring, Rivaroxaban Surveillance	HHSF22301012T-0004	9/23/2013	3/5/2015	15,564
93.RD	Sentinel Initiative Statistical Method Improving Confounder Adjust Emergent Treatment Comp	HHSF22301008T-0004	9/1/2012	12/31/2013	(1,551)
93.RD	Sentinel Initiative: Omop-Imed	HHSF22301008T-0015	9/30/2013	4/30/2015	28,789
93.RD	Sentinel Initiative: Safety Signaling Survival Outcomes Control Confounding Msdd	HHSF22301008T-0013	9/1/2013	1/31/2015	260,284
93.RD	Sentinel Initiative – Iv Iron & Anaphylactoid Reactions	HHSF22301010T-0002	9/1/2014	12/31/2014	2,267
93.RD	Sentinel Initiative: Principal Investigator Supplement Boudreau	HHSF223200910006I	12/1/2014	9/22/2015	5,756
93.RD	Sentinel Initiative: Supreme Dm Datalink And Ms Linkage Project	HHSF223200910006I	10/1/2014	9/30/2015	9,866
93.RD	Maintenance And Operation Of Medication Exposure In Pregnancy Risk Evaluation Meprep	HHSF22301001T	8/21/2013	8/20/2015	12,010
93.RD	Retrospective Cohort Study Hd-Ppi, Labeled Ppi, Or H2Ra Hip Fractures P4502C19 Pharmacogenetics	HHSF223201000009I	10/1/2014	9/29/2017	7,661
93.RD	Sentinel Initiative – Assess The Robustness Of Drug Safety Monitoring	HHSF22301008T-016	1/1/2014	3/31/2015	24,245
93.RD	Sentinel Initiative: A Protocol Based Assessment Of Selected Medications And Death	HHSF22301010T-0001	12/18/2013	5/17/2015	188,328
93.RD	Sentinel Initiative: Adverse Metaboli C Effects Of 2nd Gen APs In Youth Sub-Project 3	HHSF22301007T-0012	6/13/2014	7/30/2015	57,312
93.RD	Sentinel Initiative: Capacity Timely Response Msoc Queries, Data Partner Activities	HHSF22301016T-0002	9/23/2014	9/22/2015	33,397
93.RD	Sentinel Initiative: Core Leader	HHSF22301016T-0002	9/23/2014	9/22/2015	30,461
93.RD	Sentinel Initiative: Improve Routine Observational Monitoring Programs Tools (Prompt) 3 & 4	HHSF22301008T-0017	2/1/2014	5/31/2015	356,827
93.RD	Sentinel Initiative: Protocol-Based Assess Thromboembolic Events After Immunoglobulin	HHSF22301006T-009	5/1/2014	11/30/2014	2,670
93.RD	Sentinel Initiative: Summary Tables, Ms Distributed Query, Modular Programs	HHSF22301016T-0002	9/23/2014	9/22/2015	13,878
93.RD	Sentinel Initiative: Update The Mini – Sentinel Distributed Database Quarterly	HHSF22301016T-0002	9/23/2014	9/22/2015	31,334
					1,344,641

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	Health Resources and Services Administration:				
	American Thrombosis:				
93.110	Nationwide Needs Assessment The National Hemophilia Coordinating Center And Eight Regional Centers	2013HRSA-GROUPH	3/1/2013	5/30/2015	$ 36,173
	Puget Sound Blood Center:				
93.RD	Puget Sound Blood Center Interviews For Hemophilia Study	787-CCHE-2014	10/15/2014	10/14/2016	3,083
	University of California, Davis:				
93.110	Psychotropic Med Use Children And Youth: National Trends, Disparities	201401191-02	4/1/2014	3/31/2015	12,257
					51,513
	National Institutes of Health:				
	Center for Health Research, Kaiser Foundation Portland:				
93.213	Strategies And Opportunities To Stop Colon Cancer In Priority Populations	12GCORO-01-GHC	9/30/2012	12/31/2013	593
93.213	Strategies And Opportunities To Stop Colon Cancer In Priority Populations (Uh3)	7323: 14GCORO-02-N	1/1/2014	12/31/2014	128,494
	Dartmouth College:				
93.393	Effectiveness Of Pre-Operative Mri In Breast Cancer Surgery And Outcomes	897	8/1/2014	7/31/2015	94,436
93.393	Effectiveness Of Pre-Operative Mri In Breast Cancer Surgery And Outcomes	897	8/1/2013	7/31/2014	116,723
	Duke University:				
93.213	Health Care Systems Research Collaboratory – Coordinating Center	203-8535	9/1/2014	8/31/2015	59,201
93.213	Health Care Systems Research Collaboratory – Coordinating Center Year 2	203-9605	9/1/2013	8/31/2014	155,929
	Fred Hutchinson Cancer Research Center:				
93.279	Targeted Intervention For Bipolar Smokers Y2	0000785302	9/1/2013	11/30/2014	15,910
93.393	A Cohort Study Of Sessile Serrated Polyps And Subsequent Colorectal Neoplasia	0000797871	4/1/2014	3/31/2015	348,614
93.393	A Cohort Study Of Sessile Serrated Polyps And Subsequent Colorectal Neoplasia	0000780180	4/22/2013	3/31/2014	60,983
93.393	Acceptance & Commitment Therapy For Smoking Cessation	0000802303	5/1/2014	4/30/2015	36,283
93.393	Acceptance & Commitment Therapy For Smoking Cessation	0000775690	5/1/2013	4/30/2014	27,152
93.393	Acceptance & Commitment Therapy For Smoking Cessation (Admin Supp)	0000813494	5/1/2014	4/30/2015	3,550
93.393	Pathology Related Services Federal Funds: Cfr Core/Brite	VARIOUS	2/16/2012	6/30/2015	1,229
93.393	Randomized Trial Of Web-Delivered Acceptance Therapy For Smoking Cessation	0000795135	1/1/2014	12/31/2014	48,381
93.393	Randomized Trial Of Web-Delivered Acceptance Therapy For Smoking Cessation	0000765858	1/1/2013	12/31/2013	30
93.394	Breast And Ovary Cancer Clinical Validation Center : Administrative Supplement	0000781406	7/1/2013	6/30/2014	16,525
93.866	Msi Flash 03: Comparative Efficacy Of Low-Dose Estradiol Snri Venlafaxine Xr Menopausal Symptoms	0000727083	11/1/2011	8/31/2013	(7,994)
	Georgetown University:				
93.393	Comparative Modeling: Informing Breast Cancer Control Prac & Pol – Admin Supp	RX 4442-042-GHRI-TF	9/1/2013	8/31/2014	28,894
93.393	Comparative Modeling: Informing Breast Cancer Control Practice & Policy	5U01CA152958-05	9/1/2014	8/31/2015	5,679
93.393	Comparative Modeling: Informing Breast Cancer Control Practice & Policy	RX4442-015-GHRI	9/1/2013	8/31/2014	36,126
	Harvard Medical School:				
93.393	Measuring And Improving Colonoscopy Quality Using Natural Language Processing	150159.5075963.0003	8/1/2013	2/28/2015	105,741
	Healthpartners Inc.:				
93.837	Home Blood Pressure Telmonitoring And Case Management To Control Hypertension	12-079	5/1/2014	4/30/2015	7,014
93.837	Home Blood Pressure Telmonitoring And Case Management To Control Hypertension	12-079	8/1/2013	4/30/2014	6,162
	Henry Ford Health System:				
93.393	Statins & Lymphoid Malignancy Risk In A Large Multi-Site Population-Based Cohort	5R01CA140754-04	4/1/2010	4/30/2014	16,150
	Icahn School of Medicine:				
93.853	Chronic Traumatic Encephalopathy And Delayed Effects Of Traumatic Brain Injury	0255-6611-4609	1/1/2014	12/31/2014	170,964
	Institute for Community Health:				
93.242	Exploring The Impact Of Pediatric Behavioral Health Screening On Health Care Use Year 1	1R21MH094942-01A1	3/15/2012	1/31/2013	(79)
93.242	Exploring The Impact Of Pediatric Behavioral Health Screening On Health Care Use Year 2	5R21MH094942-02	2/1/2013	1/31/2015	30,105

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CFDA number	Description	Pass-through entity or award identifying number	Award start date	Award end date	Expenditures
	Jaeb Center for Health Research:				
93.867	Cornea Donor Study	U10EY12358	10/15/2006	7/31/2013	$ (2,506)
	Kaiser Foundation Health Plan of Colorado:				
93.393	Crn Clinical Communication Research Center – Testing An Optimal Model Of Patient-Centered Cancer Care	CSIGN 95326	9/1/2012	8/31/2014	21,901
	Kaiser Permanente Division of Research, Oakland:				
93.393	Crn4 Pilot – Natural Language Processing For Identifying Clinical Risk Factors Associated With Pulmonary Nodule Surveillance	115-9341-GHRI-4	9/1/2013	10/31/2014	63,877
93.393	Crn4, Scholars Y2 – Cancer Research Resources And Collaboration In Integrated Health Care Systems	115-9341-GHRI-02	9/1/2013	8/31/2014	17,456
93.393	Crn4: Cancer Research Resources & Collaboration In Integrated Health Care Systems	115-9341-GHRI-01	9/1/2014	8/31/2015	134,874
93.393	Crn4: Cancer Research Resources & Collaboration In Integrated Health Care Systems	115-9341-GHRI-01	9/1/2013	8/31/2014	268,821
93.393	Develop Nlp Algorithms-Other To Capture Molecular Markers From Tumors	1159341GHRI03	9/1/2013	10/31/2014	59,515
93.393	Evaluating G-Csf Use In Cancer Patients	1159341GHRI07	9/1/2014	8/31/2015	9,221
93.393	Physical Activity In Prostate Cancer	115-9341-GHRI-5	8/1/2014	7/31/2015	23,783
93.393	Utilization And Outcomes Of Skin Biopsies For Cutaneous Malignancies	115-9341-GHRI-06	8/1/2014	7/31/2015	8,561
93.837	Hmo Research Network Cardiovascular Research Network	115-9337-04-M6	7/1/2011	12/31/2013	(7)
	Research Triangle Institute:				
93.279	Prescribers, Pharmacists, & The Opioid Dilemma, A Multi-Site Qualitative Study	1R01DA034627-01A1	5/15/2014	4/30/2015	30,929
	Seattle Institute for Biomedical Research:				
93.847	Effect Of Dietary Glycemic Index On Beta-Cell Function	UK16-GH-2	6/1/2014	5/31/2015	12,714
93.847	Effect Of Dietary Glycemic Index On Beta-Cell Function	UK16-GH-1	6/1/2013	5/31/2014	12,899
	Seattle Children’s Hospital:				
93.242	Adolescent Collaborative Care Treatment For Depression	1008SUB	8/24/2009	5/31/2014	5,881
93.865	Increasing Childhood Immuni Rates Via Improved Provider-Parent Commun	10795SUB	7/1/2013	6/30/2015	37,657
93.945	Search For Diabetes In Youth	11091SUB	9/30/2014	9/29/2015	1,794
93.945	Search For Diabetes In Youth	10833SUB	9/30/2013	9/29/2014	5,075
	Sloan Kettering Institute:				
93.393	Modeling Effective Health Policies For Colorectal Cancer	5U01CA152959-05	9/1/2014	8/31/2015	70,010
93.393	Modeling Effective Health Policies For Colorectal Cancer	BD516041	9/1/2013	8/31/2014	142,206
93.393	Optimal Colon Cancer Scrn Program For NE Penn Using Crc Cisnet Modeling	BD515469	9/1/2013	1/31/2015	11,201
	Takeda Vaccines:				
93.RD	Safety And Immunogenicity Of A Tetravalent Chimeric Dengue Vaccine (Denvax)	11-0049	2/28/2013	12/31/2015	159,705
	University of Alabama:				
93.846	Activating Patients To Reduce Osteoporosis Propensity	000401948-005	9/1/2014	8/31/2015	11,035
93.846	Activating Patients To Reduce Osteoporosis Propensity	000401948-005	9/1/2013	8/31/2014	36,441
	University of Alaska, Fairbanks:				
93.172	Ethics Of Dissemination: Communicating With Participants About Genetics Research	UAF 11-0077	8/1/2011	6/30/2014	2,356
	University of California, Davis:				
93.393	Validation Of Medicare Claims Data For Mammography	201015203-01	4/1/2011	3/31/2014	6,886
	University of Cincinatti:				
93.393	Impact Of Bariatric Surgery On Cancer Incidence In Severely Obese Adults	1R01CA175346-01A1	3/1/2014	2/28/2015	42,461
	University of Utah:				
93.866	Pharmaconeuropathology Of Brain Aging And Dementia	10034216-01	3/1/2014	2/28/2015	49,041
93.866	Pharmaconeuropathology Of Brain Aging And Dementia	7R01AG023801-08	10/1/2013	2/28/2014	15,035
	University of Washington:				
93.213	A Pragmatic Trial Of Lumbar Image Reporting With Epidemiology (Lire)	746405	9/30/2012	12/31/2013	669
93.242	For Moms: Culturally Relevant Treatment For Perinatal Depression	657735	6/15/2009	1/31/2015	4,254
93.307	Indigenous Wellness Research Institute National Center Of Excellence	761178	3/1/2014	5/31/2014	2,569

(Continued)

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

Year ended December 31, 2014

CFDA number	Description	Pass-through entity or award identifying number	Award start date	Award end date	Expenditures
93.307	Indigenous Wellness Research Institute National Center Of Excellence	753051	3/1/2013	2/28/2014	$ 1,499
93.310	A Pragmatic Trial Of Lumbar Image Reporting With Epidemiology (Uh3)	757737	1/1/2014	12/31/2014	120,491
93.350	Institutional And Translational Science Award	754594	6/1/2013	5/31/2014	94,679
93.350	Institutional Clinical & Translational Science Award	5UL1TR000423-08	6/1/2014	5/31/2015	86,979
93.389	Reducing Disparities And Improving Care For Depression In Ob-Gyn Clinics	664323	8/1/2009	3/31/2014	4,342
93.393	Modeling Breast Cancer Recur New Stat Methods Semi-Markov Processes	759804	6/1/2014	8/31/2015	5,711
93.393	Modeling Breast Cancer Recurrence Using New Statistical Methods For Semi-Markov P	727678	9/1/2011	8/31/2015	94,668
93.393	Randomized Trial Of In-Home Cervical Cancer Screening In Underscreened Women	752520 MOD 1	4/1/2014	3/31/2015	347,361
93.393	Randomized Trial Of In-Home Cervical Cancer Screening In Underscreened Women	752520	4/24/2013	3/31/2014	155,150
93.394	Surveillance Trial To Increase Longevity In Lung Cancer (Still) Qualitative Development	748873/753016	12/1/2012	7/31/2013	(16,118)
93.837	Cardiovascular Safety Of Combination Therapies For Type 2 Diabetes Mellitus	754138	8/1/2013	7/31/2015	4,378
93.839	Estrogens And Pharmacogenetic Risks Of Venous Thrombosis In Post Menopausal Women	744778	6/1/2012	6/30/2014	48,430
93.839	Pharmacologic And Pharmacogenetic Associations With Recurrent Venous Thrombosis	607361	9/26/2008	1/31/2015	80,081
93.846	Patient Reported Outcomes In Routine Clinical Care Of Patients Infected With Hiv	746223	8/1/2012	7/31/2014	17,932
93.847	Feasibility, Efficacy, And Mechanisms Of Surgical Vs Medical Diabetes Treatment	703348	8/18/2010	6/30/2015	22,921
93.847	Food Environment, Diet Quality, And Disparities In Obesity Ii	720806	4/15/2011	2/28/2015	19,877
93.855	Molecular Clonality Of Uropathogenic E. Coli	758311	11/19/2013	10/31/2015	143,914
93.859	Pharmacogenetics In Rural And Underserved Populations	761638	7/1/2014	6/30/2015	19,650
93.859	Pharmacogenetics In Rural And Underserved Populations Year 4	753203	7/1/2013	6/30/2014	20,019
93.866	Cognitive Behavioral Therapy For Arthritis Pain And Insomnia In Older Adults	580219	9/1/2008	7/31/2014	29,681
93.866	Pharmaconeuropathology Of Brain Aging And Dementia	715857	3/15/2011	9/30/2013	(5,084)
	University of Wisconsin:				
93.866	Cognitive Outcomes And Neuropathology In Older Adults Following Critical Illness	396K034	7/1/2012	5/31/2015	10,499
					4,086,169
	National Science Foundation:				
	University of Washington:				
47.041	Patient Centered System Redesign	744617	10/1/2012	9/15/2015	72,224
					72,224
					$ 31,715,018

See accompanying independent auditors’ report.

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Group Health Cooperative and Subsidiaries under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Group Health Cooperative and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets or cash flows of Group Health Cooperative and Subsidiaries.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-122, Cost Principles for Non-profit Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

(3) Major Program

The research and development grants are determined to be a cluster of grants. A cluster of grants means a grouping of closely related grants that share common compliance requirements. A cluster of grants shall be considered as one program for determining major programs, as described in §520, Major Program Determination, of the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*.

(4) Subrecipient Awards

Group Health Cooperative and Subsidiaries passed through federal awards to subrecipients for:

CFDA number	Program	Subrecipients		Amount
93.121	Oral Health 4 Life: Promoting Oral Health Among Tobacco Quitline Callers	Alere Wellbeing Inc	$	41,273
		University Of California Davis		8,000
93.172	Genetic Discovery And Application In A Clinical Setting: Continuing A Partnership Year 4	Fred Hutchinson Cancer		7,000
		University Of Washington		70,000
93.172	Genetic Discovery And Application In A Clinical Setting: Continuing A Partnership Year 3	Fred Hutchinson Cancer		16,211
		University Of Washington		259,306
93.172	Genetic Discovery Application Clinical Setting: Emerge Pharmacogenomics Supplement – 900 Subjects Year 2	University Of Washington		30,263
93.185	Core – Pop-Based Estimation Influenza Vaccine Effectiveness Y3	Marshfield Clinic		34,801
93.185	Core – Prospective Estimation Of Influenza Vaccine Effectiveness	Marshfield Clinic		15,997
93.213	Comparison Of Cam And Conventional Mind-Body Therapies For Chronic Back Pain	University Of Washington		38,882
93.213	Comparison Of Cam And Conventional Mind-Body Therapies For Chronic Back Pain	University Of Washington		3,380

CFDA number	Program	Subrecipients	Amount
93.213	Measuring Patient Expectations For Cam Therapies Year 4	The University Of Arizona	$ 298
93.213	Measuring Patient Expectations For Cam Therapies Year 5	The University Of Arizona	73,981
93.213		University Of Washington	34,877
93.213	Pragmatic Trial Of Population-Based Programs To Prevent	Healthpartners Research	(3,000)
93.213	Suicide Attempt	Henry Ford Health System	244
93.213		Kaiser Permanente	(2,000)
93.213		University Of California Davis	(284)
93.213		University Of Washington	47
93.226	Evaluation Of Value-Based Health Plan Design Year 4	Kaiser Permanente	44,209
93.226	Patient Reminders And Notifications	University Of Washington	114,089
93.226	Patient Reminders And Notifications	University Of Washington	66,872
93.242	MHRN Cardiovascular Risk EMR based clinical decision support	Essentia Institute	17,536
93.242		Healthpartners Research	95,020
93.242	MHRN Next Generation Clin Assess Mobile Devices	Kaiser Permanente	33,498
93.242	MHRN. Understanding Factors Disparities In Depression Treatment	Healthpartners Research	10,922
93.242		Kaiser Permanente	34,400
93.242	MHRN: A Geographically And Ethnically Diverse Autism Registry For Effectiveness Studies	Kaiser Permanente	21,631
93.242	MHRN: A Population-Based Approach To Transform	Essentia Institute	12,538
93.242	Research – Infrastructure	Harvard Pilgrim Health Care	25,000
93.242		Healthpartners Research	30,016
93.242		Henry Ford Health System	11,663
93.242		Kaiser Permanente	109,968
93.242		Palo Alto Medical Foundation	1,682
93.242		Scott And White Mem Hosp	18,379
93.242	MHRN: A Population-Based Approach To Transform	Harvard Pilgrim Health Care	680
	Research – Infrastructure	Healthpartners Research	21,161
93.242		Kaiser Permanente	38,525
93.242	MHRN: Feasibility Of Behavioral Activation Therapy	Healthpartners Research	37,594
	For Perinatal Depression	Kaiser Permanente	127,157
93.242	MHRN: Practice Variation In High – And Low-Value	Healthpartners Research	8,742
	Treatments For Mood Disorders	Kaiser Permanente	71,689
93.242	Patient Portal To Support Treatment Adherence	Kaiser Permanente	23,581
93.242	Pilot Study Of Online Interventions For Population-Based Suicide Prevention Year 2	University Of Washington	12,000
93.242	Pragmatic Trial Of Population-Based Programs To Prevent Suicide Attempt	University Of Washington	6,000
93.242	Precursors Of First-Episode Psychosis In A Population-Based Sample	Kaiser Permanente	109,217
93.242	Precursors Of First-Episode Psychosis In A Population-Based Sample	Kaiser Permanente	225,544
93.273	Collaborative Care For Primary Care Patients With Alcohol	Seattle Inst Biomed & Clin Res	4,425
	Use Disorders	University Of Washington	4,361
93.273	Collaborative Care For Primary Care Patients With Alcohol	Dept Of Veterans Affairs	105,781
	Use Disorders	Seattle Inst Biomed & Clin Res	7,443
93.273		University Of Washington	11,737

CFDA number	Program	Subrecipients	Amount
93.279	Internet-Based Med Adhere Program Nicotine Dependence Treatment	University Of California Davis	$ 3,000
93.279		University Of Michigan	5,105
93.279	Internet-Based Med Adhere Program Nicotine Dependence Treatment	University Of California Davis	13,090
93.279		University Of Michigan	108,833
93.307	Disparities In Chronic Illness Care For Patients With Language Barriers	University Of Washington	43,997
93.310	Genetic Discovery Application Clinical Setting: Patient Perspectives On Broad Consent In Biobank Research	University Of Washington	14,068
93.393	Commonly Used Meds And Risk Of Colorectal Cancer Recurrence	Kaiser Permanente	52,500
93.393	Commonly Used Meds And Risk Of Colorectal Cancer Recurrence	Kaiser Permanente	136,899
93.393	Comparative Modeling: Informing Breast Cancer Control Prac & Pol	University Of California Davis	23,153
93.393	Optimizing An Online Motivational Tobacco Cessation Program	University Of Michigan	(345)
93.393	Risk-Based Breast Cancer Screening Core A F Y2	University Of Calif San Fran	(194)
93.393	Risk-Based Breast Cancer Screening Core A F Y3	University Of Calif San Fran	5,337
93.393		University Of California Davis	36,477
93.393	Risk-Based Breast Cancer Screening Core B F Y2	Dartmouth College	(7,066)
93.393		University Of North Carolina	44,987
93.393		University Of Vermont	(9,775)
93.393	Risk-Based Breast Cancer Screening Core B F Y3	Dartmouth College	57,972
93.393		University Of Calif San Fran	358,643
93.393		University Of California	(8,766)
93.393		University Of California Davis	209,570
93.393		University Of Illinois	86,683
93.393		University Of North Carolina	289,285
93.393		University Of Vermont	60,899
93.393	Risk-Based Breast Cancer Screening Core C F Y3	Dartmouth College	399,865
93.393		University Of Vermont	14,069
93.393	Risk-Based Breast Cancer Screening Proj 1 F Y3	University Of Calif San Fran	515,084
93.393	Risk-Based Breast Cancer Screening Proj 2 F Y2	University Of Washington	1,406
93.393	Risk-Based Breast Cancer Screening Proj 2 F Y3	University Of Washington	115,117
93.393	Risk-Based Breast Cancer Screening Proj 3 F Y2	Dartmouth College	(28,500)
93.393	Risk-Based Breast Cancer Screening Proj 3 F Y3	Dartmouth College	183,527
93.393		The University Of New Mexico	28,585
93.393		University Of Washington	21,312
93.393	Risk-Based BSCS Core A F Y4	University Of Calif San Fran	1,500
93.393		University Of California Davis	13,944
93.393	Risk-Based BSCS Core B F Y4	University Of Calif San Fran	160,000
93.393		University Of California Davis	40,222
93.393		University Of Illinois	23,600
93.393		University Of North Carolina	60,000
93.393		University Of Vermont	15,200
93.393	Risk-Based BSCS Core C F Y4	Dartmouth College	73,926
93.393		University Of Vermont	1,400

CFDA number	Program	Subrecipients	Amount
93.393	Risk-Based BSCS Proj 2 F Y4	University Of Washington	$ 52,956
93.393	Risk-Based BSCS Proj 3 F Y4	The University Of New Mexico	7,000
93.393		University Of Washington	6,000
93.393	SOS To Increase Colon Cancer Screening And Followup Y6	Fred Hutchinson Cancer	14,074
93.393		Kaiser Permanente	38,272
93.393		The University Of Texas	30,940
93.393		University Of California Davis	7,632
93.393	Systems Of Support Increase Colon Cancer Screening And Followup	Kaiser Permanente	19,016
93.393		The University Of Texas	16,165
93.393		University Of California Davis	5,400
93.395	Developing Trials Of Animal-Assisted Activities Youth With Cancer	Seattle Childrens Hospital	6,927
93.395	Developing Trials Of Animal-Assisted Activities Youth With Cancer	Oregon Health & Science	1,061
93.395		Seattle Childrens Hospital	(5,108)
93.399	CRN Across Health Care Systems – Crn3 Infrastructure	Kaiser Permanente	(156,191)
93.847	Bariatric Surgery Long-Term Diabetes Remission And Complications	Harvard University	18,301
93.847		Healthpartners Research	64,032
93.847		Kaiser Permanente	63,384
93.847		Rand Corporation	7,500
93.847	Bariatric Surgery Long-Term Diabetes Remission And Complications	Harvard University	8,651
93.847		Healthpartners Research	40,509
93.847		Kaiser Permanente	77,342
93.865	Elective Induction Of Labor And Pregnancy Outcomes	Kaiser Permanente	104,004
93.865		Oregon Health & Science	26,904
93.865		University Of Washington	24,253
93.865	Elective Induction Of Labor And Pregnancy Outcomes	Kaiser Permanente	210,534
93.865		Oregon Health & Science	24,121
93.865		University Of Washington	35,895
93.866	Alzheimers Disease Patient Registry	Swedish Health Services	28,800
93.866		University Of Calif San Diego	18,870
93.866		University Of Utah	56,811
93.866		University Of Washington	841,694
93.866	Alzheimers Disease Patient Registry – Bridge Funding	University Of Washington	94,000
93.866	Anticholinergic Medication Use And Risk For Cognitive Decline Neuropathology And Physical Performance	University Of Washington	32,439
93.866	Msi Flash: An Rct Of Yoga And Ultra-Low Dose Estrogen Gel For Vasomotor Symptoms	University Of Washington	32,548
93.866	Oral Contraceptive Use And Fractures,Menopausal Transition	University Of Washington	1,254
93.866	Transition To Long-Term Opioid Use Among Older Adults With Chronic Pain	University Of Washington	53,763
93.866	Transition To Long-Term Opioid Use Among Older Adults With Chronic Pain	University Of Washington	73,036
93.879	Scalable And Robust Clinical Text De-Identification Tools	The Vanderbilt University	24,699
93.879	Scalable And Robust Clinical Text De-Identification Tools	The Vanderbilt University	64,086

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Notes to Schedule of Expenditures of Federal Awards

December 31, 2014

CFDA number	Program	Subrecipients		Amount
93.RD	Breast Cancer Surveillance Consortium Data Resource	Dartmouth College	$	10,000
93.RD		University Of Vermont		11,000
93.RD	Breast Cancer Surveillance Consortium Data Resource	Dartmouth College		36,185
93.RD		University Of Calif San Fran		37,623
93.RD		University Of North Carolina		49,377
93.RD		University Of Vermont		41,726
93.RD	Develop The Sentinel Initiative: Omop-Imed	University Of Washington		8,266
93.RD	Sentinel Initiative: A Protocol Based Assessment Of Selected Medications And Death	The New York Academy Of Med		31,706
93.RD	Sentinel Initiative: Improve Routine Observational Monitoring Programs Tools (Prompt) 3 & 4	University Of Washington		42,352
93.RD	VTEUS Evaluate Controls Not AIDS 08-0017 Rotavirus – Oakland	Childrens Hosp & Rc Oakland		46,075
			$	7,642,829

GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

Schedule of Findings and Questioned Costs

December 31, 2014

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

• Material weaknesses identified?	______	Yes	X	No
• Significant deficiencies identified that are not considered to be material weaknesses	______	Yes	X	None reported
• Noncompliance material to the financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	______	Yes	X	No
• Significant deficiencies identified that are not considered to be material weaknesses	______	Yes	X	No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	______	Yes	X	No

Identification of Major Programs

CFDA number	Name of federal program
Cluster	Research and Development

Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

Auditee qualified as low-risk auditee?	X	Yes	______	No

(2) **Financial Statement Findings Section**

No matters reported.

(3) **Federal Award Findings and Questioned Costs**

No matters reported.