THE ST. VINCENT’S MEDICAL CENTER

MEMBER OF ASCENSION HEALTH, A SUBSIDIARY OF ASCENSION HEALTH ALLIANCE, D/B/A ASCENSION

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

THE ST. VINCENT'S MEDICAL CENTER

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The St. Vincent's Medical Center

We have audited the accompanying consolidated financial statements of The St. Vincent's Medical Center (the Medical Center), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, 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 Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Medical Center as of September 30, 2015 and 2014, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Hartford, CT
January 27, 2016

THE ST. VINCENT'S MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

SEPTEMBER 30, 2015 AND 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 5,309	$ 2,477
Accounts receivable, less allowances for doubtful accounts ($24,900 in 2015 and $26,400 in 2014)	70,492	67,589
Due from System, parent and affiliated entities, net	6,402	1,127
Inventories and other current assets	14,592	14,802
Total Current Assets	96,795	85,995
Interest in Investments Held by Ascension	295,151	363,112
Assets Limited as to Use		
Temporarily restricted	241	261
Temporarily restricted interest in The St. Vincent's Medical Center Foundation, Inc.	13,624	13,924
Permanently restricted	68	68
Permanently restricted interest in The St. Vincent's Medical Center Foundation, Inc.	12,092	11,985
Total Assets Limited as to Use	26,025	26,238
Unrestricted Interest in The St. Vincent's Medical Center Foundation, Inc.	312	312
Property and Equipment		
Land and improvements	8,761	8,883
Buildings and equipment	440,136	431,816
Construction in progress	7,739	2,275
	456,636	442,974
Less accumulated depreciation	(279,594)	(260,440)
Total Property and Equipment, net	177,042	182,534
Capitalized Software Costs, net	22,966	26,298
Other Assets	15,063	11,959
Pension Asset	--	5,722
Total Assets	$ 633,354	$ 702,170

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

THE ST. VINCENT'S MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2015 AND 2014

	2015	2014
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 44,863	$ 53,113
Current portion of long-term debt	1,614	885
Estimated third-party payor settlements	9,476	10,642
Total Current Liabilities	55,953	64,640
Noncurrent Liabilities		
Long-term debt	54,935	56,503
Pension and other postretirement liabilities	5,778	5,194
Self-insurance liabilities	3,803	3,701
Other	10,180	9,631
Total Noncurrent Liabilities	74,696	75,029
Total Liabilities	130,649	139,669
Net Assets		
Unrestricted	476,680	536,263
Temporarily restricted	13,865	14,185
Permanently restricted	12,160	12,053
Total Net Assets	502,705	562,501
Total Liabilities and Net Assets	$ 633,354	$ 702,170

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

THE ST. VINCENT'S MEDICAL CENTER

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(Dollars in Thousands)

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Operating Revenues		
Net patient service revenue	$ 466,454	$ 481,967
Less provision for doubtful accounts	24,067	34,098
Net patient service revenue, less provision for doubtful accounts	442,387	447,869
Other revenues	21,019	24,175
Net assets released from restrictions for operations	1,251	1,481
Total Operating Revenues	464,657	473,525
Operating Expenses		
Salaries and wages	212,209	197,629
Employee benefits	49,102	49,928
Purchased services	57,622	47,757
Professional fees	22,462	22,437
Supplies	56,902	56,765
Insurance	9,002	5,760
Interest	1,791	1,818
Depreciation and amortization	25,344	27,483
Provider tax	18,202	16,167
Other	33,059	32,356
Total Operating Expenses Before Non-Recurring Losses	485,695	458,100
(Loss) Income from Operations Before Non-Recurring Losses	(21,038)	15,425
Non-Recurring Losses	--	(946)
(Loss) Income from Operations	(21,038)	14,479
Nonoperating (Losses) Gains		
Investment return, net	(12,124)	22,642
Other	440	--
Total Nonoperating (Losses) Gains, net	(11,684)	22,642
(Deficiency) Excess of Revenues and Gains Over Expenses and Losses	(32,722)	37,121

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

THE ST. VINCENT’S MEDICAL CENTER

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)

(Dollars in Thousands)

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Unrestricted Net Assets		
(Deficiency) excess of revenues and gains over expenses and losses	$ (32,722)	$ 37,121
Transfers to System, parent, and affiliated entities, net	(27,837)	(14,257)
Net assets released from restrictions for property acquisitions	--	(275)
Pension and other postretirement liability adjustments	976	198
(Decrease) Increase in Unrestricted Net Assets	(59,583)	22,787
Temporarily Restricted Net Assets		
Contributions	1,264	1,215
Net assets released from restrictions	(1,251)	(1,206)
Other	(33)	(43)
Change in temporarily restricted interest in The St. Vincent's Medical Center Foundation, Inc.	(300)	1,441
(Decrease) Increase in Temporarily Restricted Net Assets	(320)	1,407
Permanently Restricted Net Assets		
Change in permanently restricted interest in The St. Vincent's Medical Center Foundation, Inc.	107	539
(Decrease) Increase in Net Assets	(59,796)	24,733
Net Assets - Beginning	562,501	537,768
Net Assets - Ending	$ 502,705	$ 562,501

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

THE ST. VINCENT'S MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (59,796)	$ 24,733
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	25,344	27,483
Pension and other postretirement liability adjustments	(976)	(198)
Restricted contributions and net investment return	(1,264)	(1,215)
Net change in unrealized losses (gains) on investments	18,010	(5,755)
Increase in interest in The St. Vincent's Medical Center Foundation, Inc.	193	(1,980)
Transfers to System, parent, and affiliated entities, net	27,837	14,257
Changes in operating assets and liabilities:		
Interest in investments held by Ascension	49,951	(3,537)
Accounts receivable, net	(2,903)	(11,546)
Advances to parent and affiliated entities	(42,329)	(7,713)
Advances from parent and affiliated entities	37,054	8,131
Inventories and other current assets	210	4,496
Accounts payable and accrued liabilities	(8,250)	(4,441)
Estimated third-party payor settlements	(1,166)	4,961
Pension and other postretirement liabilities	6,306	(7,590)
Other noncurrent liabilities	651	1,131
Net Cash Provided by Operating Activities	48,872	41,217
Cash Flows from Investing Activities		
Property and equipment additions	(14,252)	(8,178)
Software in development	(2,268)	(17,646)
Decrease in assets limited as to use - temporarily restricted	20	34
Increase in other assets	(3,104)	(1,968)
Net Cash Used in Investing Activities	(19,604)	(27,758)

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

THE ST. VINCENT'S MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash Flows from Financing Activities		
Transfers to System, parent and affiliated entities, net	$ (26,861)	$ (14,059)
Restricted contributions and net investment return	1,264	1,215
Repayments of long-term debt	(839)	(1,913)
Net Cash Used in Financing Activities	(26,436)	(14,757)
Net Change in Cash and Cash Equivalents	2,832	(1,298)
Cash and Cash Equivalents - Beginning	2,477	3,775
Cash and Cash Equivalents - Ending	$ 5,309	$ 2,477

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

NOTE 1 – ORGANIZATION AND MISSION

ORGANIZATIONAL STRUCTURE

The St. Vincent's Medical Center (Medical Center), a subsidiary of its parent St. Vincent's Health Services Corporation (SVHS), is a member of Ascension Health. In December 2011, Ascension Health Alliance, doing business as Ascension, became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 23 states and the District of Columbia. In addition to serving as the sole corporate member of Ascension Health, Ascension serves as the member or shareholder of various other subsidiaries. Ascension, its subsidiaries, and the Health Ministries are referred to collectively, from time to time hereafter, as the System.

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person. The Participating Entities of Ascension Sponsor are the Daughters of Charity of St. Vincent de Paul, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. - American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi - US/Caribbean Province.

Effective January 1, 2016, St. Vincent's Health Services Corporation distributed its membership interest in St. Vincent's Medical Center to Ascension Health, and Ascension Health contributed its membership interest in St. Vincent's Health Services Corporation to St. Vincent's Medical Center. Upon the effectiveness of these transactions, Ascension Health became the sole member to St. Vincent's Medical Center, and St. Vincent's Medical Center became the sole member of St. Vincent's Health Services Corporation.

The Medical Center is a nonprofit hospital system, consisting of an acute care hospital located in Bridgeport, Connecticut and a behavioral health hospital located in Westport, Connecticut. The Medical Center provides inpatient, outpatient, and emergency care services for residents of the Greater Bridgeport area and its neighboring towns. Admitting physicians are primarily practitioners in the local area. Subsidiaries of the Medical Center include the St. Vincent's Multispecialty Group, Inc. (Multispecialty Group) and The St. Vincent's College, Inc. (College). The Multispecialty Group, a nonprofit subsidiary of the Medical Center, is a consolidated group of primary care and specialty physicians and allied health professionals providing services to the Medical Center and the community. The College, a nonprofit subsidiary of the Medical Center, is an institution of higher learning that offers bachelor degrees in nursing and radiologic sciences, associate degrees in nursing,

NOTE 1 – ORGANIZATION AND MISSION (CONTINUED)

ORGANIZATIONAL STRUCTURE (CONTINUED)

radiography, medical assisting, and general studies, as well as certificate programs in multiple health care fields.

The Medical Center is related to Ascension Health's other sponsored organizations through common control. Substantially all expenses of Ascension Health are related to providing health care services.

St. Vincent's Health Partners, Inc. (SVHP), a physician-hospital organization, was incorporated in 2012 as a taxable Connecticut nonstock corporation. The Medical Center owns fifty percent (50%) of the membership interest in SVHP and accounts for this interest under the equity method of accounting. Physician members own the other fifty percent (50% of the membership interest in SVHP. SVHP's physician members include all physicians employed by Multispecialty Group and community physicians who are members of the Medical Center's medical staff. SVHP had a negative equity balance as of September 30, 2015 and 2014.

The accompanying consolidated financial statements include the accounts of the Medical Center, the Multispecialty Group, and the College. All significant intercompany transactions have been eliminated in consolidation.

MISSION

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

NOTE 1 – ORGANIZATION AND MISSION (CONTINUED)

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care to persons living in poverty and other community benefit programs. The cost of providing care to persons living in poverty and other community benefit programs is estimated using internal cost data and is estimated by reducing charges forgone by a factor derived from the ratio of total operating expenses to billed charges for patient care. Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

The amount of traditional charity care provided, determined on the basis of cost, was approximately $7,167 and $5,600 for the years ended September 30, 2015 and 2014, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

All corporations and other entities for which operating control is exercised by the Medical Center are consolidated and all significant inter-entity transactions have been eliminated in consolidation.

USE OF ESTIMATES

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments are disclosed in the Fair Value Measurements note and the Long-Term Debt note.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less. Cash and cash equivalents are held at a limited number of financial institutions and at times, the amounts on deposit exceed insured limits.

The Medical Center has cash in various financial institutions that insure deposits up to $250 per depositor through the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of FDIC coverage are not insured and thereby represent a credit risk to the Medical Center. At September 30, 2015, there were approximately $4,300 of uninsured deposits.

INTEREST IN INVESTMENTS HELD BY ASCENSION, INVESTMENTS, AND INVESTMENT RETURN

As of September 30, 2015 and 2014, the Medical Center has an interest in investments held by Ascension, which is reflected in the accompanying Consolidated Balance Sheets, and represents the Medical Center's pro rata share of Ascension's investment interest in the Ascension Alpha Fund, LLC (Alpha Fund). Ascension has an investment interest in the Alpha Fund, as a member of the Alpha Fund, and invests funds in the Alpha Fund on behalf of the Medical Center. Ascension Investment Management, LLC (AIM), a wholly owned subsidiary of Ascension, acts as manager and serves as the principal investment advisor for the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management.

The Medical Center also invests in cash and cash equivalents; U.S. government obligations; corporate and foreign fixed income investments; asset-backed securities; equity investments; and alternative investments which are locally managed. Substantially all of these funds are held by The St. Vincent's Medical Center Foundation, Inc. (Foundation), where the Medical Center has a beneficial interest in the Foundation's net assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Medical Center reports its interest in investments held by Ascension in the accompanying Consolidated Balance Sheets as long-term. The Medical Center reports its other investments, including Foundation investments, in the accompanying Consolidated Balance Sheets based upon the long or short term nature of the investments and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of the Medical Center.

The Medical Center's investments are measured at fair value and are classified as trading securities. The Alpha Fund's investments include pooled short-term investment funds; U.S. government, state, municipal and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. The Alpha Fund's investments also include alternative investments and other investments, which are valued based on the net asset value of the investments. In addition, the Alpha Fund participated in securities lending transactions whereby a portion of its investments were loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of interest on the Medical Center's cash and cash equivalents, as well as the Medical Center's return on its interest in investments held by Ascension, and are reported as nonoperating (losses) gains in the accompanying Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law, which are reported as changes to restricted net assets.

INVENTORIES

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out (FIFO), or a methodology that closely approximates FIFO.

INTEREST IN THE ST. VINCENT'S MEDICAL CENTER FOUNDATION, INC.

The interest in the Foundation represents the Medical Center's interest in the net assets of the Foundation and the Medical Center records changes in its share of the Foundation's net assets as a component of the change in net assets. This interest is accounted for in accordance with Accounting Standards Codification (ASC) 958-20, *Beneficiary's Recognition of Interest in a Financially Interrelated Recipient Entity*.

(Dollars in Thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS

Intangible assets primarily consist of goodwill and capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Goodwill is included in other assets on the accompanying Consolidated Balance Sheets. Intangible assets are comprised of the following:

	2015	2014
Capitalized computer software costs	$ 45,699	$ 42,598
Less: accumulated amortization	24,651	19,051
Capitalized computer software costs, net	21,048	23,547
Software under development	1,918	2,751
Goodwill	3,205	1,709
Total intangible assets, net	$ 26,171	$ 28,007

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets for the years ended September 30, 2015 and 2014 was $5,600 and $5,743, respectively.

In January 2013, the Medical Center abandoned its implementation of several software upgrades to its current electronic medical record and patient revenue systems and decided to implement replacement systems. The expected useful lives for the remaining capitalized computer software costs related to those systems were shortened to expected lives of 16 to 28 months to reflect the expected remaining period the systems would remain in use. Accelerated amortization expense for the years ended September 30, 2015 and 2014 was $8 and $1,250, respectively.

Several capital projects have remaining software purchase commitments of $1,893 as of September 30, 2015.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at fair value at the date of the gift.

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2015 and 2014 was $19,744 and $21,740, respectively.

Estimated useful lives by asset category are as follows: land improvements - 10 to 15 years; buildings 15 to 40 years; and equipment 5 to 20 years. Interest costs incurred as part of related construction are capitalized during the period of construction. No interest was capitalized during 2015 or 2014.

Several capital projects have remaining construction and related equipment purchase commitments of approximately $6,154 as of September 30, 2015.

The Medical Center recognizes the fair value of asset retirement obligations, including conditional asset retirement obligations, if the fair value can be reasonably estimated, in the period in which the liability is incurred. Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement, as well as contractually required asset retirement obligations. Conditional asset retirement obligations are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. Subsequent to initial recognition, accretion expense is recognized until the asset retirement liability is estimated to be settled.

The Medical Center's most significant asset retirement obligation relates to required future asbestos remediation of physical plant and buildings constructed prior to 1975. Asset retirement obligations of $128 as of September 30, 2015 and 2014 are recorded in other noncurrent liabilities in the accompanying Consolidated Balance Sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations.

During 2015 and 2014, no retirement obligations were incurred or settled.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those assets whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowments funds, are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

CONTRIBUTIONS, BEQUESTS, AND GRANTS

Unrestricted contributions, bequests, and grants are included in operating revenues when pledged or received and donor restricted items are reflected as additions to net asset balances. Restricted expenditures are transferred to the unrestricted net asset balance if used for capital additions, reported as net assets released from restrictions for operations if used for operating purposes, or reported as an offset to revenue deductions if used for charity care.

PERFORMANCE INDICATOR

The performance indicator is the (deficiency) excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include transfers to or from System, parent, and affiliated entities, net assets released from restrictions for property acquisitions, and pension and other postretirement liability adjustments.

OPERATING AND NONOPERATING ACTIVITIES

The Medical Center's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, and other health care and educational services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the Medical Center's primary mission are considered to be nonoperating, consisting primarily of gains on invested funds and gains or losses on other investments.

(Dollars in Thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE, ACCOUNTS RECEIVABLE, AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following table summarizes net revenue from services to patients:

	2015	2014
Gross patient service revenue	$ 1,431,622	$ 1,285,467
Deductions		
Allowances	943,281	786,235
Charity care	21,887	17,265
Net patient service revenue	$ 466,454	$ 481,967

Supplemental payments received from the State of Connecticut of $9,934 and $14,230 for the years ended September 30, 2015 and 2014, respectively, have been included in net patient service revenue above.

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. The Medical Center recognizes patient service revenue at the time services are rendered, even though the patient's ability to pay may not be completely assessed at that time. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by approximately $7,091 and $14,509 for the years ended September 30, 2015 and 2014, respectively.

The Connecticut Medicaid inpatient hospital reimbursement model of interim per diem rates and case rate settlements was transitioned to an All Patient Refined Diagnosis Related Group System (APR-DRG) where payments were established prospectively for inpatients admitted on or after January 1, 2015. Connecticut Medicaid outpatient hospital reimbursement will move from the current system of reimbursement based on Revenue Center Codes to a prospective payment system based on the complexity of services performed.

(Dollars in Thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The percentage of net patient service revenue earned by payor for the years ended September 30 is as follows:

	2015	2014
Medicare	39 %	43 %
Medicaid	13 %	13 %
HMOs	22 %	29 %
Commercial	18 %	14 %
Self-pay and other	8 %	1 %
	100 %	100 %

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable, less allowance for doubtful accounts, at September 30, 2015 and 2014 are as follows:

	2015	2014
Medicare	30 %	37 %
Medicaid	16 %	12 %
HMOs	14 %	22 %
Commercial	30 %	20 %
Self-pay and other	10 %	9 %
	100 %	100 %

The provision for doubtful accounts is based upon management's assessment of expected net collections considering historical experience, economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Medical Center follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with the Medical Center's policies.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year.

ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS

The American Recovery and Reinvestment Act of 2009 (ARRA) included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments were available to providers that adopted, implemented, or upgraded certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

The Medical Center accounts for HITECH incentive payments as a gain contingency. Income from Medicare incentive payments is recognized as revenue after the Medical Center has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended. The Medical Center recognizes incentive payments as revenues when qualifying patient volume thresholds and meaningful use objectives have been met for the applicable reporting period. Incentive payments totaling $234 and $2,250 for the years ended September 30, 2015 and 2014, respectively, are included in total operating revenues in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Medical Center's compliance with the meaningful use criteria is subject to audit by the federal government.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT AND NONRECURRING LOSSES

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

During the year ended September 30, 2014, the Medical Center recorded costs associated with a workforce reduction of $946. The amount was comprised primarily of severance compensation, outplacement costs and estimated future unemployment compensation. There were no such costs recorded by the Medical Center during the year ended September 30, 2015.

HEALTH MINISTRY INCOME TAXES

The Medical Center, Multispecialty Group, and the College are tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and their related income is exempt from federal income tax under Section 501(a). The Medical Center accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management has analyzed the tax positions taken and has concluded that as of September 30, 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Medical Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Medical Center is no longer subject to income tax examinations prior to 2012.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REGULATORY COMPLIANCE

The Medical Center is required to file annual operating information with the State of Connecticut Office of Health Care Access (OHCA).

In the ordinary course of business, various federal and state agencies have initiated investigations regarding reimbursements claimed by the Medical Center. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of these investigations will not have a material adverse impact on the consolidated financial statements of the Medical Center.

RECLASSIFICATIONS

Certain reclassifications were made to the 2014 consolidated financial statements to conform to the 2015 presentation.

SUBSEQUENT EVENTS

The Medical Center evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended September 30, 2015, the Medical Center evaluated subsequent events through January 27, 2016, representing the date on which the financial statements were available to be issued. During this period, there were no material subsequent events that required recognition or disclosure in the consolidated financial statements other than the changes in organizational structure disclosed in Note 1 – Organization and Mission.

(Dollars in Thousands)

NOTE 3 – CASH AND CASH EQUIVALENTS, INTEREST IN INVESTMENTS HELD BY ASCENSION, ASSETS LIMITED AS TO USE, AND OTHER LONG-TERM INVESTMENTS

At September 30, 2015 and 2014, the Medical Center's investments are comprised of its interest in investments held by Ascension and certain other investments, including investments held and managed by the Foundation. Assets limited as to use primarily include investments restricted by donors. The Medical Center's cash and cash equivalents, interest in investments held by Ascension, and assets limited as to use (primarily Foundation) and other long-term investments are reported in the accompanying Consolidated Balance Sheets as presented in the following table as of September 30:

	2015	2014
Cash and cash equivalents	$ 5,309	$ 2,477
Interest in investments held by Ascension	295,151	363,112
Assets limited as to use temporarily and permanently restricted	26,025	26,238
Other long-term investments	312	312
	$ 326,797	$ 392,139

As of September 30, 2015 and 2014, the composition of cash and cash equivalents, interest in investments held by Ascension and assets limited as to use and other long-term investments is summarized as follows:

	2015	2014
Cash and cash equivalents	$ 5,309	$ 2,477
Interest in investments held by Ascension	295,151	363,112
Other assets limited as to use	26,025	26,238
Unrestricted interest in the Foundation	312	312
	$ 326,797	$ 392,139

(Dollars in Thousands)

NOTE 3 – CASH AND CASH EQUIVALENTS, INTEREST IN INVESTMENTS HELD BY ASCENSION, ASSETS LIMITED AS TO USE, AND OTHER LONG-TERM INVESTMENTS (CONTINUED)

As of September 30, 2015 and 2014, the composition of interest in investments held by Ascension is as follows:

	2015	2014
Cash, cash equivalents and short-term investments	3.0%	2.3%
U.S. government obligations	21.2%	22.9%
Asset-backed securities	6.3%	6.4%
Corporate and foreign fixed income investments	12.0%	10.5%
Equity securities	18.8%	19.0%
Alternative investments and other investments		
Private equity and real estate funds	9.5%	7.8%
Hedge funds	20.2%	23.3%
Commodities funds and other investments	9.0%	7.8%
	100.0%	100.0%

As of September 30, 2015 and 2014, the composition of total Foundation investments is as follows:

	2015	2014
Cash, cash equivalents and short-term investments	13.5%	11.1%
U.S. government obligations	2.3%	1.5%
Asset-backed securities	2.2%	2.1%
Corporate and foreign fixed income investments	12.9%	14.9%
Equity, private equity and other investments	69.1%	70.4%
	100.0%	100.0%

(Dollars in Thousands)

NOTE 3 – CASH AND CASH EQUIVALENTS, INTEREST IN INVESTMENTS HELD BY ASCENSION, ASSETS LIMITED AS TO USE, AND OTHER LONG-TERM INVESTMENTS (CONTINUED)

Investment return for the years ended September 30, 2015 and 2014 recognized by the Medical Center is summarized as follows:

	2015	2014
Return on interest in investments held by Ascension	$ (12,124)	$ 22,642
Total investment return, net	$ (12,124)	$ 22,642
Investment return included in nonoperating (losses) gains	$ (12,124)	$ 22,642
Total investment return, net	$ (12,124)	$ 22,642

NOTE 4 – FAIR VALUE MEASUREMENTS

The Medical Center categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The Medical Center's assessment of the significance of a particular input value to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Ascension, the Medical Center, the College and the Foundation follow the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1: Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date.

Level 2: Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar investments in active markets or exchanges or prices quoted for identical or similar investments in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

As of September 30, 2015 and 2014, the assets and liabilities utilize the following valuations techniques and inputs:

Cash and cash equivalents and short-term investments

Cash and cash equivalents and additional short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates. Short-term investments designated as Level 2 investments are primarily comprised of commercial paper, whose fair value is based on amortized cost. Significant observable inputs include security cost, maturity, and credit rating, interest rate and par value.

Pooled short-term investment funds

The fair value of pooled short-term investment funds is based on cost plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying the annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

U.S. government, state, municipal and agency obligations

The fair value of investments in U.S. government, state, municipal and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Corporate and foreign fixed income securities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Asset-backed securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Equity securities

The fair value of investments in U.S. and international equity securities is primarily determined using techniques consistent with the income approach. The values for underlying investments are fair value estimates determined by external fund managers based on quoted market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

Alternative investments and other investments

Alternative investments consist of private equity, hedge funds, private equity funds, commodity funds, and real estate partnerships. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on Ascension's, the Medical Center's, and the Foundation's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

The fair value of hedge funds, private equity funds, commodity funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth and other business and market sector fundamentals.

Derivative assets and liabilities

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

As discussed in the Significant Accounting Policies and the Cash and Cash Equivalents, Interest in Investments Held by Ascension, Assets Limited as to Use, and Other Long-Term Investments notes, the Medical Center and College have an interest in investments held by Ascension and certain other investments such as those investments held and managed by the Foundation.

As of September 30, 2015, 35%, 63%, and 2% of the total Alpha Fund assets that were measured at fair value on a recurring basis were measured based on Level 1, Level 2 and Level 3 inputs, respectively, while 100%, 0%, and 0% of total Alpha Fund liabilities that were measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2, and Level 3 inputs, respectively. As of September 30, 2014, 35%, 64%, and 1% of the total Alpha Fund assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2 and Level 3 inputs, respectively, while 100% of total Alpha Fund liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 2 inputs.

As of September 30, 2015, 74%, 10%, and 16% of the total assets held by the Foundation on behalf of the Medical Center and College that are measured at fair value on a recurring basis were measured based on Level 1, Level 2 and Level 3 inputs, respectively. As of September 30, 2014, 77%, 7% and 16% of the total assets held by the Foundation on behalf of the Medical Center and College that are measured at fair value on a recurring basis were measured based on Level 1, Level 2 and Level 3 inputs, respectively. There were no liabilities of the Foundation that were measured at fair value on a recurring basis in 2015 and 2014.

(Dollars in Thousands)

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following at September 30:

	2015	2014
State of Connecticut Health and Educational Facilities Authority (CHEFA), Variable Rate Demand Revenue Bonds (Ascension Health Credit Group), Series 1999B payable through November 2029; subject to a fixed rate of interest through February 1, 2017; interest (1.55% at September 30, 2015) set at prevailing market rates	$ 27,900	$ 28,540
Intercompany debt with Ascension, payable in installments through November 2053; interest (2.975% and 3.195% at September 30, 2015 and 2014, respectively) adjusted based on prevailing blended market interest rate of underlying debt obligations	28,649	28,848
	56,549	57,388
Less current portion of long-term debt	1,614	885
	$ 54,935	$ 56,503

Scheduled principal repayments of long-term debt are as follows:

Year ending September 30,	
2016	$ 1,614
2017	1,757
2018	1,758
2019	1,898
2020	2,004
Thereafter	47,518
	$ 56,549

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Certain members of Ascension formed the Ascension Health Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, senior designated affiliate, or senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension. Though senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI, Ascension may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including repayment of the outstanding obligations. Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation. The Medical Center is a senior obligated group member under the terms of the Senior MTI.

In November 1999, the Credit Group issued $2,365,725 of Hospital Revenue Bonds Series 1999 Bonds (1999 Bonds) through eleven different issuing authorities in nine states. The Bonds of each series were issued pursuant to separate Bond Indentures, each dated as of November 1, 1999, between the related issuer of such series and the Bond Trustee for each series. The proceeds of each series of bonds were loaned by the related issuer to Ascension (or, solely with respect to the Connecticut Bonds, the Connecticut Borrowers, (the Medical Center and Hall-Brooke Behavioral Health Services, Inc. (Hall-Brooke)) pursuant to separate Loan Agreements, each dated as of November 1, 1999, between the related issuer of such series and Ascension (or, solely with respect to the Connecticut Bonds, a Connecticut Borrower). The proceeds of the Connecticut bonds were loaned to the Medical Center and Hall-Brooke and were used to refund the CHEFA Variable Rate Demand Revenue Bonds (Charity Obligated Group) St. Vincent's Medical Center/Hall-Brooke Issue, Series 1999B.

Ascension, in its capacity of managing the System's debt program, has committed to making loans to the Corporation through November 15, 2029 in amounts ranging from $568 to $884, annually with repayment to occur in annual installments ranging from $834 to $2,515, from November 2030 through November 2053.

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designated affiliates and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension. Though subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, Ascension may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with Ascension, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation. The Medical Center is a subordinate obligated group member under the terms of the Subordinate MTI.

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper, and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members subject to a long-term amortization schedule of 1 to 38 years.

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions. Additionally, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities. Any gain or loss on refinancing, as well as any bond premiums or discounts, are allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations. Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member.

The carrying amounts of intercompany debt with Ascension and other debt approximate fair value based on a portfolio market valuation provided by a third party.

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

As of September 30, 2015, the Senior Credit Group has two lines of credit totaling $1 billion. The first line of credit totals $500 million which may be used as a source of funding for unremarketed variable rate debt (including commercial paper) or for general corporate purposes. The second line of credit totals $500 million which may be used for general corporate purposes. Both lines of credit are committed to November 3, 2017 and as of September 30, 2015 and 2014, there were no borrowings under either line of credit.

As of September 30, 2015, the Subordinate Credit Group had a $75,000 revolving line of credit related to its letters of credit program. This line of credit has been increased to $100,000 and has been extended to November 24, 2016. As of September 30, 2015 and 2014, $54,614 and $59,620, respectively, of letters of credit had been extended under the revolving line of credit, although there were no borrowings under any of the letters of credit.

The outstanding principal amount of all hospital revenue bonds is $5.0 billion, which represents 39% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at September 30, 2015.

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and similar transactions. The term of the guarantee is equal to the term of the related debt which can be as short as 30 days or as long as 25 years. The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees and other commitments at September 30, 2015 is approximately $385,319.

During the years ended September 30, 2015 and 2014, interest paid was approximately $1,791 and $1,818, respectively. There was no capitalized interest in 2015 or 2014.

NOTE 6 – ENDOWMENTS

The Medical Center's endowments consist of approximately 100 funds established for a variety of purposes. These endowments consist of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. The endowment funds are held by the Foundation and investment decisions are made by the Foundation, with the Medical Center determining the amount of endowment assets investment returns to be appropriated for spending.

NOTE 6 – ENDOWMENTS (CONTINUED)

The Medical Center's Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and, if applicable, (c) accumulations to the permanent endowment made in accordance with the related gift's donor instructions. 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 Medical Center in a manner consistent with the standard for expenditure as proscribed by Connecticut UPMIFA.

In accordance with Connecticut UPMIFA, the Medical Center considers the following factors in making determinations to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.
(2) The purposes of the Medical Center and the donor-restricted endowment fund.
(3) General economic conditions.
(4) The possible effect of inflation and deflation.
(5) The expected total return from income and the appreciation of investments.
(6) Other resources of the Medical Center.
(7) The investment policies of the Foundation.

ENDOWMENT FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Connecticut UPMIFA requires the Medical Center to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in unrestricted net assets as of September 30, 2015 and 2014.

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation, in consultation with the Medical Center's Board of Trustees, has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Medical Center must hold in perpetuity or for a donor-specified period. Under these policies, endowment assets are invested in a manner that is intended to

NOTE 6 – ENDOWMENTS (CONTINUED)

RETURN OBJECTIVES AND RISK PARAMETERS (CONTINUED)

produce a real return, net of inflation and investment management costs. The Medical Center expects its endowment funds, over time, to provide an average annual rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Medical Center relies on the Foundation's total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Medical Center has a policy of evaluating the spending decisions for each endowment fund based upon the intentions of the donors and specific contractual agreements. In determining the annual amount to be spent, the Medical Center considers the long-term expected return on its endowment. Accordingly, over the long-term, the Medical Center expects the current spending policy to allow its endowment to grow at the average rate of inflation and investment fees annually. This is consistent with the Medical Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as, to provide additional real growth through new gifts and investment return.

(Dollars in Thousands)

NOTE 6 – ENDOWMENTS (CONTINUED)

CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	$ --	$ 3,190	$ 12,053	$ 15,243
Investment return:				
Investment income	--	177	--	177
Net depreciation (realized and unrealized)	--	(321)	--	(321)
Total investment return	--	(144)	--	(144)
Contributions	--	10	107	117
Appropriation of endowment assets for expenditures	--	(319)	--	(319)
Endowment net assets, ending	$ --	$ 2,737	$ 12,160	$ 14,897

CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	$ --	$ 2,238	$ 11,514	$ 13,752
Investment return:				
Investment income	--	215	--	215
Net appreciation (realized and unrealized)	--	994	--	994
Total investment return	--	1,209	--	1,209
Contributions	--	--	539	539
Transfers	--	18	--	18
Appropriation of endowment assets for expenditures	--	(275)	--	(275)
Endowment net assets, ending	$ --	$ 3,190	$ 12,053	$ 15,243

NOTE 7 – PENSION PLANS

The Medical Center participates in the Ascension Health Pension Plan, the Ascension Health Defined Contribution Plan, and the Supplemental Executive Retirement Plan. Details of these plans are as follows.

ASCENSION HEALTH PENSION PLAN

The Medical Center participates in the Ascension Health Pension Plan (the Ascension Plan), a noncontributory defined benefit pension plan. Benefits cover all eligible employees hired prior to January 1, 2006 and are based on each participant's years of service and compensation. The Ascension Plan's assets are invested in the Ascension Health Master Pension Trust (the Trust), a master trust primarily consisting of cash and cash equivalents, equity, fixed income funds and alternative investments, consisting of various private equity, hedge funds, real estate funds, private equity funds, commodity funds, private credit funds, and certain other private funds. The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates. Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Net periodic pension income of $8,969 in 2015 and $8,633 in 2014 was recognized by the Medical Center. The service cost component of net periodic pension cost charged to the Medical Center is actuarially determined while all other components are allocated based on the Medical Center's pro rata share of Ascension Health's overall projected benefit obligation.

During the year ended September 30, 2015, the Ascension Plan updated the mortality assumption to align with the mortality tables and improvement scales released by the Society of Actuaries in the fall of 2014. This update resulted in an increase to the projected benefit obligation and is included in pension and other postretirement liabilities in the Consolidated Balance Sheets.

The assets of the Ascension Plan are available to pay the benefits of eligible employees of all participating entities. In the event participating entities are unable to fulfill their financial obligations under the Ascension Plan, the other participating entities are obligated to do so. As of September 30, 2015 and 2014, the Ascension Plan had a net unfunded liability of $203.7 million and $33.9 million, respectively. The Medical Center's allocated share of the Ascension Plan's net unfunded liability reflected in the accompanying Consolidated Balance Sheet at September 30, 2015 was a pension liability of $3,316. As a result of updating the funded status of the Plan, the Medical Center's allocated share of the Plan's net funded liability was increased by $18,989 and $1,941 during the years ended September 30, 2015 and 2014, respectively. The Medical Center's allocated share of the Ascension Plan's net unfunded liability reflected in the accompanying Consolidated Balance Sheet at

NOTE 7 – PENSION PLANS (CONTINUED)

ASCENSION HEALTH PENSION PLAN (CONTINUED)

September 30, 2014 was a pension asset of $5,722. The net asset transfers related to the Ascension Plan are included in transfers to System, parent and affiliated entities in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

As of September 30, 2015 and 2014, the fair value of the Ascension Plan's assets available for benefits was $4.04 billion and $4.18 billion, respectively. As discussed in the Fair Value Measurements note, the Medical Center, as well as the System, follows a three-level hierarchy to categorize assets and liabilities measured at fair value. In accordance with this hierarchy, as of September 30, 2015, 29%, 28%, and 1% of the Ascension Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1, Level 2 and Level 3, respectively, with 42% of assets recorded at net asset value (NAV). With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 2%, 27%, and 71% were categorized as Level 1, Level 2 and Level 3, respectively, as of September 30, 2015.

Additionally, as of September 30, 2014, 24%, 35% and 1% of the Ascension Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1, Level 2 and Level 3, respectively, with 40% of assets recorded at NAV. With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 0%, 85% and 15% were categorized as Level 1, Level 2 and Level 3, respectively, as of September 30, 2014.

As of September 30, 2015 and 2014, deferred pension costs of $32,691 and $14,684, respectively, were included as reductions of the Medical Center's unrestricted net assets, but were not yet recorded as expenditures in the Consolidated Statements of Operations and Changes in Net Assets. During the years ended September 30, 2015 and 2014, $982 and $269, respectively, of these deferred costs were amortized into expense in the Consolidated Statements of Operations and Changes in Net Assets. The amortization of these costs was also reflected as a reduction of the Medical Center's net transfer to the System.

ASCENSION HEALTH DEFINED CONTRIBUTION PLAN

The Medical Center participates in the Ascension Health Defined Contribution Plan (the Defined Contribution Plan), a contributory and noncontributory, defined contribution plan sponsored by Ascension Health which covers all eligible associates. There are three primary types of contributions to the Defined Contribution Plan: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and increase

NOTE 7 – PENSION PLANS (CONTINUED)

ASCENSION HEALTH DEFINED CONTRIBUTION PLAN (CONTINUED)

over specified periods of employee service. These benefits are funded annually and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period and participants become fully vested in all employer contributions immediately. Defined contribution expense, representing both employer automatic contributions and employer matching contributions, was $9,435 and $8,843 for the years ended September 30, 2015 and 2014, respectively.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Medical Center has a Supplemental Executive Retirement Plan (SERP) for certain executive and professional employees. The amount recorded in other liabilities as of September 30, 2015 and 2014 was $1,233 and $1,200, respectively. In 2015 and 2014, the discount rate used was 3.57% and 3.77%, respectively. The SERP is not funded.

NOTE 8 – OTHER POSTRETIREMENT BENEFITS

In addition to participation in the Ascension Plan, Defined Contribution Plan, and SERP the Medical Center sponsors a defined benefit health care plan (Health Plan) for certain employees that provides postretirement medical benefits to those employees who reach the age of 65 and satisfy certain service requirements. The Health Plan limits benefits to only current beneficiaries and current active employees who were at least age 62, with at least 7 years of service as of September 30, 2009. The Health Plan limits the Medical Center's contribution per employee to twelve hundred dollars per annum. The Health Plan is not funded.

(Dollars in Thousands)

NOTE 8 – OTHER POSTRETIREMENT BENEFITS (CONTINUED)

Significant disclosures relating to the Health Plan as of the measurement date (September 30) are as follows:

	2015	2014
Change in benefit obligation		
Benefit obligation, beginning	$ (2,346)	$ (2,424)
Interest cost	(96)	(112)
Actuarial losses	(6)	(71)
Benefits paid	274	261
Benefit obligation, ending	$ (2,174)	$ (2,346)
Change in plan assets		
Fair value of plan assets, beginning	$ --	$ --
Employer contributions	274	261
Benefits paid	(274)	(261)
Fair value of plan assets, ending	$ --	$ --
Funded status	$ (2,174)	$ (2,346)
Unrecognized gain	--	--
Accrued benefit cost	$ (2,174)	$ (2,346)

	2015	2014
Components of net periodic cost (benefit)		
Interest cost	$ 96	$ 112
Net amortization and deferral	--	(1)
Net periodic cost	$ 96	$ 111
Assumption		
Discount rate	4.34%	4.34%

(Dollars in Thousands)

NOTE 8 – OTHER POSTRETIREMENT BENEFITS (CONTINUED)

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic other postretirement benefit cost:

	2015	2014
Unrecognized actuarial gains	$ 176	$ 184

Changes in benefit obligations recognized in unrestricted net assets include:

	2015	2014
Current year actuarial losses	$ (8)	$ (71)
Amortization of actuarial gains	--	1
	$ (8)	$ (70)

There are no actuarial gains included in unrestricted net assets that are expected to be recognized as a reduction of net periodic cost during the year ending September 30, 2016.

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

Year ending September 30,	
2016	$ 230
2017	224
2018	215
2019	205
2020	195
2021-2025	815

Also, the Medical Center sponsored a sick leave plan (Sick Plan) for employees who reached the age of 55 and satisfied certain service requirements. The Sick Plan was terminated during the year ended September 30, 2015 and the Medical Center paid employees the vested Sick Plan balance of $4,525. As of September 30, 2014, the Sick Plan liability of $2,759 was included in pension and other postretirement liabilities in the Consolidated Balance Sheet.

NOTE 9 – SELF-INSURANCE PROGRAMS

The Medical Center participates in pooled risk programs to insure substantially all professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2015 and 2014. In the event that sufficient funds are not available from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency. If contributions exceed the losses paid, the excess may be returned to participating entities.

PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Medical Center participates in Ascension's professional and general liability self-insured program which most commonly provides claims-made coverage through a wholly owned on-shore trust and offshore captive insurance company, Ascension Health Insurance, Ltd. (AHIL), with a self-insured retention up to $10,000 per occurrence with no aggregate. The Medical Center has a deductible of $100 per claim. Excess coverage is provided through AHIL, with limits up to $205,000 for 2015 and 2014. AHIL retains $5,000 per incident and $5,000 annual aggregate for professional liability (effective July 1, 2014, AHIL retains a 75% quota share of $5,000 per incident and $5,000 annual for professional liability). AHIL also retains a 20% quota share of the first $25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is professional and general liability expense of $1,042 and $3,115 for the years ended September 30, 2015 and 2014, respectively. For the years ended September 30, 2015 and 2014, the expense has been reduced by $700 and $932, respectively, of excess premiums previously retained by Ascension's professional and general liability self-insured program which have been returned to the Health Ministry. Included in current liabilities and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are liabilities for deductibles and reserves for claims incurred but not yet reported of approximately $6,176 and $5,724 at September 30, 2015 and 2014, respectively.

NOTE 9 – SELF-INSURANCE PROGRAMS (CONTINUED)

WORKERS' COMPENSATION

The Medical Center participates in Ascension's workers' compensation program which provides occurrence coverage through a grantor trust. Effective July 1, 2014, the trust provides coverage up to $1,500 per occurrence with no aggregate ($1,000 per occurrence for the period from October 1, 2013 to June 30, 2014). On July 1, 2011, the Medical Center implemented a $100 deductible per claim, with no aggregate, thereby assuming responsibility for indemnity and expenses for each and every claim occurring and reported after that date, up to the deductible amount. The trust provides a mechanism for funding the workers' compensation obligations of its members. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is workers' compensation expense of $599 and $1,104 for the years ended September 30, 2015 and 2014, respectively. Included in current liabilities on the accompanying Consolidated Balance Sheets are workers' compensation loss reserves of $856 and $1,176 at September 30, 2015 and 2014, respectively.

HEALTH INSURANCE

The Medical Center participates in the Ascension self-insured plan for employee health care benefits. Stop-loss coverage for medical and pharmaceutical claims in excess of $110 and $200, respectively, per participant per calendar year is shared between the participating members of the Ascension self-insured plan. Stop-loss coverage for all medical and pharmaceutical claims in excess of $1,000 per participant per calendar year is commercially insured. The Medical Center accrues a liability for employee health care by charging the Consolidated Statements of Operations and Changes in Net Assets for certain known claims and reasonable estimates for incurred but not reported claims based on claims experience. The amount of actual losses could differ from estimates recognized.

(Dollars in Thousands)

NOTE 10 – LEASE COMMITMENTS

Future minimum payments under noncancellable operating leases with terms of one year or more are as follows:

Year ending September 30,		
2016	$	3,794
2017		3,261
2018		2,626
2019		2,299
2020		1,726
Thereafter		5,130
	$	18,836

Rental expense under operating leases amounted to $8,345 and $7,462 in 2015 and 2014, respectively.

NOTE 11 – RELATED-PARTY TRANSACTIONS

The Medical Center utilized various centralized programs and overhead services of the System or its other sponsored organizations including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to the Medical Center for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of the Medical Center. Allocations are based on relevant metrics such as the Medical Center's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of the System. The amounts charged to the Medical Center for these services may not necessarily result in the net costs that would be incurred by the Medical Center on a stand-alone basis. The Medical Center then allocates a portion of such costs to all the affiliated entities based on a pro-rata share of operating expenses. The charges allocated to the Medical Center, net of $545 and $164 allocated to affiliated entities, were approximately $6,790 and $7,261 for the years ended September 30, 2015 and 2014, respectively.

Prior to July 1, 2013, the allocated charges were reported as purchased services on the accompanying Consolidated Statements of Operations and Changes in Net Assets. Effective July 1, 2013, a portion of the allocated charges were reported as transfers to System, parent, and affiliated entities, net, in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Charges of $4,710 and $5,445 were recorded as transfers for the years ended September 30, 2015 and 2014, respectively.

NOTE 11 – RELATED-PARTY TRANSACTIONS (CONTINUED)

In addition, the System is in the process of implementing a System-wide information technology and process standardization project that is expected to be fully implemented by June 30, 2016. SVHS' implementation was completed in September 2013. The Medical Center has been and will continue to be allocated its share of the costs to fund this project. The Medical Center then allocates such funding to all affiliated entities based on a pro-rata share of operating expenses. The Medical Center made payments to the System, net of funding allocated to affiliated entities, of $3,627 and $5,373 for the years ended September 30, 2015 and 2014, respectively. These payments are included in transfers to System, parent, and affiliated entities, net, in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

With the implementation of the project, the System has established a shared Ministry Service Center (MSC) to manage a portion of the routine accounting, payroll and human resource services. For the years ended September 30, 2015 and 2014, the Medical Center paid $2,059 and $2,099, respectively, to the MSC as a pro-rated share of the allocated costs which are included in operating expenses.

During 2015 and 2014, the Medical Center transferred $1,466 and $1,008, respectively, to the System to fund its allocated portion of the System obligations of both the System and several of its members. The transfers are included in transfers to System, parent, and affiliated entities, net, in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

During 2015 and 2014, the Medical Center transferred $258 and $281, respectively, to the System to fund the Medical Center's allocated portion of cost associated with ministry services provided by the Daughters of Charity. The transfers are included in transfers to System, parent, and affiliated entities, net in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

During the year ended September 30, 2014, the Medical Center transferred a residential property to Development Corp. at the property's net book value of $210, which approximated the fair value of the property on the date of transfer. The transfer is included in transfers to System, parent and affiliated entities, net in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

NOTE 11 – RELATED-PARTY TRANSACTIONS (CONTINUED)

The Medical Center operates consolidated supportive functions, including information services, accounting, payroll, purchasing, human resources, security, automotive fleet and other miscellaneous services. For the years ended September 30, 2015 and 2014, the Medical Center charged affiliated entities $2,250 and $1,660 for these services, respectively, which have been reported as other operating revenues in the Consolidated Statements of Operations and Changes in Net Assets.

In addition, the Medical Center and its affiliated entities participate in the Ascension self-insured plan for employee health care benefits. The Medical Center incurs the entire costs, including actual claims experience, incurred but not reported liabilities and administrative costs. The Medical Center charges affiliated entities based on an estimated per contract premium based on level of participation. For the years ended September 30, 2015 and 2014, the Medical Center charged affiliated entities $2,939 and $2,773, respectively, which have been reported as other operating revenues in the Consolidated Statements of Operations and Changes in Net Assets. The amount charged to affiliated entities may not result in the net costs that would be incurred if each affiliated entity were on a stand-alone basis.

The Medical Center leases several properties from affiliated entities for various programs and additional classroom space for the College. For the years ended September 30, 2015 and 2014, the Medical Center paid rent to affiliated entities of $1,150 and $501, respectively, which is included in operating expenses.

The Medical Center purchases facility management services from Development Corp. for management of properties other than its two main and several outpatient facilities. The Medical Center paid fees to Development Corp. of $836 and $422 for the years ended September 30, 2015 and 2014, respectively, which are included in operating expenses.

Effective July 1, 2015, facility management services were moved to a centralized program of the System. The projected impact is an elimination of management fee revenue and a corresponding reduction in purchased services, with a minimal impact on income from operations.

(Dollars in Thousands)

NOTE 11 – RELATED-PARTY TRANSACTIONS (CONTINUED)

As of September 30, 2015 and 2014, the Medical Center's amounts from (due to) System, parent and affiliated entities, net, are as follows:

	2015	2014
The St. Vincent's Special Needs Center, Inc.	$ 575	$ (410)
St. Vincent's Medical Center Foundation, Inc.	7,815	3,942
St. Vincent's Development Corporation	1,219	1,215
System	(3,207)	(3,620)
	$ 6,402	$ 1,127

The Medical Center entered into a line of credit arrangement with SVHP pursuant to which SVHP has the right to borrow up to $4,000 from the Medical Center. To secure its obligation to repay the line of credit, SVHP granted the Medical Center a security interest in all of its assets. As of September 30, 2015 and 2014, the Medical Center had outstanding balances of $3,200 and $2,000, respectively, under this line of credit and these amounts are included in other noncurrent assets in the Consolidated Balance Sheets.

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Health care services	$ 4,951	$ 4,902
Education and training	2,150	2,378
Capital	3,950	3,653
Other	2,814	3,252
	$ 13,865	$ 14,185

(Dollars in Thousands)

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets are to be held in perpetuity, the income from which is used for temporarily restricted Medical Center activities and expendable for the following purposes:

	2015	2014
Health care services	$ 6,264	$ 6,258
Education and training	2,437	2,400
Capital	1,393	1,393
Other	2,066	2,002
	$ 12,160	$ 12,053

NOTE 13 – CONTINGENCIES AND COMMITMENTS

In addition to professional liability claims, the Medical Center is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without a material adverse effect on the Medical Center's consolidated financial position.

In January 2006, the Medical Center, AHIL, and an insurance provider entered into an agreement to provide professional liability insurance for community physicians. The agreement stipulates that future actuarial gains and losses will be solely the responsibility of the Medical Center. As of September 30, 2015 and 2014, such gains and losses cannot be determined. Management expects any related adjustment will not have a material adverse effect on the Medical Center's consolidated financial position.

In March 2013, Ascension and some of its subsidiaries were named as defendants to litigation surrounding the Church Plan status of the Ascension Plan. On May 9, 2014, the United States District Court, Eastern District of Michigan, Southern Division, issued its Decision and Order Granting Defendants' Motion to Dismiss, which effectively dismissed the case against the System. On June 11, 2014, the plaintiff in the case filed a Notice of Appeal. On March 17, 2015, the Sixth Circuit granted the parties motion to stay and limited remand to the District Court to approve settlement of the lawsuit. The Medical Center does not believe that this matter would have a material adverse effect on the Medical Center's consolidated financial position or results of operations.

NOTE 13 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

In September 2010, Ascension Health received a letter from the U.S. Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICDs) were provided to certain Medicare beneficiaries in accordance with national coverage criteria. Effective June 26, 2015, the DOJ and Ascension Health entered into a Settlement Agreement, thereby settling all issues alleged as part of the investigation. The release in the Settlement Agreement extends through March 31, 2015 and includes all of Ascension Health's individual hospitals subject to the investigation.

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
The St. Vincent's Medical Center

We have audited the consolidated financial statements of The St. Vincent's Medical Center as of and for the years ended September 30, 2015 and 2014, and have issued our report dated thereon January 27, 2016, which contains an unmodified opinion on those consolidated financial statements and which appears on page 1. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2015 consolidating balance sheet, the 2015 consolidating statement of operations and changes in unrestricted net assets, and the 2015 and 2014 schedules of net cost of providing care of persons living in poverty and other community benefit programs are presented for the purpose of additional analysis and are 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Marcum LLP

Hartford, CT
January 27, 2016

THE ST. VINCENT'S MEDICAL CENTER

SCHEDULE I – CONSOLIDATING BALANCE SHEET

(Dollars in Thousands)

SEPTEMBER 30, 2015

	The St. Vincent's Medical Center	The St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College, Inc.	Consolidated The St. Vincent's Medical Center
Assets				
Current Assets				
Cash and cash equivalents	$ 529	$ 4,710	$ 70	$ 5,309
Accounts receivable, less allowances for doubtful accounts of $24,900	60,164	10,328	--	70,492
Due from System, parent and affiliated entities, net	36,604	(28,923)	(1,279)	6,402
Inventories and other current assets	10,656	410	3,526	14,592
Total Current Assets	107,953	(13,475)	2,317	96,795
Interest in Investments Held by Ascension	283,140	991	11,020	295,151
Assets Limited as to Use				
Temporarily restricted	213	--	28	241
Temporarily restricted interest in The St. Vincent's Medical Center Foundation, Inc.	11,938	--	1,686	13,624
Permanently restricted	68	--	--	68
Permanently restricted interest in The St. Vincent's Medical Center Foundation, Inc.	9,854	--	2,238	12,092
Total Assets Limited as to Use	22,073	--	3,952	26,025
Unrestricted Interest in The St. Vincent's Medical Center Foundation, Inc.	--	--	312	312
Property and Equipment				
Land and improvements	8,761	--	--	8,761
Buildings and equipment	433,065	3,571	3,500	440,136
Construction in progress	6,387	1,321	31	7,739
	448,213	4,892	3,531	456,636
Less accumulated depreciation	(276,770)	(1,669)	(1,155)	(279,594)
Total Property and Equipment, net	171,443	3,223	2,376	177,042
Capitalized Software Costs, net	22,920	46	--	22,966
Other Assets	12,812	2,251	--	15,063
Total Assets	$ 620,341	$ (6,964)	$ 19,977	$ 633,354

See independent auditors' report on supplementary information.

THE ST. VINCENT'S MEDICAL CENTER

SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2015

	The St. Vincent's Medical Center	The St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College, Inc.	Consolidated The St. Vincent's Medical Center
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$ 35,262	$ 6,610	$ 2,991	$ 44,863
Current portion of long-term debt	1,614	--	--	1,614
Estimated third-party payor settlements	9,476	--	--	9,476
Total Current Liabilities	46,352	6,610	2,991	55,953
Noncurrent Liabilities				
Long-term debt	54,935	--	--	54,935
Pension and other postretirement liabilities	4,069	690	1,019	5,778
Self-insurance liabilities	2,516	1,287	--	3,803
Other	10,029	151	--	10,180
Total Noncurrent Liabilities	71,549	2,128	1,019	74,696
Total Liabilities	117,901	8,738	4,010	130,649
Net Assets (Deficit)				
Unrestricted	480,367	(15,702)	12,015	476,680
Temporarily restricted	12,151	--	1,714	13,865
Permanently restricted	9,922	--	2,238	12,160
Total Net Assets (Deficit)	502,440	(15,702)	15,967	502,705
Total Liabilities and Net Assets	$ 620,341	$ (6,964)	$ 19,977	$ 633,354

See independent auditors' report on supplementary information.

THE ST. VINCENT'S MEDICAL CENTER

SCHEDULE II – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	The St. Vincent's Medical Center	The St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College, Inc.	Eliminations	Consolidated The St. Vincent's Medical Center
Operating Revenues					
Net patient service revenue	$ 423,128	$ 43,326	$ --	$ --	$ 466,454
Less provision for doubtful accounts	20,518	3,549	--	--	24,067
Net patient service revenue, less provision for doubtful accounts	402,610	39,777	--	--	442,387
Other revenues	18,068	31,260	7,291	(35,600)	21,019
Net assets released from restrictions for operations	270	--	981	--	1,251
Total Operating Revenues	420,948	71,037	8,272	(35,600)	464,657
Operating Expenses					
Salaries and wages	157,229	49,961	5,019	--	212,209
Employee benefits	39,933	7,965	1,204	--	49,102
Purchased services	55,092	5,882	774	(4,126)	57,622
Professional fees	38,167	15,233	95	(31,033)	22,462
Supplies	55,179	1,663	190	(130)	56,902
Insurance	7,822	1,173	7	--	9,002
Interest	1,791	--	--	--	1,791
Depreciation and amortization	24,667	502	175	--	25,344
Provider tax	18,202	--	--	--	18,202
Other	26,712	5,475	1,183	(311)	33,059
Total Operating Expenses Before Non-Recurring Losses, net	424,794	87,854	8,647	(35,600)	485,695
Loss from Operations Before Non-Recurring Losses, net	(3,846)	(16,817)	(375)	--	(21,038)
Loss from Operations	(3,846)	(16,817)	(375)	--	(21,038)

See independent auditors' report on supplementary information.

THE ST. VINCENT'S MEDICAL CENTER

SCHEDULE II – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS (CONTINUED)

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	The St. Vincent's Medical Center	The St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College, Inc.	Eliminations	Consolidated The St. Vincent's Medical Center
Nonoperating (Losses) Gains					
Investment return, net	$ (11,608)	$ (71)	$ (445)	$ --	$ (12,124)
Other	366	--	74	--	440
Total Nonoperating Losses, net	(11,242)	(71)	(371)	--	(11,684)
Deficiency of Revenues and Gains Over Expenses and Losses	(15,088)	(16,888)	(746)	--	(32,722)
Unrestricted Net Assets					
Transfers to System, parent, and affiliated entities, net	(28,285)	1,018	(570)	--	(27,837)
Pension and other postretirement liability adjustments	868	50	58	--	976
Decrease in Unrestricted Net Assets	(42,505)	(15,820)	(1,258)	--	(59,583)
Unrestricted Net Assets - Beginning	522,872	118	13,273	--	536,263
Unrestricted Net Assets - Ending	$ 480,367	$ (15,702)	$ 12,015	$ --	$ 476,680

See independent auditors' report on supplementary information.

THE ST. VINCENT'S MEDICAL CENTER

SCHEDULE III – NET COST OF PROVIDING CARE OF PERSONS LIVING IN POVERTY AND COMMUNITY BENEFIT PROGRAMS

(Dollars in Thousands)

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

The net cost to the Medical Center, excluding the provision for bad debt expense, of providing care of persons living in poverty and other community benefit programs is as follows for the years ended September 30:

	2015	2014
Traditional charity care provided	$ 7,167	$ 5,600
Unpaid cost of public programs for persons living in poverty	37,674	23,850
Other programs for persons living in poverty and other vulnerable persons	4,389	4,443
Community benefit programs	5,382	6,484
Care of persons living in poverty and community benefit programs	$ 54,612	$ 40,377

See independent auditors' report on supplementary information.