ST. VINCENT'S HEALTH SERVICES
CORPORATION AND SUBSIDIARIES

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

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. Vincent's Health Services Corporation

We have audited the accompanying consolidated financial statements of St. Vincent's Health Services Corporation and Subsidiaries (the Corporation), 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 Corporation 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

ST. VINCENT’S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

SEPTEMBER 30, 2015 AND 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 7,449	$ 3,300
Accounts receivable, less allowance for doubtful accounts ($24,900 in 2015 and $26,400 in 2014)	70,492	67,589
Inventories and other current assets	18,213	21,577
Total Current Assets	96,154	92,466
Interest in Investments Held by Ascension	321,091	385,447
Board-Designated Investments and Assets Limited as to Use		
Noncurrent pledges receivable, net	628	771
Other board-designated investments	14,201	14,206
Temporarily or permanently restricted	28,284	28,513
Total Board-Designated Investments and Assets Limited as to Use	43,113	43,490
Property and Equipment		
Land and improvements	14,523	14,544
Buildings, leasehold improvements and equipment	475,278	466,204
Construction in progress	8,634	2,391
	498,435	483,139
Less accumulated depreciation	(296,408)	(275,790)
Total Property and Equipment, net	202,027	207,349
Capitalized Sofware Costs, net	22,967	26,300
Other Assets	15,956	12,797
Pension Asset	--	3,995
Total Assets	$ 701,308	$ 771,844

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

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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	$ 46,545	$ 55,277
Current portion of long-term debt	1,614	885
Due to System, net	4,223	4,483
Estimated third-party payor settlements	9,476	10,642
Other current liabilities	484	335
Total Current Liabilities	62,342	71,622
Noncurrent Liabilities		
Long-term debt	54,935	56,503
Self-insurance liabilities	3,803	3,701
Pension and other postretirement liabilities	8,113	5,194
Other liabilities	10,497	9,906
Total Noncurrent Liabilities	77,348	75,304
Total Liabilities	139,690	146,926
Net Assets		
Unrestricted	533,334	596,405
Temporarily restricted	15,414	15,750
Permanently restricted	12,870	12,763
Total Net Assets	561,618	624,918
Total Liabilities and Net Assets	$ 701,308	$ 771,844

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

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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	44,801	47,142
Net assets released from restrictions for operations	1,307	1,614
Total Operating Revenues	488,495	496,625
Operating Expenses		
Salaries and wages	225,187	209,778
Employee benefits	53,194	54,192
Purchased services	57,091	46,969
Professional fees	23,155	22,745
Supplies	57,684	57,457
Insurance	9,187	5,956
Interest	1,791	1,818
Depreciation and amortization	26,783	28,822
Provider tax	18,202	16,167
Other	35,927	35,374
Total Operating Expenses Before Non-Recurring Losses	508,201	479,278
(Loss) Income from Operations Before Non-Recurring Losses	(19,706)	17,347
Non-Recurring Losses	--	(946)
(Loss) Income from Operations	(19,706)	16,401
Nonoperating (Losses) Gains		
Investment return, net	(12,409)	26,670
Other	(768)	(1,630)
Total Nonoperating (Losses) Gains, net	(13,177)	25,040
(Deficiency) Excess of Revenues and Gains Over Expenses and Losses	(32,883)	41,441

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

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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	$ (32,883)	$ 41,441
Transfers to System	(31,246)	(14,970)
Net assets released from restrictions for property acquisitions	43	646
Pension and other postretirement liability adjustments	1,015	202
Transfers from temporarily restricted net assets, net	--	31
(Decrease) Increase in Unrestricted Net Assets	(63,071)	27,350
Temporarily Restricted Net Assets		
Contributions	1,261	1,903
Investment return	1,266	1,455
Net change in unrealized (losses) gains on investments	(1,480)	279
Net assets released from restrictions	(1,350)	(2,260)
Transfers to unrestricted net assets	--	(31)
Other	(33)	(440)
(Decrease) Increase in Temporarily Restricted Net Assets	(336)	906
Permanently Restricted Net Assets		
Contributions	107	539
Increase in Permanently Restricted Net Assets	107	539
(Decrease) Increase in Net Assets	(63,300)	28,795
Net Assets - Beginning	624,918	596,123
Net Assets - Ending	$ 561,618	$ 624,918

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

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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	$ (63,300)	$ 28,795
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,783	28,822
Pension and other postretirement liability adjustments	(1,015)	(202)
Restricted contributions and net investment return	(2,527)	(3,897)
Net change in unrealized losses (gains) on investments	21,886	(7,706)
Transfers to System, net	31,246	14,970
Changes in operating assets and liabilities:		
Interest in investments held by Ascension	45,373	(2,945)
Accounts receivable, net	(2,903)	(11,546)
Inventories and other current assets	3,364	(608)
Accounts payable and accrued liabilities	(8,732)	(5,139)
Estimated third-party payor settlements	(1,166)	4,961
Other current liabilities	149	(5)
Pension and other postretirement liabilities	6,914	(7,130)
Other liabilities	693	1,216
Net Cash Provided by Operating Activities	56,765	39,586
Cash Flows from Investing Activities		
Property and equipment additions	(15,861)	(9,670)
Software in development	(2,267)	(17,647)
Increase in assets limited as to use - restricted	(2,526)	(1,259)
Increase in other assets	(3,159)	(1,961)
Net Cash Used in Investing Activities	(23,813)	(30,537)

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

ST. VINCENT'S HEALTH SERVICES
CORPORATION AND SUBSIDIARIES

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	$ (30,491)	$ (12,734)
Repayment of long-term debt	(839)	(1,913)
Restricted contributions and net investment return	2,527	3,897
Net Cash Used in Financing Activities	(28,803)	(10,750)
Net Change in Cash and Cash Equivalents	4,149	(1,701)
Cash and Cash Equivalents - Beginning	3,300	5,001
Cash and Cash Equivalents - Ending	$ 7,449	$ 3,300

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

NOTE 1 – ORGANIZATION AND MISSION

ORGANIZATIONAL STRUCTURE

St. Vincent's Health Services Corporation (Corporation) is a member of Ascension Health. Ascension Health Alliance, doing business as Ascension, is 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 of St. Vincent's Medical Center, and St. Vincent's Medical Center became the sole member of St. Vincent's Health Services Corporation.

St. Vincent's Health Services Corporation, located in Bridgeport, Connecticut, is a nonprofit integrated health care delivery system. The Corporation 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. Subsidiaries of the Corporation include:

The St. Vincent's Medical Center (Medical Center) is a nonprofit hospital system, consisting of an acute care hospital located in Bridgeport, Connecticut, a behavioral health hospital located in Westport, Connecticut and several nonprofit subsidiaries. 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.

NOTE 1 – ORGANIZATION AND MISSION (CONTINUED)

ORGANIZATIONAL STRUCTURE (CONTINUED)

The St. Vincent's Multispecialty Group, Inc. (Multispecialty Group), a nonprofit subsidiary of the Medical Center, is a consolidated group of primary care and specialty physicians and allied health professionals providing service to the Medical Center and the community.

The St. Vincent's College, Inc. (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, radiography, medical assisting, and general studies, as well as certificate programs in multiple health care fields.

The St. Vincent's Special Needs Center (Special Needs) is a nonprofit organization, providing a broad spectrum of educational, therapeutic, and recreational programming services for persons with disabilities.

The St. Vincent's Medical Center Foundation, Inc. (Foundation) is a nonprofit organization managing the charitable funds of the Corporation, allowing distribution to the Corporation and other affiliated nonprofit corporations organized and operated for charitable, religious, educational, or scientific purposes.

St. Vincent's Development Corporation (Development Corp.) is a nonprofit corporation managing various real estate holdings within the Corporation.

Vincentures, Inc. (Vincentures) is a for profit organization that is inactive as of September 30, 2003 and is not shown on the consolidating balance sheets and statements of operations and changes in net assets.

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.

NOTE 1 – ORGANIZATION AND MISSION (CONTINUED)

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.
- 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.

NOTE 1 – ORGANIZATION AND MISSION (CONTINUED)

MISSION (CONTINUED)

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 Corporation or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Special Needs is the only consolidated corporation not on a September 30 fiscal year-end basis. Special Needs is reported on a June 30 fiscal year-end basis.

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS (CONTINUED)

The Corporation 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 Corporation. At September 30, 2015, there were approximately $5,741 of uninsured deposits.

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

As of September 30, 2015 and 2014, the Corporation has an interest in investments held by Ascension, which is reflected in the accompanying Consolidated Balance Sheets, and represents the Corporation'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 Corporation. 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 assets allocation, selection and monitoring of outside investment managers, and risk management.

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

The Corporation reports its interest in investments held by Ascension in the accompanying Consolidated Balance Sheets as long-term. The Corporation 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 Corporation.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTEREST IN INVESTMENTS HELD BY ASCENSION, INVESTMENTS, AND INVESTMENT RETURN (CONTINUED)

The Corporation'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 dividends, interest, and gains and losses on the Corporation's investments, as well as the Corporation'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.

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 noncurrent assets on the accompanying Consolidated Balance Sheets.

(Dollars in Thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (CONTINUED)

Intangible assets are comprised of the following:

	2015	2014
Capitalized computer software costs	$ 45,820	$ 42,719
Less: accumulated amoritzation	24,771	19,170
Capitalized computer software costs, net	21,049	23,549
Software under development	1,918	2,751
Goodwill	3,205	1,709
Total intangible assets, net	$ 26,172	$ 28,009

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 $5,601 and $5,746, 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 approximately $1,893 as of September 30, 2015.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT, NET

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 $21,181 and $23,076, respectively.

Estimated useful lives by asset category are as follows: land improvements - 10 to 15 years; buildings and improvements - 10 to 40 years; and equipment - 5 to 25 years. Interest costs incurred as part of the 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 $6,521 as of September 30, 2015.

The Corporation 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 Corporation'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 Corporation 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 endowment 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 other operating revenue 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 System, net assets released from restrictions for property acquisitions, pension and other postretirement liability adjustments, and transfers from temporarily restricted net assets.

OPERATING AND NONOPERATING ACTIVITIES

The Corporation'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 Corporation's primary mission are considered to be nonoperating, consisting primarily of the Foundation's operations, 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 Corporation 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.

(Dollars in Thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE, ACCOUNTS RECEIVABLE, AND ALLOWANCE FOR DOUBTFUL ACCOUNTS (CONTINUED)

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.

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

	2015	2014
Medicare	39 %	42 %
Medicaid	13 %	12 %
HMOs	22 %	29 %
Commercial	18 %	14 %
Self-pay and other	8 %	3 %
	100 %	100 %

The Corporation 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 %

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE, ACCOUNTS RECEIVABLE, AND ALLOWANCE FOR DOUBTFUL ACCOUNTS (CONTINUED)

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 Corporation 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 Corporation's policies.

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 are available to providers that adopt, implement, or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

The Corporation accounts for HITECH incentive payments as a gain contingency. Income from Medicare incentive payments is recognized as revenue after the Corporation 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 Corporation recognizes incentive payments as revenue when

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS (CONTINUED)

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 Corporation's compliance with the meaningful use criteria is subject to audit by the federal government.

IMPAIRMENT AND NON-RECURRING 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 Corporation recorded costs associated with a workforce reduction $946. The amount was comprised primarily of severance compensation, outplacement costs and estimated future unemployment compensation. There were no such costs recorded by the Corporation during the year ended September 30, 2015.

HEALTH MINISTRY INCOME TAXES

The member health care entities of the Corporation, except for Vincentures, are tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(25), and their related income is exempt from federal income tax under Section 501(a). Vincentures is an inactive taxable corporation. Therefore, no provision for income taxes is necessary. The Corporation 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEALTH MINISTRY INCOME TAXES (CONTINUED)

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 Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Corporation is no longer subject to income tax examinations prior to 2012.

REGULATORY COMPLIANCE

The Corporation 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 reimbursement claimed by the Corporation. 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 Corporation.

RECLASSIFICATIONS

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

SUBSEQUENT EVENTS

The Corporation evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the balance sheet date. For the year ended September 30, 2015, the Corporation evaluated subsequent events through January 27, 2016, representing the date on which the consolidated 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 Corporation'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 Corporation's cash and cash equivalents, short-term investments, 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	$ 7,449	$ 3,300
Interest in investments held by Ascension	321,091	385,447
Pledges receivable, net	628	771
Board-designated investments	14,201	14,206
Temporarily and permanently restricted	28,284	28,513
	$ 371,653	$ 432,237

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

	2015	2014
Cash and cash equivalents	$ 13,436	$ 8,307
U.S. government obligations	970	653
Corporate and foreign fixed income investments	5,436	6,302
Asset-backed securities	908	870
Equity investments	20,849	21,863
Pledges receivable, net	628	771
Other investments	8,335	8,024
Interest in investments held by Ascension	321,091	385,447
	$ 371,653	$ 432,237

(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 %

Investment return for the years ended September 30, 2015 and 2014 recognized by the Corporation are summarized as follows:

	2015	2014
Return on interest in investments held by Ascension	$ (12,373)	$ 24,907
Interest and dividends	518	595
Net (losses) gains on investments reported at fair value	(768)	2,902
Total investment return, net	$ (12,623)	$ 28,404
Investment return included in nonoperating(losses) gains	$ (12,409)	$ 26,670
Investment return reported separately as (decrease) increase in temporarily restricted net assets	(214)	1,734
Total investment return, net	$ (12,623)	$ 28,404

NOTE 4 – FAIR VALUE MEASUREMENTS

The Corporation 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 Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Ascension and the Corporation 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.

There were no significant transfers between Levels 1 and 2 during the years ended September 20, 2015 and 2014, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

As of September 30, 2015 and 2014, the assets and liabilities listed in the following fair value hierarchy paragraphs utilize the following valuation 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.

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 investments

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 quoted market prices, benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

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 and other investments consist of private equity, hedge funds, private equity funds, commodity funds, real estate partnerships, and real estate investment trusts (REIT). The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on Ascension's and the Corporation's estimates and assumptions in absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific 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. The REIT's are publicly traded and their fair values are based on quoted prices in active markets.

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

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 Corporation has 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 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%, 0%, and 0% of total Alpha Fund liabilities that are 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, 20%, 38%, and 42% 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.

(Dollars in Thousands)

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes fair value measurements, by level, at September 30, 2015, for all other financial assets and liabilities which are measured at fair value on a recurring basis in the Corporation's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 13,436	$ --	$ --	$ 13,436
U.S. government obligations	--	970	--	970
Corporate and foreign fixed income investments	3,076	2,360	--	5,436
Asset-backed securities	--	908	--	908
Equity investments	20,849	--	--	20,849
Alternative and other investments				
Real estate funds	826	--	--	826
Hedge funds	--	--	6,878	6,878
Commodity funds and other investments	631	--	--	631
Deferred compensation assets, included in other noncurrent assets, invested in:				
Mutual funds	8,653	--	--	8,653

(Dollars in Thousands)

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes fair value measurements, by level, at September 30, 2014, for all other financial assets and liabilities which are measured at fair value on a recurring basis in the Corporation's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 8,307	$ --	$ --	$ 8,307
U.S. government obligations	--	653	--	653
Corporate and foreign fixed income investments	4,807	1,495	--	6,302
Asset-backed securities	--	870	--	870
Equity investments	21,863	--	--	21,863
Alternative and other investments				
Real estate funds	763	--	--	763
Hedge funds	--	--	6,874	6,874
Commodity funds and other investments	387	--	--	387
Deferred compensation assets, included in other noncurrent assets, invested in:				
Mutual funds	8,207	--	--	8,207
Guaranteed pooled fund	--	--	39	39

(Dollars in Thousands)

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

During the year ended September 30, 2015, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3), were comprised of the following:

	Other Investments	Guaranteed Pooled Fund
Balance - beginning	$ 6,874	$ 39
Total realized and unrealized gains		
Included in nonoperating gains	37	--
Included in changes in net assets	143	--
Purchases	--	43
Sales	(176)	(34)
Transfers into Level 3	--	6
Transfers out of Level 3	--	(54)
Balance - ending	$ 6,878	$ --

During the year ended September 30, 2014, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Other Investments	Guaranteed Pooled Fund
Balance - beginning	$ 6,891	$ 17
Total realized and unrealized gains		
Included in nonoperating gains	155	--
Included in changes in net assets	222	--
Purchases	--	1,341
Sales	(394)	(1,597)
Transfers into Level 3	--	621
Transfers out of Level 3	--	(343)
Balance - ending	$ 6,874	$ 39

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(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

(Dollars in Thousands)

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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

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 Corporation 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

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Center and 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.

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.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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.

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 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. The outstanding principal amount of all hospital revenue bonds is $5.12 billion, which represents 36% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at September 30, 2014.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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 and 2014 is approximately $385,319 and $351,300, respectively.

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 Corporation's endowments consist of approximately 102 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 Corporation determining the amount of endowment assets investment returns to be appropriated for spending.

The Corporation'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 Corporation 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 Corporation in a manner consistent with the standard for expenditure as prescribed by Connecticut UPMIFA.

NOTE 6 – ENDOWMENTS (CONTINUED)

In accordance with Connecticut UPMIFA, the Corporation 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 Corporation 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 Corporation.
(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 Corporation 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 Corporation's Board of Directors 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 Corporation must hold in perpetuity or for a donor-specified period. Under these policies, endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. The Corporation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

(Dollars in Thousands)

NOTE 6 – ENDOWMENTS (CONTINUED)

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation 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 Corporation 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 Corporation considers the long-term expected return on its endowment. Accordingly, over the long-term, the Corporation 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 Corporation'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.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	$ --	$ 3,782	$ 12,763	$ 16,545
Investment return:				
Investment income	--	193	--	193
Net depreciation (realized and unrealized)	--	(351)	--	(351)
Total investment return, net	--	(158)	--	(158)
Contributions	--	--	107	107
Transfers	--	10	--	10
Appropriation of endowment assets for expenditures	--	(319)	--	(319)
Endowment net assets, ending	$ --	$ 3,315	$ 12,870	$ 16,185

(Dollars in Thousands)

NOTE 6 – ENDOWMENTS (CONTINUED)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	$ --	$ 2,728	$ 12,224	$ 14,952
Investment return:				
Investment income	--	234	--	234
Net appreciation (realized and unrealized)	--	1,083	--	1,083
Total investment return, net	--	1,317	--	1,317
Contributions	--	--	539	539
Transfers	--	19	--	19
Appropriation of endowment assets for expenditures	--	(282)	--	(282)
Endowment net assets, ending	$ --	$ 3,782	$ 12,763	$ 16,545

NOTE 7 – PENSION PLANS

The Corporation 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 Corporation 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

NOTE 7 – PENSION PLANS (CONTINUED)

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 $9,193 in 2015 and $8,845 in 2014 was recognized by the Corporation. The service cost component of net periodic pension cost charged to the Corporation is actuarially determined while all other components are allocated based on the Corporation'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 Sheet.

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 and $33.9 million. The Corporation'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 $5,652. As a result of updating the funded status of the Ascension Plan, the Corporation's allocated share of the Ascension Plan's net funded liability was increased by $19,860 during the year ended September 30, 2015. The Corporation's allocated share of the Ascension Plan's net unfunded liability reflected in the accompanying Consolidated Balance Sheet at September 30, 2014 was a pension asset of $3,995. As a result of updating the funded status of the Ascension Plan, the Corporation's allocated share of the Ascension Plan's net funded liability was increased by $2,415 during the year ended September 30, 2014. The net asset transfers related to the Ascension Plan are included in transfers to System 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 Corporation, 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,

NOTE 7 – PENSION PLANS (CONTINUED)

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 $34,530 and $15,670, respectively, were included as reductions of the Medical Center's unrestricted net assets, but were not yet recorded as expenditures in the Statements of Operations and Changes in Net Assets. During the years ended September 30, 2015 and 2014, $1,022 and $274, 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 Corporation 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 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 $9,998 and $9,444 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.

(Dollars in Thousands)

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.

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)

(Dollars in Thousands)

NOTE 8 – OTHER POSTRETIREMENT BENEFITS (CONTINUED)

	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%

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.

(Dollars in Thousands)

NOTE 8 – OTHER POSTRETIREMENT BENEFITS (CONTINUED)

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
2021-2024		815

Also, the Corporation 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 Corporation paid employees the vested Sick Plan balance of $4,600. 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 Corporation 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.

NOTE 9 – SELF-INSURANCE PROGRAMS (CONTINUED)

PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation 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 Corporation has a deductible of $100 per claim with no aggregate for most of its claims. 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 aggregate 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 $8,469 and $5,132 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 has been returned to the Health Ministry. Included in current 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.

WORKERS' COMPENSATION

The Corporation 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 Corporation implemented a $100 deductible, 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.

(Dollars in Thousands)

NOTE 9 – SELF-INSURANCE PROGRAMS (CONTINUED)

WORKERS' COMPENSATION (CONTINUED)

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is workers' compensation expense of $629 and $1,431 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 $1,004 and $1,460 at September 30, 2015 and 2014, respectively.

HEALTH INSURANCE

The Corporation 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 Corporation accrues a liability for employee health care by charging the Consolidated Statements of Operations 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.

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	$	4,310
2017		3,753
2018		3,045
2019		2,658
2020		1,970
Thereafter		8,033
	$	23,769

Development Corp. has subleased certain of its space under the operating leases reported above. All subleases have terms that are less than one year.

(Dollars in Thousands)

NOTE 10 – LEASE COMMITMENTS (CONTINUED)

Rent expense is recorded on a straight-line basis over the terms of the leases. Differences between the cash paid for rent and the amount recorded as rent expense are recorded on the balance sheets as other noncurrent liabilities. The impact of the straight-line rent adjustment increased rent expense by $45 and $90 for the years ended September 30, 2015 and 2014, respectively. Rent expense under operating leases amounted to $7,899 and $8,182 for the years ended September 30, 2015 and 2014, respectively.

In addition, Development Corp. is a lessor under certain operating lease agreements and leases space in the medical office buildings and other buildings that it owns.

Future minimum rental receipts under all noncancellable operating leases, excluding leases with related-parties, for properties owned by Development Corp. with terms of one year or more are as follows:

Year ending September 30,		
2016	$	151
2017		104
2018		33
2019		34
2020		11
	$	333

NOTE 11 – RELATED-PARTY TRANSACTIONS

The Corporation 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 Corporation for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of the Corporation. Allocations are based on relevant metrics such as the Corporation's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of the System. The amounts charged to the Corporation for these services may not necessarily result in the net costs that would be incurred by the Corporation on a stand-alone basis. The charges allocated to the Corporation were approximately $7,287 and $7,425 for the years ended September 30, 2015 and 2014, respectively.

NOTE 11 – RELATED-PARTY TRANSACTIONS (CONTINUED)

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 in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Charges of $5,204 and $5,504 were recorded as transfers for the years ended September 30, 2015 and 2014, respectively.

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. The Corporation's implementation was completed in September 2013. The Corporation has been and will continue to be allocated its share of the costs to fund this project. The Corporation made payments to the System of $3,973 and $5,762 for the years ended September 30, 2015 and 2014, respectively. These payments are included in transfers to System 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 Corporation paid $2,266 and $2,320, respectively, to the MSC as a pro-rated share of the allocated costs which are included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

During 2015 and 2014, the Corporation 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 transfer to System in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

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

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.

(Dollars in Thousands)

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Pledges receivable at September 30, 2015 and 2014 are comprised primarily of amounts contributed for the construction of the master facility plan at the Medical Center, including the Cancer Center, Emergency Department, and Level 2 renovations and the expansion of the College.

Pledges receivable to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recognized as revenue and is reflected in accordance with donor imposed restrictions, if any, on the contributions.

Pledges receivable included in assets limited as to use as of September 30 are:

	2015	2014
Due within one year	$ 445	$ 811
Due in one to five years	691	1,053
	1,136	1,864
Less allowance and discount to present value	231	584
	905	1,280
Less pledges receivable, net - current portion	277	509
Noncurrent pledges receivable, net	$ 628	$ 771

The discount recognizes the present value of the pledges. The allowance recognizes the estimated uncollectible portion of the pledges.

(Dollars in Thousands)

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

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Health care services	$ 5,084	$ 5,051
Education and training	2,204	2,434
Capital	5,025	4,735
Other	3,101	3,530
	$ 15,414	$ 15,750

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

	2015	2014
Health care services	$ 6,263	$ 6,258
Education and training	2,637	2,600
Capital	1,904	1,904
Other	2,066	2,001
	$ 12,870	$ 12,763

NOTE 13 – CONTINGENCIES AND COMMITMENTS

In addition to professional liability claims, the Corporation 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 Corporation's Consolidated Balance Sheets.

NOTE 13 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

In January 2006, the Corporation, 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 Corporation. 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 Corporation'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 Corporation does not believe that this matter would have a material adverse effect on the Corporation's financial position or results of operations.

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.

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
St. Vincent's Health Services Corporation

We have audited the consolidated financial statements of St. Vincent's Health Services Corporation as of and for the years ended September 30, 2015 and 2014, and have issued our report thereon dated 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 consolidating balance sheets, the consolidating statements of operations and changes in unrestricted net assets, and the schedule 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

ST. VINCENT’S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET

(Dollars in Thousands)

SEPTEMBER 30, 2015

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Assets							
Current Assets							
Cash and cash equivalents	$ --	$ 5,309	$ 1,913	$ 68	$ 159	$ --	$ 7,449
Accounts receivable, less allowances for doubtful accounts of $24,900	--	70,492	--	--	--	--	70,492
Due from System, parent and affiliated entities, net	--	6,402	(9,582)	(1,315)	272	4,223	--
Inventories and other current assets	--	14,592	497	2,899	225	--	18,213
Total Current Assets	--	96,795	(7,172)	1,652	656	4,223	96,154
Interest in Investments Held by Ascension	--	295,151	--	24,269	1,671	--	321,091
Board-Designated Investments and Assets Limited as to Use							
Noncurrent pledges receivable, net	--	--	628	--	--	--	628
Other board-designated investments	--	--	14,201	--	--	--	14,201
Temporarily or permanently restricted	--	309	27,975	--	--	--	28,284
Temporarily or permanently restricted interest in The St. Vincent's Medical Center Foundation, Inc.	--	25,716	--	2,430	--	(28,146)	--
Total Board-Designated Investments and Assets Limited as to Use	--	26,025	42,804	2,430	--	(28,146)	43,113
Interest in The St. Vincent's Medical Center Foundation, Inc.	--	312	--	484	--	(796)	--

See independent auditors’ report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2015

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Property and Equipment							
Land and improvements	$ --	$ 8,761	$ 105	$ 871	$ 4,786	$ --	$ 14,523
Buildings, leasehold improvements and equipment	--	440,136	617	17,937	16,588	--	475,278
Construction in progress	--	7,739	--	469	426	--	8,634
	--	456,636	722	19,277	21,800	--	498,435
Less accumulated depreciation	--	(279,594)	(293)	(9,351)	(7,170)	--	(296,408)
Total Property and Equipment, net	--	177,042	429	9,926	14,630	--	202,027
Capitalized Software Costs, net	--	22,966	1	--	--	--	22,967
Other Assets	--	15,063	854	15	24	--	15,956
Total Assets	$ --	$ 633,354	$ 36,916	$ 38,776	$ 16,981	$ (24,719)	$ 701,308

See independent auditors' report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2015

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued liabilities	$ --	$ 44,863	$ 289	$ 1,174	$ 219	$ --	$ 46,545
Current portion of long-term debt	--	1,614	--	--	--	--	1,614
Due to System, net	--	--	--	--	--	4,223	4,223
Estimated third-party payor settlements	--	9,476	--	--	--	--	9,476
Other current liabilities	--	--	2	472	10	--	484
Total Current Liabilities	--	55,953	291	1,646	229	4,223	62,342
Noncurrent Liabilities							
Long-term debt	--	54,935	--	--	--	--	54,935
Self-insurance liabilities	--	3,803	--	--	--	--	3,803
Pension and other postretirement liabilities	--	5,778	(2)	2,337	--	--	8,113
Other liabilities	--	10,180	22	--	295	--	10,497
Total Noncurrent Liabilities	--	74,696	20	2,337	295	--	77,348
Total Liabilities	--	130,649	311	3,983	524	4,223	139,690
Net Assets							
Unrestricted	--	476,680	8,630	32,363	16,457	(796)	533,334
Temporarily restricted	--	13,865	15,173	1,720	--	(15,344)	15,414
Permanently restricted	--	12,160	12,802	710	--	(12,802)	12,870
Total Net Assets	--	502,705	36,605	34,793	16,457	(28,942)	561,618
Total Liabilities and Net Assets	$ --	$ 633,354	$ 36,916	$ 38,776	$ 16,981	$ (24,719)	$ 701,308

See independent auditors' report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATING BALANCE SHEET

(Dollars in Thousands)

SEPTEMBER 30, 2014

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Assets							
Current Assets							
Cash and cash equivalents	$ --	$ 2,477	$ 662	$ 37	$ 124	$ --	$ 3,300
Accounts receivable, less allowances for doubtful accounts of $26,400	--	67,589	--	--	--	--	67,589
Due from System, parent and affiliated entities, net	--	1,127	(5,149)	3,337	(77)	762	--
Inventories and other current assets	--	14,802	707	2,190	157	3,721	21,577
Total Current Assets	--	85,995	(3,780)	5,564	204	4,483	92,466
Interest in Investments Held by Ascension	--	363,112	--	20,577	1,758	--	385,447
Board-Designated Investments and Assets Limited as to Use							
Noncurrent pledges receivable, net	--	--	771	--	--	--	771
Other board-designated investments	--	--	14,206	--	--	--	14,206
Temporarily or permanently restricted	--	329	28,176	8	--	--	28,513
Temporarily or permanently restricted interest in The St. Vincent's Medical Center Foundation, Inc.	--	25,909	--	2,333	--	(28,242)	--
Total Board-Designated Investments and Assets Limited as to Use	--	26,238	43,153	2,341	--	(28,242)	43,490
Interest in The St. Vincent's Medical Center Foundation, Inc.	1,563	312	--	484	--	(2,359)	--

See independent auditors' report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATING BALANCE SHEET (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2014

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Property and Equipment							
Land and improvements	$ --	$ 8,883	$ 105	$ 871	$ 4,685	$ --	$ 14,544
Buildings, leasehold improvements and equipment	--	431,816	617	17,228	16,543	--	466,204
Construction in progress	--	2,275	--	25	91	--	2,391
	--	442,974	722	18,124	21,319	--	483,139
Less accumulated depreciation	--	(260,440)	(264)	(8,545)	(6,541)	--	(275,790)
Total Property and Equipment, net	--	182,534	458	9,579	14,778	--	207,349
Capitalized Software Costs, net	--	26,298	2	--	--	--	26,300
Other Assets	--	11,959	799	15	24	--	12,797
Pension Asset	--	5,722	--	(1,727)	--	--	3,995
Total Assets	$ 1,563	$ 702,170	$ 40,632	$ 36,833	$ 16,764	$ (26,118)	$ 771,844

See independent auditors' report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATING BALANCE SHEET (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2014

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued liabilities	$ --	$ 53,113	$ 289	$ 1,669	$ 206	$ --	$ 55,277
Current portion of long-term debt	--	885	--	--	--	--	885
Due to System, net	--	--	--	--	--	4,483	4,483
Estimated third-party payor settlements	--	10,642	--	--	--	--	10,642
Other current liabilities	--	--	2	323	10	--	335
Total Current Liabilities	--	64,640	291	1,992	216	4,483	71,622
Noncurrent Liabilities							
Long-term debt	--	56,503	--	--	--	--	56,503
Self-insurance liabilities	--	3,701	--	--	--	--	3,701
Pension and other postretirement liabilities	--	5,194	--	--	--	--	5,194
Other liabilities	--	9,631	24	--	251	--	9,906
Total Noncurrent Liabilities	--	75,029	24	--	251	--	75,304
Total Liabilities	--	139,669	315	1,992	467	4,483	146,926
Net Assets							
Unrestricted	1,563	536,263	12,141	32,500	16,297	(2,359)	596,405
Temporarily restricted	--	14,185	15,481	1,631	--	(15,547)	15,750
Permanently restricted	--	12,053	12,695	710	--	(12,695)	12,763
Total Net Assets	1,563	562,501	40,317	34,841	16,297	(30,601)	624,918
Total Liabilities and Net Assets	$ 1,563	$ 702,170	$ 40,632	$ 36,833	$ 16,764	$ (26,118)	$ 771,844

See independent auditors' report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Operating Revenues							
Net patient service revenue	$ --	$ 466,454	$ --	$ --	$ --	$ --	$ 466,454
Less provision for doubtful accounts	--	24,067	--	--	--	--	24,067
Net patient service revenue, less provision for doubtful accounts	--	442,387	--	--	--	--	442,387
Other revenues	--	21,019	498	23,949	4,170	(4,835)	44,801
Net assets released from restrictions for operations	--	1,251	--	56	--	--	1,307
Total Operating Revenues	--	464,657	498	24,005	4,170	(4,835)	488,495
Operating Expenses							
Salaries and wages	--	212,209	79	12,899	--	--	225,187
Employee benefits	--	49,102	--	4,092	--	--	53,194
Purchased services	--	57,622	--	1,267	1,673	(3,471)	57,091
Professional fees	--	22,462	--	614	79	--	23,155
Supplies	--	56,902	2	769	11	--	57,684
Insurance	--	9,002	--	169	16	--	9,187
Interest	--	1,791	--	--	--	--	1,791
Depreciation and amortization	--	25,344	3	806	630	--	26,783
Provider tax	--	18,202	--	--	--	--	18,202
Other	--	33,059	228	2,144	1,660	(1,164)	35,927
Total Operating Expenses Before Non-Recurring (Losses)	--	485,695	312	22,760	4,069	(4,635)	508,201
(Loss) Income from Operations Before Non-Recurring (Losses)	--	(21,038)	186	1,245	101	(200)	(19,706)
(Loss) Income from Operations	--	(21,038)	186	1,245	101	(200)	(19,706)

See independent auditors' report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Nonoperating (Losses) Gains							
Investment return, net	$ --	$ (12,124)	$ (37)	$ (179)	$ (69)	$ --	$ (12,409)
Other	--	440	(1,408)	--	--	200	(768)
Total Nonoperating Losses, net	--	(11,684)	(1,445)	(179)	(69)	200	(13,177)
(Deficiency) Excess of Revenue and Gains Over Expenses and Losses	--	(32,722)	(1,259)	1,066	32	--	(32,883)
Unrestricted Net Assets							
(Deficiency) excess of revenue and gains over expenses and losses	--	(32,722)	(1,259)	1,066	32	--	(32,883)
Transfers (to) from System	(1,563)	(27,837)	(2,252)	(1,285)	128	1,563	(31,246)
Net assets released from restrictions for property acquisitions	--	--	--	43	--	--	43
Pension and other postretirement liability adjustments	--	976	--	39	--	--	1,015
(Decrease) Increase in Unrestricted Net Assets	(1,563)	(59,583)	(3,511)	(137)	160	1,563	(63,071)

See independent auditors' report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Temporarily Restricted Net Assets							
Contributions	$ --	$ 1,264	$ 2,174	$ 99	$ --	$ (2,276)	$ 1,261
Investment return	--	--	1,266	--	--	--	1,266
Net change in unrealized gains on investments	--	--	(1,480)	--	--	--	(1,480)
Net assets released from restrictions	--	(1,251)	(2,268)	(99)	--	2,268	(1,350)
Change in interest in The St. Vincent's Medical Center Foundation, Inc.	--	(300)	--	89	--	211	--
Other	--	(33)	--	--	--	--	(33)
(Decrease) Increase in Temporarily Restricted Net Assets	--	(320)	(308)	89	--	203	(336)
Permanently Restricted Net Assets							
Contributions	--	--	107	--	--	--	107
Change in interest in The St. Vincent's Medical Center Foundation, Inc.	--	107	--	--	--	(107)	--
Increase in Permanently Restricted Net Assets	--	107	107	--	--	(107)	107
(Decrease) Increase in Net Assets	(1,563)	(59,796)	(3,712)	(48)	160	1,659	(63,300)
Net Assets - Beginning	1,563	562,501	40,317	34,841	16,297	(30,601)	624,918
Net Assets - Ending	$ --	$ 502,705	$ 36,605	$ 34,793	$ 16,457	$ (28,942)	$ 561,618

See independent auditors' report on supplementary information.

ST. VINCENT’S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Eliminations	Total
Operating Revenues								
Net patient service revenue	$ --	$ 481,967	$ --	$ --	$ --	$ --	$ --	$ 481,967
Less provision for doubtful accounts	--	34,098	--	--	--	--	--	34,098
Net patient service revenue, less provision for doubtful accounts	--	447,869	--	--	--	--	--	447,869
Other revenues	--	24,175	550	23,198	3,647	--	(4,428)	47,142
Net assets released from restrictions for operations	--	1,481	--	133	--	--	--	1,614
Total Operating Revenues	--	473,525	550	23,331	3,647	--	(4,428)	496,625
Operating Expenses								
Salaries and wages	--	197,629	66	12,083	--	--	--	209,778
Employee benefits	--	49,928	14	4,250	--	--	--	54,192
Purchased services	--	47,757	--	1,216	1,489	--	(3,493)	46,969
Professional fees	--	22,437	--	185	166	--	(43)	22,745
Supplies	--	56,765	1	675	16	--	--	57,457
Insurance	--	5,760	--	178	18	--	--	5,956
Interest	--	1,818	--	--	--	--	--	1,818
Depreciation and amortization	--	27,483	3	738	598	--	--	28,822
Provider tax	--	16,167	--	--	--	--	--	16,167
Other	--	32,356	197	2,125	1,588	--	(892)	35,374
Total Operating Expenses Before Non-Recurring (Losses)	--	458,100	281	21,450	3,875	--	(4,428)	479,278
Income (Loss) from Operations Before Non-Recurring (Losses)	--	15,425	269	1,881	(228)	--	--	17,347
Non-Recurring (Losses)	--	(946)	--	--	--	--	--	(946)
Income (Loss) from Operations	--	14,479	269	1,881	(228)	--	--	16,401

See independent auditors’ report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Eliminations	Total
Nonoperating Gains (Losses)								
Investment returns, net	$ --	$ 22,642	$ 1,763	$ 2,194	$ 71	$ --	$ --	$ 26,670
Other	--	--	(1,630)	--	--	--	--	(1,630)
Total Nonoperating Gains, net	--	22,642	133	2,194	71	--	--	25,040
Excess (Deficiency) of Revenue and Gains Over Expenses and Losses	--	37,121	402	4,075	(157)	--	--	41,441
Unrestricted Net Assets								
Excess (deficiency) of revenue and gains over expenses and losses	--	37,121	402	4,075	(157)	--	--	41,441
Transfers (to) from System, net	--	(14,257)	(126)	(697)	100	--	10	(14,970)
Net assets released from restrictions for property acquisitions	--	(275)	--	921	--	--	--	646
Pension and other postretirement liability adjustments	--	198	--	4	--	--	--	202
Transfer from temporarily and permanently restricted net assets	--	--	31	--	--	--	--	31
Increase (Decrease) in Unrestricted Net Assets	--	22,787	307	4,303	(57)	--	10	27,350

See independent auditors' report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Eliminations	Total
Temporarily Restricted Net Assets								
Contributions	$ --	$ 1,215	$ 1,894	$ 1,054	$ --	$ --	$ (2,260)	$ 1,903
Investment return	--	--	1,455	--	--	--	--	1,455
Net change in unrealized gains on investments	--	--	279	--	--	--	--	279
Net assets released from restrictions	--	(1,206)	(2,260)	(1,054)	--	--	2,260	(2,260)
Transfers to unrestricted and permanently restricted net assets	--	--	(31)	--	--	--	--	(31)
Change in interest in The St. Vincent's Medical Center Foundation, Inc.	--	1,441	--	(500)	--	--	(941)	--
Other	--	(43)	(397)	--	--	--	--	(440)
(Decrease) Increase in Temporarily Restricted Net Assets	--	1,407	940	(500)	--	--	(941)	906
Permanently Restricted Net Assets								
Contributions	--	--	539	--	--	--	--	539
Transfer from unrestricted and permanently restricted net assets	--	--	--	--	--	--	--	--
Change in interest in The St. Vincent's Medical Center Foundation, Inc.	--	539	--	--	--	--	(539)	--
Increase in Permanently Restricted Net Assets	--	539	539	--	--	--	(539)	539
Increase (Decrease) in Net Assets	--	24,733	1,786	3,803	(57)	--	(1,470)	28,795
Net Assets - Beginning	1,563	537,768	38,531	31,038	16,354	--	(29,131)	596,123
Net Assets - Ending	$ 1,563	$ 562,501	$ 40,317	$ 34,841	$ 16,297	$ --	$ (30,601)	$ 624,918

See independent auditors' report on supplementary information.

ST. VINCENT'S HEALTH SERVICES CORPORATION AND SUBSIDIARIES

SCHEDULE V – 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 Corporation, 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

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