Lawrence + Memorial Corporation and Subsidiaries

Consolidated Financial Statements and Supplemental Information

September 30, 2016 and 2015

Lawrence + Memorial Corporation and Subsidiaries
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September 30, 2016 and 2015

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Report of Independent Auditors

To the Board of Trustees of
Lawrence + Memorial Corporation

We have audited the accompanying consolidated financial statements of Lawrence + Memorial Corporation (the "Corporation") and its subsidiaries, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of Visiting Nurse Association of Southeastern Connecticut, Inc., a wholly owned subsidiary, which statements reflect total assets of $23,271,688 and $22,024,179 as of September 30, 2016 and September 30, 2015, respectively, and total revenues of $16,616,018 and $16,957,535 for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Visiting Nurse Association of Southeastern Connecticut, Inc., is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

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

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Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lawrence + Memorial Corporation (the "Corporation") and its subsidiaries at September 30, 2016 and September 30, 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1, on September 8, 2016, the Corporation entered into an affiliation agreement with Yale New Haven Health Services Corporation who became the sole corporate member of the Corporation.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating 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 consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual organizations and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets of the individual organizations.

PricewaterhouseCoopers LLP

Hartford, Connecticut
December 19, 2016

Lawrence + Memorial Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 18,792,714	$ 24,264,612
Investments	156,416,019	162,278,643
Patient accounts receivable, net of allowance for doubtful accounts of $15,492,240 and $14,427,346, respectively	45,800,858	50,471,594
Other receivables	7,013,214	6,075,280
Inventories	7,999,129	8,154,843
Prepaid expenses and other current assets	2,845,723	3,810,426
Debt service fund	1,306,653	1,304,613
Total current assets	240,174,310	256,360,011
Assets limited as to use		
Cash	185,218	183,677
Investments held in trust	25,563	926,080
Endowment investments	38,013,759	35,458,701
Funds held in trust by others	7,867,100	7,633,141
Contributions receivable	2,612,839	2,916,786
Total assets limited as to use	48,704,479	47,118,385
Intangible assets, net	2,230,125	2,604,375
Other receivables	2,803,737	2,818,554
Property, plant and equipment, net	194,447,780	196,288,742
	$ 488,360,431	$ 505,190,067
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 37,001,955	$ 37,172,933
Accrued vacation and sick pay	13,646,797	13,689,948
Salaries, wages, payroll taxes and amounts withheld from employees	6,229,744	9,618,789
Due to third party payors	9,733,055	8,175,846
Other current liabilities	4,855,824	655,581
Current portion of long-term debt	5,729,505	5,495,740
Total current liabilities	77,196,880	74,808,837
Accrued pension and other postretirement benefits	55,952,390	53,468,405
Other liabilities	37,073,694	31,629,767
Long-term debt less current portion	94,968,208	100,751,741
Total liabilities	265,191,172	260,658,750
Net assets		
Unrestricted	186,743,900	208,910,764
Temporarily restricted	20,546,377	20,286,597
Permanently restricted	15,878,982	15,333,956
Total net assets	223,169,259	244,531,317
	$ 488,360,431	$ 505,190,067

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

Lawrence + Memorial Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2016 and 2015

	2016	2015
Unrestricted revenues, gains and other support		
Net revenues from services to patients	$ 433,876,393	$ 455,465,769
Provision for bad debt	(15,715,897)	(16,683,423)
Net revenue less provision for bad debt	418,160,496	438,782,346
Other operating revenues	18,080,433	16,375,817
Net assets released from restriction used for operations	566,162	4,831,645
Total unrestricted revenues, gains and other support	436,807,091	459,989,808
Operating expenses		
Salaries and wages	219,278,381	218,192,126
Employee benefits	59,714,474	59,040,657
Supplies	71,686,434	76,774,253
Purchased services	29,180,505	33,539,808
Other	52,381,037	50,232,174
Interest	3,520,636	3,553,690
Depreciation and amortization	28,660,826	28,953,704
Total expenses	464,422,293	470,286,412
Loss from operations	(27,615,202)	(10,296,604)
Nonoperating gains		
Unrestricted investment income	236,477	228,240
Nonoperating expenses	(597,247)	(1,527,184)
Income from investments and realized gains	2,920,912	13,131,917
Total nonoperating gains	2,560,142	11,832,973
Excess (deficit) of revenues over expenses	(25,055,060)	1,536,369
Net unrealized (losses) gains on investments	7,532,163	(20,907,128)
Net assets released from restrictions used for purchase of property, plant and equipment	209,685	140,748
Donated equipment	5,340	-
Transfer between donor classification	1,289,942	-
Pension related changes other than periodic pension costs	(6,148,934)	(13,761,725)
Decrease in unrestricted net assets	$ (22,166,864)	$ (32,991,736)

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

Lawrence + Memorial Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2016 and 2015

	2016	2015
Unrestricted net assets		
Excess (deficit) of revenues over expenses	$ (25,055,060)	$ 1,536,369
Net unrealized (losses) gains on investments	7,532,163	(20,907,128)
Net assets released from restrictions used for purchase of property, plant and equipment	209,685	140,748
Donated equipment	5,340	-
Transfer between donor classification	1,289,942	-
Pension related changes other than periodic pension costs	(6,148,934)	(13,761,725)
Decrease in unrestricted net assets	(22,166,864)	(32,991,736)
Beginning of year unrestricted net assets	208,910,764	241,902,500
End of year unrestricted net assets	$ 186,743,900	$ 208,910,764
Temporarily restricted net assets		
Income from investments	$ 451,610	$ 549,250
Net assets released from restrictions	(2,060,647)	(4,972,392)
Transfer between donor classification	(37,359)	-
Contributions received	439,624	474,954
Change in value of funds held in trust by others	1,296,404	683,868
Net realized and unrealized (losses) gains on investments	170,148	(1,219,770)
(Decrease) increase in temporarily restricted net assets	259,780	(4,484,090)
Temporarily restricted net assets		
Beginning of year	20,286,597	24,770,687
End of year	$ 20,546,377	$ 20,286,597
Permanently restricted net assets		
Income from investments	$ 33,518	$ 17,103
Transfer between donor classification	37,359	-
Net assets released from restrictions	(76,067)	-
Contributions received	141,884	77,827
Change in value of funds held in trust by others	314,605	(398,351)
Net realized and unrealized (losses) gains on investments	93,727	(66,441)
(Decrease) increase in permanently restricted net assets	545,026	(369,862)
Permanently restricted net assets		
Beginning of year	15,333,956	15,703,818
End of year	15,878,982	15,333,956
Decrease in net assets	$ (21,362,058)	$ (37,845,688)

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

Lawrence + Memorial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (21,362,057)	$ (37,845,688)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	28,660,826	28,953,704
Net unrealized and realized losses (gains) on investments	(8,747,186)	23,070,838
Provision for bad debts	15,715,897	16,683,423
Decrease (increase) in funds held in trust by others	(233,959)	3,715,469
Decrease in contributions receivable	303,947	604,001
Restricted contributions	(891,234)	(1,024,204)
Changes in other operating accounts		
Patient accounts receivable, net	(11,045,161)	(19,672,063)
Other receivables, net	(923,117)	(520,633)
Inventories	155,714	238,164
Prepaid expenses and other current assets	964,703	(61,701)
Accounts payable	(377,101)	57,356
Accrued vacation and sick pay	(43,151)	(533,780)
Salaries, wages, payroll taxes and amounts withheld from employees	(3,389,045)	(1,052,727)
Due to third party payors	1,557,209	917,897
Amortization on Intangibles	374,250	374,250
Pension, postretirement and other liabilities	12,128,155	15,171,638
Net cash provided by operating activities	12,848,690	29,075,944
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(26,613,743)	(17,633,758)
Purchases of investments	(27,721,174)	(61,391,317)
Sales of investments	40,674,903	62,210,610
Decrease in debt service fund	(2,040)	(51)
Net cash used in investing activities	(13,662,054)	(16,814,516)
Cash flows from financing activities		
Restricted contributions	891,234	1,024,204
Principal payments of long term debt	(5,549,768)	(5,501,549)
Net cash (used in) provided by financing activities	(4,658,534)	(4,477,345)
Net increase in cash and cash equivalents	(5,471,898)	7,784,083
Cash and cash equivalents		
Beginning of year	24,264,612	16,480,529
End of year	$ 18,792,714	$ 24,264,612
Supplemental disclosure of noncash activities		
Construction in process included in accounts payable	$ 708,606	$ 914,729
Contributed securities	891,234	1,024,204

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

1. Significant Accounting Policies and Organization

Organization

Lawrence + Memorial Corporation (the "Corporation") is a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut. The Corporation is organized exclusively for public welfare, charitable, scientific, literary and education purposes, including the furtherance of the welfare, programs and activities of Lawrence + Memorial Hospital (the "Hospital"), a nonprofit organization incorporated under the General Statutes of the State of Connecticut.

The following entities are subsidiaries of the Corporation: Lawrence + Memorial Hospital ("L+M"), L& M Physician Association Inc., L&M Systems, Inc., VNA of Southeastern Connecticut, L&M Healthcare, L&M Indemnity Ltd, VNA of Southeastern Connecticut Inc. and LMW Healthcare Inc. ("Westerly Hospital" or "LMW").

Yale New Haven Health Services Corporation Affiliation

On September 8, 2016, Lawrence + Memorial Corporation entered into an affiliation agreement with Yale New Haven Health Services Corporation ("YNHHSC") who became the sole corporate member of the Corporation. YNHHSC committed, directly and through its affiliates, to deploy as much as $300 million in resources to the Corporation. The Corporation joined YNHHSC by means of a member substitution and no consideration was transferred to the Corporation by YNHHSC. The Corporation continues to operate as a separate entity with a separate Board of Directors and management staff. However, YNHHSC holds certain reserve powers such as approving the strategic plans, operating budgets, capital budgets, any transfer of assets or additional borrowings, and Board of Director appointments of the Corporation and its subsidiaries.

Any Acquisition accounting adjustments resulting from the affiliation were recorded at YNHHSC. The Corporation financial statements continue to be presented on a historical cost basis.

Acquisition of Westerly Hospital

On June 1, 2013, the Corporation and its subsidiary, LMW Healthcare, Inc. ("Westerly Hospital" or "LMW") completed the acquisition of certain assets and liabilities of Westerly Hospital, a 125-bed general acute care hospital located in Westerly, Rhode Island on a 10.6 acre campus. The acquisition was the culmination of a process that included the appointment of W. Mark Russo, Esq. as the special master (the "Special Master") for Westerly Hospital and its affiliates by the Rhode Island Superior Court for the County of Washington (the "RI Court") in December 2011, due to the deteriorating financial condition of Westerly Hospital. The Special Master was granted authority by the RI Court to negotiate the sale of the assets of Westerly Hospital and its affiliates.

The Corporation formed LMW as a Rhode Island nonprofit corporation, and in June 2012, LMW entered into an Asset Purchase Agreement (the "Purchase Agreement") with the Special Master for Westerly Hospital and its affiliates, which was approved by the RI Court in September 2012. The Corporation guaranteed LMW's commitments under the Purchase Agreement. Pursuant to the Purchase Agreement and upon the successful completion of regulatory review by various Rhode Island agencies, the Corporation acquired certain assets and liabilities of Westerly Hospital and its affiliates, in order to expand its care and operations to the Westerly, Rhode Island community. The acquisition of the Westerly Hospital furthers the Corporation and Lawrence + Memorial Hospital's strategy of improving the depth and breadth of services available to all residents in the eastern Connecticut and western Rhode Island regions, without regard to ability to pay. Lawrence + Memorial Hospital expects to reduce unnecessary duplication of effort and costs with Westerly Hospital, while maintaining community access to essential services in the Westerly service area.

The purchase price of $16,098,758 was paid in cash. The transaction resulted in an inherent contribution of $12,011,469 which has been appropriately allocated to the three net asset classes within the statement of changes in net assets in 2013. The inherent contribution is a result of the value of net assets being acquired exceeding the purchase price. The purchase price allocation was preliminary and has been adjusted as additional information was obtained in 2014. An additional $5.3 million in inherent contribution was recorded in 2014, principally due to $3.1 million better experience on accounts receivable collections and $1.8 million in favorable final settlement of assumed accounts payable liabilities.

L&M Healthcare has an affiliation agreement effective January 31, 1999 (the "Agreement") with the Hospice of Southeastern Connecticut, Inc. (the "Hospice"). The Agreement gives L&M Healthcare a membership of the Hospice with one other not-for-profit healthcare organization. L&M Healthcare does not have an equity investment in the Hospice because the affiliation agreement does not require L&M Healthcare to provide capital to the Hospice and L&M Healthcare is not entitled to any of the net assets of the Hospice should the relationship terminate or the Hospice dissolve. The Corporation and its subsidiaries have never given capital to the Hospice and the Hospice has never made capital distributions to the Corporation or its subsidiaries.

L & M Physician Association, Inc. ("LMPA") was formed exclusively for the charitable purpose of benefiting, supporting, and furthering the charitable activities of Lawrence + Memorial Hospital by engaging physicians to provide physician services to the Hospital, organizations affiliated with the Hospital and communities they serve for purpose of practicing medicine and health care services.

Principles of Consolidation
The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation's significant estimates include the collectability of patient accounts receivable, useful lives of fixed assets, settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Temporarily and Permanently Restricted Net Assets
Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation and its subsidiaries in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity.

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions in the accompanying consolidated statements of operations.

Cash and Cash Equivalents

The Corporation and its subsidiaries consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments

Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices where available or net asset values provided by investment managers. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets. Under accounting principles generally accepted in the United States of America, an “other than temporary impairment” is recognized if the Corporation does not expect the fair value of a security to recover above cost or amortized cost. Once an “other than temporary impairment” charge has been recorded, a new cost basis is established.

The Corporation continues to review its securities for appropriate valuation on an ongoing basis. The Corporation determined that none of their investments were impaired as of September 30, 2016 or 2015.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Corporation’s long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner’s interest is more than minor (3-5%).

Fair Value Measurements

Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Corporation for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

In May 2015, the Financial Accounting Standards Board issued ASU 2015-07, Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent), in regard to Topic 820, Fair Value Measurement. The ASU removes the requirement to categorize within the fair value hierarchy investments eligible to be valued using the net asset value (NAV) per share practical expedient. In essence, this amendment results in the Hospital disclosing the majority of its investments as valued by NAV and thus removing the classification of Level 3 and their required disclosures. This update is required for fiscal periods beginning after December 15 2016, however, early adoption is permitted and was elected by the Hospital.

Assets Held in Trust by Others

The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates to discount amounts. In 2015 a significant remainder trust payment of $4 million was received from the estate of a donor in accordance with the terms of the trust documents. At the time of the trust termination, the trust was recorded at $3.2 million and based on the value of the trust received; $.8 million was recorded as a change in value of irrevocable trusts on the Hospital’s change in temporarily restricted net assets. The release from restriction of the $4 million for use on operations was recorded on the Corporation’s Statement of Operations as all gifts and development activity is recorded at the Corporation.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors, contribution receivables and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, the Corporation’s interest in externally managed trusts, unexpended bond proceeds for construction purposes, and assets held by trustees are also included therein.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, or if received as a donation, at the fair value on the date received. The Corporation provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and a 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Nonoperating Gains and Losses
Activities other than in connection with providing health care services are considered to be nonoperating.

Excess of Revenues Over Expenses
The consolidated statements of operations include nonoperating expenses in connection with the affiliation with Yale New Haven Health Services Corporation in excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments
Investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Corporation and its Subsidiaries for debt of the same remaining maturities.

Medical Malpractice Self-Insurance
The Corporation purchases claims made professional and general liability insurance to cover medical malpractice claims from L&M Indemnity Ltd, a wholly owned subsidiary of the Corporation. The Hospitals, LMPA and VNA have adopted the policy of self-insuring the tail portion of its malpractice insurance coverage. Management accrues its best estimate of losses as incidents which give rise to potential losses occur.

Income Taxes
The Corporation and its subsidiaries are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code, except for L&M Systems. L&M Systems provides for taxes based on current taxable income and the future tax consequences of temporary differences between financial and income tax reporting. Such amounts are not material to the consolidated financial statements.

Inventories
Inventory consists of supplies, both medical and general, pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay

Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees based on tenure who have a balance greater than or equal to 800 sick hours and have the prescribed years of service. This payout is only upon termination of employment.

Labor Action Update

A contract was reached and ratified and the workforce had a three year contract that was signed in February 2014.

Intercompany Receivable/Payable

Effective in FY 2016, the Hospital determined that funding provided to L+M Physician Association Inc. ("LMPA") for losses attributable to physicians serving LMW Healthcare Inc. ("Westerly Hospital") service area in 2015, 2016 and future years are an obligation of Westerly Hospital. Accordingly, such amounts are recorded as due from affiliates at September 30, 2016. Additionally, any cash advances from the Hospital to affiliates other than LMPA will be recorded as due from affiliates on the Hospital's financial statements and due to affiliates on the recipient's financial statements unless the Board of Trustees approves an intercompany transfer.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events

The Corporation has performed an evaluation of subsequent events through December 19, 2016, which is the date the financial statements were issued.

2. Revenues From Services to Patients and Charity Care

The following summarizes net revenues from services to patients:

	2016	2015
Gross charges from services to patients	$ 1,130,258,629	$ 1,138,320,863
Less: Charity care	6,112,780	6,124,509
Charges from services to patients, net of charity care	1,124,145,849	1,132,196,354
Deductions		
Allowances	677,799,355	663,929,578
State of Connecticut uncompensated care system	12,470,101	12,801,007
Total deductions	690,269,456	676,730,585
Net revenues from services to patients	$ 433,876,393	$ 455,465,769

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Corporation, and these differences are accounted for as allowances. The State of Connecticut has reduced Uncompensated Care Payments to all hospitals beginning July 2013 for a three year period. In 2015 and 2016, the Corporation paid cash into the State of Connecticut Uncompensated Care Pool that exceeded the amount was received from the State.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments related to prior year settlements increased the Hospital's revenues by approximately $3,683,727 in 2016 and increased the Hospital's revenues by approximately $4,119,679 in 2015.

During 2016 and 2015, approximately 35% and 36%, respectively, of net patient service revenue was received under the Medicare program, and 12% and 12%, respectively, under the state Medicaid program. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance could result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and reductions of funding levels could have an adverse impact on the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized federal poverty income guidelines.

3. Investments

Investments included in current assets consist of the following:

	2016	2015
Investments		
Cash and cash equivalents	$ 13,793,643	$ 4,347,663
Bonds	38,602,743	37,080,980
Mutual funds	37,169,553	39,711,437
Hedge funds	53,909,876	70,852,615
Private equities	7,600,119	6,682,428
Marketable equities	5,340,085	3,603,520
Total investments	156,416,019	162,278,643
Funds held in trust by others		
Investments held in trust by others	7,867,100	7,633,141
Total funds held in trust by others	7,867,100	7,633,141
Endowment investments		
Cash and cash equivalents	2,153,029	4,410,185
Bonds	7,128,850	5,312,210
Mutual funds	11,411,518	11,438,208
Hedge funds	7,887,186	7,603,385
Private equities	310,423	288,434
Marketable equities	9,122,753	6,406,279
Total endowment investments	38,013,759	35,458,701
Total investments at fair value	$ 202,296,878	$ 205,370,485

The Corporation's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the by the fair value guidance valuation hierarchy defined above:

	2016				
	Level 1	Level 2	Level 3	NAV Practical Expedient	Total Fair Value
Investments					
Cash and cash equivalents	$ 13,793,643	$ -	$ -	$ -	$ 13,793,643
Bonds	31,506,944	7,095,799	-	-	38,602,743
Mutual funds	37,169,553	-	-	-	37,169,553
Hedge funds	-	-	-	53,909,876	53,909,876
Private equities	-	-	-	7,600,119	7,600,119
Marketable equities	5,340,085	-	-	-	5,340,085
Total investments	87,810,225	7,095,799	-	61,509,995	156,416,019
Funds held in trust by others					
Investments held in trust by others	-	-	7,867,100	-	7,867,100
Total held in trust by others	-	-	7,867,100	-	7,867,100
Endowment investments					
Cash and cash equivalents	2,153,029	-	-	-	2,153,029
Bonds	4,438,109	2,406,364	-	284,377	7,128,850
Mutual funds	10,104,386	-	-	1,307,132	11,411,518
Hedge funds	-	-	-	7,887,186	7,887,186
Private equities	-	-	-	310,423	310,423
Marketable equities	9,122,753	-	-	-	9,122,753
Total endowment investments	25,818,277	2,406,364	-	9,789,118	38,013,759
Total Investments at fair value	$ 113,628,502	$ 9,502,163	$ 7,867,100	$ 71,299,113	$ 202,296,878

	2015				
	Level 1	Level 2	Level 3	NAV Practical Expedient	Total Fair Value
Investments					
Cash and cash equivalents	$ 4,347,663	$ -	$ -	$ -	$ 4,347,663
Bonds	30,675,681	6,405,299	-	-	37,080,980
Mutual funds	39,711,437	-	-	-	39,711,437
Hedge funds	-	-	-	70,852,615	70,852,615
Private equities	-	-	-	6,682,428	6,682,428
Marketable equities	3,603,520	-	-	-	3,603,520
Total investments	78,338,301	6,405,299	-	77,535,043	162,278,643
Funds held in trust by others					
Investments held in trust by others	-	-	7,633,141		7,633,141
Total held in trust by others	-	-	7,633,141	-	7,633,141
Endowment investments					
Cash and cash equivalents	4,410,185	-	-	-	4,410,185
Bonds	3,435,383	1,577,048	-	299,779	5,312,210
Mutual funds	10,110,127	-	-	1,328,081	11,438,208
Hedge funds	-	-	-	7,603,385	7,603,385
Private equities	-	-	-	288,434	288,434
Marketable equities	6,406,279	-	-	-	6,406,279
Total endowment investments	24,361,974	1,577,048	-	9,519,679	35,458,701
Total Investments at fair value	$ 102,700,275	$ 7,982,347	$ 7,633,141	$ 87,054,722	$ 205,370,485

Fair value for Level 1 is based upon quoted prices in active markets that the Corporation has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Corporation does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 are charitable remainder trusts held by third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement and investments in for-profit companies.

In accordance with ASU 2015-07, Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent), the Hospital has displayed those alternative investments valued at net asset value outside of the leveling table. The value of these alternative investments represents the ownership interest in the net assets value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgement. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

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

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Corporation within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2015	Investment Income	Realized Gains	Unrealized (Losses) Gains	Investment Fees	Purchases	Sales	Transfer Out	Ending September 30, 2016
Investment pool									
Funds held in trust	$ 7,633,141	$ 89,225	$ (124,028)	$ 502,195	$ (57,513)	$ -	$ (175,920)	$ -	$ 7,867,100
	$ 7,633,141	$ 89,225	$ (124,028)	$ 502,195	$ (57,513)	$ -	$ (175,920)	$ -	$ 7,867,100

	Beginning October 1, 2014	Investment Income	Realized Gains (Losses)	Unrealized Gains	Investment Fees	Purchases	Sales	Transfer Out	Ending September 30, 2015
Investment pool									
Hedge funds	$ 65,555,889	$ 458,045	$ 966,260	$ (6,421,508)	$ (295,818)	$ 20,216,000	$ (187,009)	$ (80,291,859)	$ -
Private equities	4,703,144	667	330,143	534,090	(116,790)	1,821,362	(509,753)	(6,762,863)	-
Funds held in trust	11,348,610	102,675	393,314	(22,441)	(51,916)	41,181	(4,178,282)	-	7,633,141
	$ 81,607,643	$ 561,387	$ 1,689,717	$ (5,909,859)	$ (464,524)	$ 22,078,543	$ (4,875,044)	$ (87,054,722)	$ 7,633,141

There were no significant transfers of assets between levels for the year ended September 30, 2016.

A summary of the investment return is presented below:

	2016	2015
Investment income	$ 2,812,702	$ 3,232,345
Realized and unrealized (losses) gains	9,949,692	(12,237,230)
Management fees and other costs	(707,334)	(671,327)
Total return on investments	$ 12,055,060	$ (9,676,212)

Following is additional information related to funds whose fair value is not readily determinable as of September 30, 2016.

	Strategy	Fair Value	Number of Investments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions
Equity securities	Global developed and emerging market equity	$ 25,602,021	2	No remaining commitments	Monthly with 10 day's notice	None
Absolute return	Long/short and long-biased equity and credit hedge funds	10,965,970	2	No remaining commitments	Annual with 90 day's notice	lock up provision of 12 months from the purchase date
Directional hedge	Long/short and long-biased equity and credit hedge funds	25,593,034	1	No remaining commitments	Quarterly with 60 day's notice	lock up provision of 25 months from the purchase date
Commodities	Commodity index	1,227,546	1	No remaining commitments	Monthly with 5 day's notice	None
Private equity	Private equity	7,910,541	8	Long term 5 years	Illiquid	Long Term 5-10 years
		$ 71,299,112				

None of the funds invested in are finite lived. Unfunded commitments at September 30, 2016 total approximately $4,430,055 million and relate to private equity funds.

4. Endowments

The Corporation's endowments consist of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Corporation understands net asset classification guidance to require that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, 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 (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. The Corporation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund.
- The purposes of the Corporation and donor-restricted endowment fund.

- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Corporation.
- The investment policies of the Corporation.

Changes in endowment net assets for the year ended September 30:

	2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets at beginning of year	$ 11,101,474	$ 16,192,941	$ 7,411,018	$ 34,705,433
Investment return				
Investment income	129,870	78,177	33,519	241,566
Net realized and unrealized gains (losses)	138,161	1,429,290	164,110	1,731,561
Contributions	110,397	-	92,360	202,757
Total investment return	378,428	1,507,467	289,989	2,175,884
Income distribution	-	(134,160)	(20,859)	(155,019)
Transfer between donor classification	1,372,881	(1,337,020)	(38,708)	(2,847)
Endowment net assets at end of year	$ 12,852,783	$ 16,229,228	$ 7,641,440	$ 36,723,451

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets at beginning of year	$ 10,480,208	$ 17,497,079	$ 7,382,529	$ 35,359,816
Investment return				
Investment income	382,283	105,090	17,103	504,476
Net realized and unrealized gains (losses)	151,631	(1,268,480)	(66,441)	(1,183,290)
Contributions	87,352	-	77,827	165,179
Total investment return	621,266	(1,163,390)	28,489	(513,635)
Income distribution	-	(140,748)	-	(140,748)
Endowment net assets at end of year	$ 11,101,474	$ 16,192,941	$ 7,411,018	$ 34,705,433

Endowment funds classified as permanently and temporarily restricted net assets:

The portion of the endowment retained either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2016	2015
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	$ 16,229,228	$ 16,192,941
Total endowment funds classified as temporarily restricted net assets	$ 16,229,228	$ 16,192,941
Permanently restricted net assets		
Corpus of permanently restricted contributions for which income is to be used for purchase of equipment and healthcare services	$ 7,641,440	$ 7,411,018
Total endowment funds classified as permanently restricted net assets	$ 7,641,440	$ 7,411,018

Endowment Funds With Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets. The Corporation analyzed the endowments and notes there are no deficits as of September 30, 2016 and 2015.

Endowment Investment Return Objectives and Risk Parameters

The Corporation has adopted endowment investment and spending policies that attempt to provide predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives

To achieve 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 gains) and current yield (interest and dividends). The Corporation targets a diversified asset allocation to achieve its long-term objectives within prudent Corporation risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, and operating funds.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process.

5. Temporary and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015:

	2016	2015
Temporarily restricted net assets		
Funds held in trust by others	$ 471,749	$ 482,010
Contributions receivable	20,366	20,366
Free beds and plant replacement and expansion	16,229,228	15,036,239
Specific purpose reserves	3,825,034	4,747,982
	$ 20,546,377	$ 20,286,597

Permanently restricted net assets at September 30, 2016 and 2015 are restricted to:

	2016	2015
Permanently restricted net assets		
Funds held in trust by others	$ 7,417,158	$ 7,172,936
Donor restricted endowment funds	8,461,824	8,161,020
	$ 15,878,982	$ 15,333,956

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2016	2015
Land and land improvements	$ 23,446,390	$ 23,444,067
Buildings	174,643,731	173,682,838
Equipment	309,435,987	293,448,847
	507,526,108	490,575,752
Less: Accumulated depreciation	(325,250,766)	(297,167,005)
	182,275,342	193,408,747
Construction in progress	12,172,438	2,879,995
	$ 194,447,780	$ 196,288,742

7. Long-Term Debt

	2016	2015
CHEFA Series F Revenue Bonds		
Various rate bonds, due 2017 to 2026	$ 25,090,000	$ 28,065,000
5.0% Term Bonds, due 2027 to 2031	8,705,000	8,705,000
5.0% Term Bonds, due 2032 to 2036	11,100,000	11,100,000
CHEFA Series G revenue bonds		
3.2% Term Bonds, due 2017 to 2023, option to extend 2038	27,525,000	28,375,000
CHEFA Series H revenue bonds		
Variable rate bonds, due 2023-2034	21,405,000	21,405,000
Tax exempt lease	6,611,863	8,302,654
Capital lease obligation	6,278	53,360
Total debt outstanding	100,443,141	106,006,014
Less: Amounts classified as current	5,729,505	5,495,740
Less: Cost of Issuance	2,058,260	2,187,006
Add: Bond premium	2,312,832	2,428,473
Total long-term portion of long-term debt	$ 94,968,208	$ 100,751,741

On September 15, 2011 the Connecticut Health and Education Facilities Authority ("CHEFA") issued $58,940,000 of Series F Bonds (the "Series F Bonds") on behalf of the Hospital and Lawrence + Memorial Corporation (collectively referred to as the "Obligated Group" under the Series F Bond agreements). The Series F Bonds are structured with a term bonds due at various dates through July 1, 2036, with annual sinking fund payments due each July 1st. Interest on the Series F Bonds is payable semiannually on the first business day of January 1 and July 1 which began on January 1, 2012.

The tax exempt lease was obtained on June 27, 2013 in the principal amount of $12,000,000. This is a seven year equipment lease on specific capital purchases that is administered through CHEFA and Bank of America-Merrill Lynch. This lease obligation will be amortized monthly through June 27, 2020 at a nominal annual interest rate of 1.759%.

On October 10, 2013 Series G was issued in a private placement offering with Bank of America-Merrill Lynch and CHEFA in the amount of $29,200,000 with an interest rate of 3.20% until October 1, 2023 with an option to extend at a negotiated rate with a maturity date of July 1, 2038.

On November 5, 2013, Series H was issued by CHEFA to refinance Series E. Series H was issued in the amount of $21,405,000 with a variable rate and a maturity date of July 1, 2034. This bond has a letter of credit guaranteed by T.D. Bank. Interest on the Series H Bonds accrues at the weekly rate and is payable on the first business day of each month commencing January 1, 2014.

Under the terms of the trust indenture for the Series F, G and H Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series F, G and H Bonds. The Bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts, as defined and certain real property of the Hospital.

The Series H Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. The Hospital maintains a letter of credit in the amount of $21,405,000 which expires on November 5, 2018. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are monthly installments. The Series H Bonds have been successfully remarketed in the past and there have been no draws on the letter of credit.

The Corporation had a line of credit with Bank of America-Merrill Lynch for $13,802,758. This was taken as a bridge loan prior to issuance of Series G private Placement. The proceeds of Series G were used to pay off this line of credit on October 10, 2013. LMW Healthcare had a line of credit with Washington Trust for $4,860,642. This line was reissued at time of closing but was paid off in November 2013.

The fair value of the outstanding bonds is $97,549,831 and $101,550,368 at September 30, 2016 and September 30, 2015, respectively.

Principal repayments on the outstanding long term debt are as follows:

Years	**Annual Principal Repayment**
2017	$ 5,729,505
2018	5,916,285
2019	6,142,340
2020	5,932,466
2021 and thereafter	76,722,545
	$ 100,443,141

Cash interest payments of $3,299,570 and $3,495,549 were made in fiscal year 2016 and 2015, respectively. No interest was capitalized during 2016 and 2015.

8. Pension and Other Postretirement Benefits

The Hospital has a defined benefit plan covering all employees who elected to stay in the Plan. The Plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pensions as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994.

The following table sets forth the Hospital's plans' funded status and amounts recognized in the consolidated balance sheet at September 30, 2016 and 2015 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2016	**2015**	**2016**	**2015**
Change in benefit obligation				
Benefit obligation at beginning of year	$ 161,858,874	$ 156,674,809	$ 754,324	$ 837,437
Service cost	927,155	2,141,301	-	-
Interest cost	6,473,434	6,195,482	21,661	24,077
Employee contributions	542,229	41,451	-	-
Benefits paid	(12,604,580)	(7,608,334)	(88,574)	(91,218)
Actuarial (gain) loss	12,154,524	4,414,165	(288)	(15,972)
Benefit obligation at end of year	169,351,636	161,858,874	687,123	754,324
Change in plan assets				
Fair value of plan assets at beginning of year	110,861,876	115,176,724	-	-
Actual return on plan assets	9,433,228	(4,147,965)	-	-
Employee contributions	42,229	41,451	-	-
Employer contributions	8,010,000	7,400,000	88,574	91,218
Benefits paid	(12,604,580)	(7,608,334)	(88,574)	(91,218)
Fair value of plan assets at end of year	115,742,753	110,861,876	-	-
Funded status of the plan	(53,608,883)	(50,996,998)	(687,123)	(754,324)
Unrecognized net loss (gain) from past experience different from that assumed and effects of changes in assumptions	61,389,110	55,236,126	(384,802)	(443,280)
Unrecognized prior service cost	-	4,050	-	-
Accrued benefit costs recognized in the statements of operations	$ 7,780,227	$ 4,243,178	$ (1,071,925)	$ (1,197,604)
Components of net periodic benefit costs				
Service cost	$ 927,155	$ 2,141,301	$ -	$ -
Interest cost	6,473,434	6,195,482	21,661	24,077
Expected return on plan assets	(8,259,142)	(8,603,526)	-	-
Amortization of net loss (gain)	5,327,454	3,328,824	(58,766)	(60,777)
Net amortization and deferral	4,050	75,107	-	-
Benefit cost	$ 4,472,951	$ 3,137,188	$ (37,105)	$ (36,700)

The net actuarial loss of approximately $12.1 million is due to a decrease in discount rate.

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2016	**2015**
Discount rate	4.10 %	4.05 %
Average rate of compensation increases	2.50 %	2.50 %
Expected return on assets	7.50 %	7.50 %

The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2016	2015
Discount rate	3.33 %	4.10 %
Average rate of compensation increases	2.50 %	2.50 %

The Plan's asset allocations as of September 30 are as follows:

Asset Category	2016	2015
Cash	2 %	2 %
Bonds	32	32
Mutual funds	27	26
Hedge funds	39	40
	100 %	100 %

The expected rate of return on plan assets is calculated based on past experience.

Expected benefits to be paid under the Hospital's plans are as follows:

	Expected Benefits
Fiscal Years Beginning October 1,	
2017	$ 8,626,925
2018	8,820,838
2019	9,031,161
2020	9,186,588
2021	9,491,046
Expected aggregate for 5 fiscal years beginning 2022	49,624,028

Annual employer contributions are determined by the Hospital based upon calculations prepared by the plan's actuary. Expected contributions to the plans for 2016 are approximately (unaudited):

Pension	$ 7,400,000
Retiree health	85,758

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 7.5% in 2016 reducing to 5.0% by the year 2021 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $42,000 and $49,000, respectively, at September 30, 2016 and 2015. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $38,000 and $45,000, respectively, at September 30, 2016 and 2015.

Plan Assets

The defined benefit plan assets are valued utilizing the same fair value hierarchy as the Hospital's investments as described in Note 1.

The following table summarizes the fair values of investments by major type held by the pension plan at September 30, 2016:

	Level 1	Level 2	Level 3	NAV Practical Expedient	2016
Investments, at fair value					
Cash	$ 1,767,536	$ -	$ -	$ -	$ 1,767,536
Bonds	37,261,667	-	-	-	37,261,667
Mutual funds	26,282,535	5,514,804	-	-	31,797,339
Hedge funds	-	-	-	44,916,210	44,916,210
Total investments, at fair value	$ 65,311,738	$ 5,514,804	$ -	$ 44,916,210	$ 115,742,752

The following table summarizes the fair values of investments by major type held by the pension plan at September 30, 2015:

	Level 1	Level 2	Level 3	NAV Practical Expedient	2015
Investments, at fair value					
Cash	$ 2,345,782	$ -	$ -	$ -	$ 2,345,782
Bonds	35,027,573	-	-	-	35,027,573
Mutual funds	24,119,636	4,946,910	-	-	29,066,546
Hedge funds	-	-	-	44,421,975	44,421,975
Total investments, at fair value	$ 61,492,991	$ 4,946,910	$ -	$ 44,421,975	$ 110,861,876

As disclosed in Note 1, as a result of the adoption of ASU 2015-07, the Hospital discloses all the plan assets under NAV instead of Level 3 in both 2016 and 2015.

The table below represents the change in fair value measurements for Level 3 investments held by the plans for the years ended September 30.

	2016	2015
Beginning balances	$ -	$ 33,457,838
Realized gains	-	554,617
Fees	-	(204,757)
Unrealized losses	-	(3,485,723)
Purchases	-	14,100,000
Sales	-	
Transfers out	-	(44,421,975)
Ending balances	$ -	$ -

The investment objective for the pension and post retirement plans seeks a positive long-term total return after inflation to meet the Hospital's current and future plan obligations.

Asset allocations combine tested theory and informed market judgment to balance investment risks with the need for high returns.

The Hospital's 401(k) plan covers eligible employees who elected to participate. Eligible employees may contribute a percentage of their salary. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately $4,631,366 and $4,764,785 for 2016 and 2015, respectively.

The VNA has a defined contribution pension plan which covers substantially all of its employees who have met specified age and length of service requirements. Contributions to the Plan are based on 5% of eligible salaries and totaled approximately $513,156 and $504,943 for the years ended September 30, 2016 and 2015, respectively.

9. Functional Expenses

The Corporation and its subsidiaries provide general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2016	2015
Health care services	$ 345,495,438	$ 347,731,294
General and administrative	118,926,855	122,555,118
	$ 464,422,293	$ 470,286,412

10. Commitments and Contingencies

The Corporation and its subsidiaries are parties to various lawsuits incidental to their business. Management believes that the lawsuits will not have a material adverse effect on their financial position, results of operations, and changes in net assets or cash flows.

Consolidating Supplemental Information

Lawrence + Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2016

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Westerly Hospital	Eliminating Entries	Consolidated
Assets											
Current assets											
Cash and cash equivalents	$ 3,968,061	$ 265,919	$ -	$ 4,233,980	$ -	$ 383,055	$ 7,576,442	$ 1,833,176	$ 4,766,061	$ -	$ 18,792,714
Investments	92,026,239	32,277,318	-	124,303,557	-	-	23,164,599	8,800,209	147,654	-	156,416,019
Patient accounts receivable, net	35,433,350	-	-	35,433,350	-	1,516,604	-	2,831,627	6,019,277	-	45,800,858
Other receivables	3,467,831	-	-	3,467,831	24,500	1,314,645	1,365,922	639,816	200,500	-	7,013,214
Inventories	6,339,039	-	-	6,339,039	-	-	-	-	1,660,090	-	7,999,129
Due from affiliates	1,957,148	24,500	(1,935,609)	46,039	2,860,336	-	-	-	-	(2,906,375)	-
Prepaid expenses and other current assets	2,228,771	-	-	2,228,771	-	51,075	3,747	409,986	152,144	-	2,845,723
Debt service fund	1,306,653	-	-	1,306,653	-	-	-	-	-	-	1,306,653
Total current assets	146,727,092	32,567,737	(1,935,609)	177,359,220	2,884,836	3,265,379	32,110,710	14,514,814	12,945,726	(2,906,375)	240,174,310
Assets limited as to use											
Cash	185,218	-	-	185,218	-	-	-	-	-	-	185,218
Investments held in trust	25,563	-	-	25,563	-	-	-	-	-	-	25,563
Endowment investments	19,258,521	3,690,538	-	22,949,059	-	-	-	7,348,216	7,716,484	-	38,013,759
Investment in subsidiaries	-	19,281,447	-	19,281,447	-	-	-	-	-	(19,281,447)	-
Funds held in trust by others	3,664,330	-	-	3,664,330	-	-	-	-	4,202,770		7,867,100
Contributions receivable	20,366	1,842,473	-	1,862,839	-	-	-	-	750,000		2,612,839
Total assets limited as to use	23,153,998	24,814,458	-	47,968,456	-	-	-	7,348,216	12,669,254	(19,281,447)	48,704,479
Other assets											
Intangible assets, net	-	-	-	-	-	-	-	-	2,230,125	-	2,230,125
Other receivables	22,155,848	-	-	22,155,848	-	2,320,000	336,218	8,301	4,246,430	(26,263,060)	2,803,737
Due from Affiliates - long term	14,833,363	-	-	14,833,363	-	-	-	-	-	(14,833,363)	-
Property, plant and equipment											
Land improvements	8,906,686	12,330,635	-	21,237,321	-	-	-	330,275	1,878,794	-	23,446,390
Buildings/leasehold improvements	153,010,381	-	-	153,010,381	-	1,332,390	-	2,013,668	18,287,292	-	174,643,731
Equipment/furniture	278,800,242	17,010	-	278,817,252	-	4,121,431	-	1,033,453	25,463,851	-	309,435,987
Accumulated depreciation	(307,044,723)	(228,069)	-	(307,272,792)	-	(1,835,034)	-	(1,977,039)	(14,165,901)	-	(325,250,766)
Construction in progress	9,718,135	-	-	9,718,135	-	-	-	-	2,454,303	-	12,172,438
Property, plant and equipment, net	143,390,721	12,119,576	-	155,510,297	-	3,618,787	-	1,400,357	33,918,339	-	194,447,780
	$ 350,261,022	$ 69,501,771	$ (1,935,609)	$ 417,827,184	$ 2,884,836	$ 9,204,166	$ 32,446,928	$ 23,271,688	$ 66,009,874	$ (63,284,245)	$ 488,360,431

Lawrence + Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2016

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Westerly Hospital	Eliminating Entries	Consolidated
Liabilities and Net Assets											
Current liabilities											
Accounts payable	$ 32,055,902	$ 49,339	$ -	$ 32,105,241	$ -	$ 1,001,084	$ 168,687	$ 254,716	$ 3,472,227	$ -	$ 37,001,955
Accrued vacation and sick pay	9,990,544	-	-	9,990,544	-	1,542,663	-	710,160	1,403,430	-	13,646,797
Salaries, wages, payroll taxes and amounts withheld from employees	2,526,943	-	-	2,526,943	-	1,787,918	-	291,240	1,623,643	-	6,229,744
Due to affiliates	2,860,336	1,935,609	(1,935,609)	2,860,336	46,039	-	-	-	-	(2,906,375)	-
Due to third party payors	7,944,521	-	-	7,944,521	-	5,543	-	132,000	1,650,991	-	9,733,055
Other current liabilities	-	-	-	-	-	-	4,704,458	151,366	-	-	4,855,824
Current portion of long-term debt	5,729,505	-	-	5,729,505	-	-	-	-	-	-	5,729,505
Total current liabilities	61,107,751	1,984,948	(1,935,609)	61,157,090	46,039	4,337,208	4,873,145	1,539,482	8,150,291	(2,906,375)	77,196,880
Accrued pension and other postretirement benefits	55,475,184	-	-	55,475,184	-	316,405	-	-	160,801	-	55,952,390
Other liabilities	26,768,140	-	-	26,768,140	-	4,318,600	27,889,861	325,403	5,602,647	(27,830,957)	37,073,694
Due to Affiliates - long term	-	-	-	-	-	-	-	-	14,833,363	(14,833,363)	-
Long-term debt less current portion	94,968,208	-	-	94,968,208	-	-	-	-	-	-	94,968,208
Total liabilities	238,319,283	1,984,948	(1,935,609)	238,368,622	46,039	8,972,213	32,763,006	1,864,885	28,747,102	(45,570,695)	265,191,172
Net assets											
Unrestricted	85,490,410	67,297,320	-	152,787,730	2,838,797	231,953	(316,078)	21,379,803	27,535,245	(17,713,550)	186,743,900
Temporarily restricted	20,326,874	219,503	-	20,546,377	-	-	-	-	-	-	20,546,377
Permanently restricted	6,124,455	-	-	6,124,455	-	-	-	27,000	9,727,527	-	15,878,982
Total net assets	111,941,739	67,516,823	-	179,458,562	2,838,797	231,953	(316,078)	21,406,803	37,262,772	(17,713,550)	223,169,259
	$ 350,261,022	$ 69,501,771	$ (1,935,609)	$ 417,827,184	$ 2,884,836	$ 9,204,166	$ 32,446,928	$ 23,271,688	$ 66,009,874	$ (63,284,245)	$ 488,360,431

Lawrence + Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2015

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Westerly Hospital	Eliminating Entries	Consolidated
Assets											
Current assets											
Cash and cash equivalents	$ 13,362,306	$ 79,026	$ -	$ 13,441,332	$ -	$ 1,742,691	$ 3,358,523	$ 2,300,545	$ 3,421,521	$ -	$ 24,264,612
Investments	107,365,636	28,697,270	-	136,062,906	-	-	18,604,941	7,476,983	133,813	-	162,278,643
Patient accounts receivable, net	37,976,959	-	-	37,976,959	-	997,949	-	2,895,357	8,601,329	-	50,471,594
Other receivables	4,131,254	-	-	4,131,254	24,500	55,407	1,241,613	622,506	-	-	6,075,280
Inventories	6,194,355	-	-	6,194,355	-	-	-	-	1,960,488	-	8,154,843
Due from affiliates	1,958,442	24,500	(1,958,442)	24,500	2,512,703	-	-	-	-	(2,537,203)	-
Prepaid expenses and other current assets	3,125,348	-	-	3,125,348	-	84,040	16,143	339,100	245,795	-	3,810,426
Debt service fund	1,304,613	-	-	1,304,613	-	-	-	-	-	-	1,304,613
Total current assets	175,418,913	28,800,796	(1,958,442)	202,261,267	2,537,203	2,880,087	23,221,220	13,634,491	14,362,946	(2,537,203)	256,360,011
Assets limited as to use											
Cash	183,677	-	-	183,677	-	-	-	-	-	-	183,677
Investments held in trust	926,080	-	-	926,080	-	-	-	-	-	-	926,080
Endowment investments	17,802,689	3,387,752	-	21,190,441	-	-	-	6,777,246	7,491,014	-	35,458,701
Investment in subsidiaries	-	19,281,447	-	19,281,447	-	-	-	-	-	(19,281,447)	-
Funds held in trust by others	3,584,118	-	-	3,584,118	-	-	-	-	4,049,023	-	7,633,141
Contributions receivable	20,366	2,146,420	-	2,166,786	-	-	-	-	750,000	-	2,916,786
Total assets limited as to use	22,516,930	24,815,619	-	47,332,549	-	-	-	6,777,246	12,290,037	(19,281,447)	47,118,385
Other assets											
Intangible assets, net	-	-	-	-	-	-	-	-	2,604,375	-	2,604,375
Other receivables	19,596,372	-	-	19,596,372	-	2,668,056	287,916	9,462	770,142	(20,513,394)	2,818,554
Deferred financing costs and other assets, net	-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment											
Land improvements	8,904,363	12,330,635	-	21,234,998	-	-	-	330,275	1,878,794	-	23,444,067
Buildings/leasehold improvements	152,295,547	-	-	152,295,547	-	1,062,737	-	2,285,699	18,038,855	-	173,682,838
Equipment/furniture	270,848,642	17,010	-	270,865,652	-	1,178,352	-	1,016,108	20,388,735	-	293,448,847
Accumulated depreciation	(283,857,352)	(166,376)	-	(284,023,728)	-	(1,200,400)	-	(2,029,102)	(9,913,775)	-	(297,167,005)
Construction in progress	2,785,773	-	-	2,785,773	-	-	-	-	94,222	-	2,879,995
Property, plant and equipment, net	150,976,973	12,181,269	-	163,158,242	-	1,040,689	-	1,602,980	30,486,831	-	196,288,742
	$ 368,509,188	$ 65,797,684	$ (1,958,442)	$ 432,348,430	$ 2,537,203	$ 6,588,832	$ 23,509,136	$ 22,024,179	$ 60,514,331	$ (42,332,044)	$ 505,190,067

Lawrence + Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2015

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Westerly Hospital	Eliminating Entries	Consolidated
Liabilities and Net Assets											
Current liabilities											
Accounts payable	$ 33,209,795	$ 88,903	$ -	$ 33,298,698	$ -	$ 201,568	$ 93,932	$ 244,438	$ 3,334,297	$ -	$ 37,172,933
Accrued vacation and sick pay	10,112,002	-	-	10,112,002	-	1,500,450	-	691,888	1,385,608	-	13,689,948
Salaries, wages, payroll taxes and amounts withheld from employees	4,908,525	-	-	4,908,525	-	2,790,267	-	659,774	1,260,223	-	9,618,789
Due to affiliates	2,512,703	1,941,981	(1,958,442)	2,496,242	40,961	-	-	-	-	(2,537,203)	-
Due to third party payors	6,711,203	-	-	6,711,203	-	-	-	140,000	1,324,643	-	8,175,846
Other current liabilities	-	-	-	-	-	-	513,215	142,366	-	-	655,581
Current portion of long-term debt	5,495,740	-	-	5,495,740	-	-	-	-	-	-	5,495,740
Total current liabilities	62,949,968	2,030,884	(1,958,442)	63,022,410	40,961	4,492,285	607,147	1,878,466	7,304,771	(2,537,203)	74,808,837
Accrued pension and other postretirement benefits	52,989,394	-	-	52,989,394	-	-	-	-	479,011	-	53,468,405
Other liabilities	23,691,278	-	-	23,691,278	-	4,855,295	22,147,795	258,790	2,757,900	(22,081,291)	31,629,767
Long-term debt less current portion	100,751,741	-	-	100,751,741	-	-	-	-	-	-	100,751,741
Total liabilities	240,382,381	2,030,884	(1,958,442)	240,454,823	40,961	9,347,580	22,754,942	2,137,256	10,541,682	(24,618,494)	260,658,750
Net assets											
Unrestricted	103,203,168	63,657,520	-	166,860,688	2,496,242	(2,758,748)	754,194	19,859,923	39,412,015	(17,713,550)	208,910,764
Temporarily restricted	18,960,042	109,280	-	19,069,322	-	-	-	-	1,217,275	-	20,286,597
Permanently restricted	5,963,597	-	-	5,963,597	-	-	-	27,000	9,343,359	-	15,333,956
Total net assets	128,126,807	63,766,800	-	191,893,607	2,496,242	(2,758,748)	754,194	19,886,923	49,972,649	(17,713,550)	244,531,317
	$ 368,509,188	$ 65,797,684	$ (1,958,442)	$ 432,348,430	$ 2,537,203	$ 6,588,832	$ 23,509,136	$ 22,024,179	$ 60,514,331	$ (42,332,044)	$ 505,190,067

Lawrence + Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2016

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Westerly Hospital	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 326,352,569	$ -	$ -	$ 326,352,569	$ -	$ 28,942,669	$ -	$ 12,516,264	$ 66,064,891	$ -	$ 433,876,393
Provision for bad debt	(12,353,274)	-		(12,353,274)	-	(433,913)	-	(80,799)	(2,847,911)		(15,715,897)
Net revenue less provision for bad debt	313,999,295	-	-	313,999,295	-	28,508,756	-	12,435,465	63,216,980	-	418,160,496
Other operating revenues	32,228,247	1,954,166		34,182,413	616,914	8,098,542	7,718,579	4,180,553	1,271,165	(37,987,733)	18,080,433
Net assets released from restriction used for operations	453,686	112,476		566,162	-	-	-	-	-	-	566,162
	346,681,228	2,066,642	-	348,747,870	616,914	36,607,298	7,718,579	16,616,018	64,488,145	(37,987,733)	436,807,091
Operating expenses											
Salaries and wages	142,839,009	-		142,839,009	-	36,071,750	-	11,666,061	28,701,561	-	219,278,381
Employee benefits	53,186,860	-		53,186,860	-	6,948,021	-	2,723,585	7,018,435	(10,162,427)	59,714,474
Supplies	58,654,793	112,516		58,767,309	-	1,838,782	-	373,581	10,706,762	-	71,686,434
Purchased services	26,454,290	557,536		27,011,826	15,117	3,581,967	278,416	424,694	14,707,617	(16,839,132)	29,180,505
Other	40,149,293	19,238		40,168,531	259,241	10,014,713	7,914,827	902,831	3,691,068	(10,570,174)	52,381,037
Interest	3,520,300	-		3,520,300	-	-	-	-	416,336	(416,000)	3,520,636
Depreciation and amortization	23,201,919	61,692		23,263,611	-	673,192	-	97,648	4,626,375	-	28,660,826
Total expenses	348,006,464	750,982	-	348,757,446	274,358	59,128,425	8,193,243	16,188,400	69,868,154	(37,987,733)	464,422,293
Income (loss) from operations	(1,325,236)	1,315,660	-	(9,576)	342,556	(22,521,127)	(474,664)	427,618	(5,380,009)	-	(27,615,202)
Nonoperating gains											
Unrestricted investment income	236,477	-		236,477	-	-	-		-	-	236,477
Nonoperating expenses	-	(597,247)		(597,247)	-	-	-		-	-	(597,247)
Income from investments and realized gains	1,584,321	456,009		2,040,330	-	-	191,249	527,502	161,831	-	2,920,912
	1,820,798	(141,238)	-	1,679,560	-	-	191,249	527,502	161,831	-	2,560,142
Excess (deficit) of revenues over expenses	495,562	1,174,422	-	1,669,984	342,556	(22,521,127)	(283,415)	955,120	(5,218,178)	-	(25,055,060)
Net unrealized (losses) on investments	4,289,067	2,275,789	-	6,564,856	-	-	319,531	564,760	83,017	-	7,532,164
Transfer to affiliated entities	(16,417,028)	189,589	-	(16,227,439)	(1)	25,511,828	(1,106,388)	-	(8,178,000)	-	-
Net assets released from restrictions used for purchases of property and equipment	133,618	-	-	133,618	-	-	-	-	76,067	-	209,685
Donated equipment	5,340	-	-	5,340	-	-	-	-	-	-	5,340
Transfer between donor classification	(70,383)	-	-	(70,383)	-	-	-	-	1,360,325	-	1,289,942
Pension related changes other than periodic pension costs	(6,148,934)	-	-	(6,148,934)	-	-	-	-	-	-	(6,148,934)
Decrease in unrestricted net assets	$ (17,712,758)	$ 3,639,800	$ -	$ (14,072,958)	$ 342,555	$ 2,990,701	$ (1,070,272)	$ 1,519,880	$ (11,876,769)	$ -	$ (22,166,863)

Lawrence + Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2015

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Westerly Hospital	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 339,282,362	$ -	$ -	$ 339,282,362	$ -	$ 29,975,826	$ -	$ 12,862,092	$ 73,345,489	$ -	$ 455,465,769
Provision for bad debt	(12,821,337)	-	-	(12,821,337)	-	(886,077)	-	(73,656)	(2,902,353)	-	(16,683,423)
Net revenue less provision for bad debt	326,461,025	-	-	326,461,025	-	29,089,749	-	12,788,436	70,443,136	-	438,782,346
Other operating revenues	30,874,305	963,970	-	31,838,275	555,885	8,944,425	6,145,615	4,169,099	2,355,099	(37,632,581)	16,375,817
Net assets released from restriction used for operations	577,092	4,254,553	-	4,831,645	-	-	-	-	-	-	4,831,645
	357,912,422	5,218,523	-	363,130,945	555,885	38,034,174	6,145,615	16,957,535	72,798,235	(37,632,581)	459,989,808
Operating expenses											
Salaries and wages	140,605,613	-	-	140,605,613	-	37,208,008	-	11,408,447	28,970,058	-	218,192,126
Employee benefits	51,698,355	-	-	51,698,355	-	6,855,301	-	2,680,705	6,892,411	(9,086,115)	59,040,657
Supplies	63,622,692	253,939	-	63,876,631	-	1,600,252	-	354,796	10,942,574	-	76,774,253
Purchased services	29,998,356	391,508	-	30,389,864	14,206	4,338,255	188,964	446,565	15,254,539	(17,092,585)	33,539,808
Other	40,208,162	34,629	-	40,242,791	218,624	9,708,321	7,204,478	873,982	3,261,737	(11,277,759)	50,232,174
Interest	3,553,690	-	-	3,553,690	-	-	-	-	416,000	(416,000)	3,553,690
Depreciation and amortization	23,639,711	61,692	-	23,701,403	-	227,378	-	92,068	4,932,855	-	28,953,704
Total expenses	353,326,579	741,768	-	354,068,347	232,830	59,937,515	7,393,442	15,856,563	70,670,174	(37,872,459)	470,286,412
Income (loss) from operations	4,585,843	4,476,755	-	9,062,598	323,055	(21,903,341)	(1,247,827)	1,100,972	2,128,061	239,878	(10,296,604)
Nonoperating gains											
Unrestricted investment income	228,240	-	-	228,240	-	-	-	-	-	-	228,240
Nonoperating expenses	-	(1,527,184)	-	(1,527,184)	-	-	-	-	-	-	(1,527,184)
Income from investments and realized gains	9,708,669	2,175,070	-	11,883,739	-	-	205,148	807,251	235,779	-	13,131,917
	9,936,909	647,886	-	10,584,795	-	-	205,148	807,251	235,779	-	11,832,973
Excess (deficit) of revenues over expenses	14,522,752	5,124,641	-	19,647,393	323,055	(21,903,341)	(1,042,679)	1,908,223	2,363,840	239,878	1,536,369
Net unrealized (losses) on investments	(16,107,490)	(3,912,099)	-	(20,019,589)	-	-	(204,449)	(676,928)	(6,162)	-	(20,907,128)
Transfer to affiliated entities	(19,764,884)	(5,117,563)	-	(24,882,447)	-	20,061,502	1,000,000	-	3,820,945	-	-
Net assets released from restrictions used for purchases of property and equipment	140,748	-	-	140,748	-	-	-	-	-	-	140,748
Donated equipment	-	-	-	-	-	-	-	-	81,000	(81,000)	-
Pension related changes other than periodic pension costs	(13,761,725)	-	-	(13,761,725)	-	-	-	-	-	-	(13,761,725)
Decrease in unrestricted net assets	$ (34,970,599)	$ (3,905,021)	$ -	$ (38,875,620)	$ 323,055	$ (1,841,839)	$ (247,128)	$ 1,231,295	$ 6,259,623	$ 158,878	$ (32,991,736)