ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

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

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of St. Vincent's Medical Center and Subsidiaries (the Medical Center), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, 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 financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Medical Center as of September 30, 2016 and 2015, 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.

Emphasis of Matter

As discussed in Note 1, effective January 1, 2016, St. Vincent’s Health Services Corporation (SVHS) distributed its membership interest in the Medical Center to Ascension Health, and Ascension Health contributed its membership interest in SVHS to the Medical Center. Upon the effectiveness of these transactions, Ascension Health became the sole member of the Medical Center, and the Medical Center became the sole member of SVHS. The accompanying 2015 consolidated financial statements include subsidiaries of SVHS that became subsidiaries of the Medical Center in 2016 and were not formerly included in the Medical Center’s previously issued 2015 consolidated financial statements. Our opinion is not modified with respect to this matter.

Marcum LLP

Hartford, CT
February 17, 2017

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

SEPTEMBER 30, 2016 AND 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 6,656	$ 7,449
Accounts receivable, less allowance for doubtful accounts ($20,300 in 2016 and $27,400 in 2015)	46,108	70,492
Inventories and other current assets	17,349	18,213
Total Current Assets	70,113	96,154
Interest in Investments Held by Ascension	38,914	321,091
Board-Designated Investments and Assets Limited as to Use		
Noncurrent pledges receivable, net	357	628
Board-designated investments	16,720	14,201
Temporarily or permanently restricted	28,388	28,284
Total Board-Designated Investments and Assets Limited as to Use	45,465	43,113
Property and Equipment		
Land and improvements	14,582	14,523
Buildings, leasehold improvements and equipment	487,938	475,278
Construction in progress	6,401	8,634
	508,921	498,435
Less accumulated depreciation	(317,582)	(296,408)
Total Property and Equipment, net	191,339	202,027
Capitalized Software Costs, net	20,230	22,967
Other Assets	16,722	15,956
Total Assets	$ 382,783	$ 701,308

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

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2016 AND 2015

	2016	2015
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 44,100	$ 46,545
Current portion of long-term debt	1,500	1,614
Due to System, net	6,305	4,223
Estimated third-party payor settlements	17,909	9,476
Other current liabilities	--	484
Total Current Liabilities	69,814	62,342
Noncurrent Liabilities		
Long-term debt	54,346	54,935
Self-insurance liabilities	3,879	3,803
Pension and other postretirement liabilities	23,317	8,113
Other liabilities	11,815	10,497
Total Noncurrent Liabilities	93,357	77,348
Total Liabilities	163,171	139,690
Net Assets		
Unrestricted	191,357	533,334
Temporarily restricted	15,307	15,414
Permanently restricted	12,948	12,870
Total Net Assets	219,612	561,618
Total Liabilities and Net Assets	$ 382,783	$ 701,308

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

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

(Dollars in Thousands)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Operating Revenues		
Net patient service revenue	$ 483,465	$ 466,454
Less provision for doubtful accounts	26,362	24,067
Net patient service revenue, less provision for doubtful accounts	457,103	442,387
Other revenues	47,394	44,801
Net assets released from restrictions for operations	1,961	1,307
Total Operating Revenues	506,458	488,495
Operating Expenses		
Salaries and wages	218,910	225,187
Employee benefits	53,186	53,194
Purchased services	71,436	57,091
Professional fees	26,032	23,155
Supplies	58,754	57,684
Insurance	9,960	9,187
Interest	1,800	1,791
Depreciation and amortization	27,221	26,783
Provider tax	24,306	18,202
Other	35,550	35,927
Total Operating Expenses Before Restructuring Losses	527,155	508,201
Loss from Operations Before Restructuring Losses	(20,697)	(19,706)
Restructuring Losses	(2,187)	--
Loss from Operations	(22,884)	(19,706)
Nonoperating Gains (Losses)		
Investment return, net	8,031	(12,409)
Other	(1,091)	(768)
Total Nonoperating Gains (Losses), net	6,940	(13,177)
Deficiency of Revenues and Gains Over Expenses and Losses	(15,944)	(32,883)

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

ST. VINCENT’S MEDICAL CENTER AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Unrestricted Net Assets		
Deficiency of revenues and gains over expenses and losses	$ (15,944)	$ (32,883)
Transfers to System	(328,194)	(31,246)
Net assets released from restrictions for property acquisitions	619	43
Pension and other postretirement liability adjustments	1,751	1,015
Other	(209)	--
Decrease in Unrestricted Net Assets	(341,977)	(63,071)
Temporarily Restricted Net Assets		
Contributions	1,964	1,261
Investment return	1,256	1,266
Net change in unrealized losses on investments	(574)	(1,480)
Net assets released from restrictions	(2,580)	(1,350)
Other	(173)	(33)
Decrease in Temporarily Restricted Net Assets	(107)	(336)
Permanently Restricted Net Assets		
Contributions	78	107
Increase in Permanently Restricted Net Assets	78	107
Decrease in Net Assets	(342,006)	(63,300)
Net Assets - Beginning	561,618	624,918
Net Assets - Ending	$ 219,612	$ 561,618

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

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Decrease in net assets	$ (342,006)	$ (63,300)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,221	26,783
Pension and other postretirement liability adjustments	(1,751)	(1,015)
Restricted contributions and net investment return	(3,298)	(2,634)
Net change in unrealized (gains) losses on investments	(3,006)	21,886
Transfers to System, net	328,194	31,246
Changes in operating assets and liabilities:		
Interest in investments held by Ascension	(6,133)	45,373
Accounts receivable, net	24,384	(2,903)
Inventories and other current assets	864	3,364
Accounts payable and accrued liabilities	(2,445)	(8,732)
Estimated third-party payor settlements	8,433	(1,166)
Other current liabilities	(484)	149
Pension and other postretirement liabilities	15,204	6,914
Other liabilities	1,394	693
Net Cash Provided by Operating Activities	46,571	56,658
Cash Flows from Investing Activities		
Property and equipment additions	(10,693)	(15,861)
Software in development	(3,103)	(2,267)
Decrease in assets limited as to use - restricted	(2,352)	(2,526)
Increase in other assets	(766)	(3,159)
Net Cash Used in Investing Activities	(16,914)	(23,813)

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

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Dollars in Thousands)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Cash Flows from Financing Activities		
Transfers to System	$ (33,045)	$ (30,491)
Repayment of long-term debt	(703)	(839)
Restricted contributions and net investment return	3,298	2,634
Net Cash Used in Financing Activities	(30,450)	(28,696)
Net Change in Cash and Cash Equivalents	(793)	4,149
Cash and Cash Equivalents - Beginning	7,449	3,300
Cash and Cash Equivalents - Ending	$ 6,656	$ 7,449

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

(Dollars in Thousands)

NOTE 1 – ORGANIZATION AND MISSION

ORGANIZATIONAL STRUCTURE

St. Vincent's Medical Center (Medical Center) 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 24 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 (SVHS) distributed its membership interest in the Medical Center to Ascension Health, and Ascension Health contributed its membership interest in SVHS to the Medical Center. Upon the effectiveness of these transactions, Ascension Health became the sole member of the Medical Center, and the Medical Center became the sole member of SVHS.

The accompanying 2015 consolidated financial statements include subsidiaries of SVHS that became subsidiaries of the Medical Center in 2016 and were not formerly included in the Medical Center's previously issued 2015 consolidated financial statements. These subsidiaries include The St. Vincent's Special Needs Center (Special Needs), The St. Vincent's Medical Center Foundation, Inc. (Foundation), St. Vincent's Development Corporation (Development Corp.) and Vincentures, Inc.

The impact of this change in reporting entity on the accompanying 2015 consolidated financial statements is presented below:

Previously reported net assets at September 30, 2014	$ 562,501
Change in reporting entity addition of SVHS net assets	62,417
Net assets at September 30, 2014 reported in the accompanying consolidated financial statements	$ 624,918

(Dollars in Thousands)

NOTE 1 – ORGANIZATION AND MISSION (CONTINUED)

ORGANIZATIONAL STRUCTURE (CONTINUED)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Previously reported net assets at September 30, 2015	$ 476,680	$ 13,865	$ 12,160	$ 502,705
Change in reporting entity addition of SVHS net assets	56,654	1,549	710	58,913
Net assets at September 30, 2015 reported in the accompanying consolidated financial statements	$ 533,334	$ 15,414	$ 12,870	$ 561,618
Previously reported (decrease) increase in net assets for the year ended September 30, 2015	$ (59,583)	$ (320)	$ 107	$ (59,796)
Change in reporting entity addition of SVHS changes in net assets for the year ended September 30, 2015	(3,488)	(16)	--	(3,504)
(Decrease) increase in net assets for the year ended September 30, 2015 reported in the accompanying consolidated financial statements	$ (63,071)	$ (336)	$ 107	$ (63,300)

Previously reported deficiency of revenues and gains over expenses and losses for the year ended September 30, 2015	$ (32,722)
Change in reporting entity addition of SVHS deficiency of revenues and gains over expenses and losses for the year ended September 30, 2015	(161)
Deficiency of revenues and gains over expenses and losses for the year ended September 30, 2015 reported in the accompanying consolidated financial statements	$ (32,883)

NOTE 1 – ORGANIZATION AND MISSION (CONTINUED)

ORGANIZATIONAL STRUCTURE (CONTINUED)

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

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.

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, 2016 and 2015.

SVHS, located in Bridgeport, Connecticut became a subsidiary of the Medical Center effective January 1, 2016 and is a nonprofit organization that has the following subsidiaries:

Special Needs is a nonprofit organization, providing a broad spectrum of educational, therapeutic, and recreational programming services for persons with disabilities.

NOTE 1 – ORGANIZATION AND MISSION (CONTINUED)

ORGANIZATIONAL STRUCTURE (CONTINUED)

The Foundation is a nonprofit organization managing the charitable funds of the Medical Center, Special Needs and the College, allowing distribution to affiliated nonprofit corporations organized and operated for charitable, religious, educational, or scientific purposes.

Development Corp. is a nonprofit corporation managing various real estate holdings.

Vincentures, Inc. 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.

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.

NOTE 1 – ORGANIZATION AND MISSION (CONTINUED)

MISSION (CONTINUED)

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

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

Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

The amount of traditional charity care provided, determined on the basis of cost was approximately $8,550 and $7,167 for the years ended September 30, 2016 and 2015, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

USE OF ESTIMATES

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less.

The Medical Center has cash in various financial institutions that insure deposits up to $250 per depositor through the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of FDIC coverage are not insured and thereby represent a credit risk to the Medical Center. At September 30, 2016, there were approximately $4,979 of uninsured deposits.

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

As of September 30, 2016 and 2015, the Medical Center has an interest in investments held by Ascension, which is reflected in the accompanying Consolidated Balance Sheets, and represents the Medical Center's pro rata share of Ascension's investment interest in the Ascension Alpha Fund, LLC (Alpha Fund). Ascension has an investment interest in the Alpha Fund, as a member of the Alpha Fund, and invests funds in the Alpha Fund on behalf of the Medical Center.

During the fiscal year ended September 30, 2016, Ascension has consolidated its investment portfolio. The Medical Center's Balance Sheet no longer reflects approximately $291,000 of its investment interest in the Alpha Fund. This change is reflected in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

The Medical Center 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses on the Medical Center's investments, as well as the Medical Center's return on its interest in investments held by Ascension, and are reported as nonoperating gains (losses) 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.

(Dollars in Thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS

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

Intangible assets are comprised of the following:

	2016	2015
Capitalized computer software costs	$ 48,361	$ 45,820
Less: accumulated amortization	30,611	24,771
Capitalized computer software costs, net	17,750	21,049
Software under development	2,480	1,918
Goodwill	3,405	3,205
Total intangible assets, net	$ 23,635	$ 26,172

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, 2016 and 2015 was $5,840 and $5,601, respectively.

Several capital projects have remaining software purchase commitments of approximately $2,011 as of September 30, 2016.

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 2016 and 2015 was $21,381 and $21,181, 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 2016 or 2015.

Several capital projects have remaining construction and related equipment purchase commitments of approximately $12,578 as of September 30, 2016.

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

The Medical Center's most significant asset retirement obligation relates to required future asbestos remediation of physical plant and buildings constructed prior to 1975. Asset retirement obligations of $128 as of September 30, 2016 and 2015, 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 2016 and 2015, no retirement obligations were incurred or settled.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those assets whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on 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 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, and pension and other postretirement liability adjustments.

OPERATING AND NONOPERATING ACTIVITIES

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

	2016	2015
Gross patient service revenue	$ 1,548,392	$ 1,431,622
Deductions		
Allowances	1,040,692	943,281
Charity care	24,235	21,887
Net patient service revenue	$ 483,465	$ 466,454

Supplemental payments received from the State of Connecticut of $7,499 and $9,934 for the years ended September 30, 2016 and 2015, respectively, have been included in net patient service revenue above.

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. The Medical Center recognizes patient service revenue at the time services are rendered, even though the patient's ability to pay may not be completely assessed at that time. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is 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 $1,706 and $7,091 for the years ended September 30, 2016 and 2015, 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. Effective July 1, 2016, Connecticut Medicaid outpatient services are paid under a Medicaid APC payment system.

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

	2016	2015
Medicare	39 %	39 %
Medicaid	16 %	13 %
HMOs	21 %	22 %
Commercial	22 %	18 %
Self-pay and other	2 %	8 %
	100 %	100 %

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable, less allowance for doubtful accounts, at September 30, 2016 and 2015 are as follows:

	2016	2015
Medicare	32 %	30 %
Medicaid	9 %	16 %
HMOs	20 %	14 %
Commercial	21 %	30 %
Self-pay and other	18 %	10 %
	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 Medical Center follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with the Medical Center's policies.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS (CONTINUED)

The Medical Center accounts for HITECH incentive payments as a gain contingency. Income from Medicare incentive payments is recognized as revenue after the Medical Center has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended. The Medical Center recognizes incentive payments as revenue when qualifying patient volume thresholds and meaningful use objectives have been met for the applicable reporting period. Incentive payments totaling $883 and $234 for the years ended September 30, 2016 and 2015, respectively, are included in total operating revenues in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Medical Center's compliance with the meaningful use criteria is subject to audit by the federal government.

IMPAIRMENT AND RESTRUCTURING 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, 2016, the Medical Center recorded costs associated with a workforce reduction of $2,187. The amount was comprised primarily of severance compensation. There were no such costs recorded by the Medical Center during the year ended September 30, 2015.

HEALTH MINISTRY INCOME TAXES

The member health care entities of the Medical Center, 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 Medical Center accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

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, 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Medical Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

ADOPTION OF NEW ACCOUNTING STANDARDS

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU, or Update) No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent).* The provisions of this Update affect fair value measurements disclosures only. Investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient provisions of ASC 820, *Fair Value Measurement*, are no longer required to be included within the fair value hierarchy leveling tables. The Medical Center adopted this guidance as of and for the year ended September 30, 2016 with amendments applied retrospectively to all periods presented. The application of this ASU resulted in updates within both the Fair Value Measurements and Pension Plans notes.

REGULATORY COMPLIANCE

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

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

(Dollars in Thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Medical Center 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, 2016, the Medical Center evaluated subsequent events through February 17, 2017, representing the date on which the consolidated financial statements were available to be issued.

Effective December 31, 2016, the Medical Center will no longer offer the other postretirement health care plan benefits described in the Other Postretirement Employee Benefits note. The curtailment gain related to the termination of the retiree defined benefit health plan will be recognized during the year ending September 30, 2017. There were no other material subsequent events that required recognition or disclosure in the financial statements.

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, 2016 and 2015, the Medical Center's investments are comprised of its interest in investments held by Ascension and certain other investments, including investments held and managed by the Foundation. Assets limited as to use primarily include investments restricted by donors. The Medical Center's cash and cash equivalents, 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:

	2016	2015
Cash and cash equivalents	$ 6,656	$ 7,449
Interest in investments held by Ascension	38,914	321,091
Pledges receivable, net	357	628
Board-designated investments	16,720	14,201
Assets limited as to use:		
Temporarily or permanently restricted	28,388	28,284
	$ 91,035	$ 371,653

(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, 2016 and 2015, 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:

	2016	2015
Cash and cash equivalents	$ 11,151	$ 13,436
U.S. government obligations	2,332	970
Corporate and foreign fixed income investments	6,074	5,436
Asset-backed securities	663	908
Equity investments	23,789	20,849
Pledges receivable, net	357	628
Other investments	1,788	1,457
Interest in investments held by Ascension	38,914	321,091
Hedge funds	5,967	6,878
	$ 91,035	$ 371,653

(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, 2016 and 2015, the composition of interest in investments held by Ascension is as follows:

	2016	2015
Cash, cash equivalents and short-term investments	7.1 %	3.0 %
U.S. government obligations	16.4 %	21.2 %
Asset-backed securities	5.5 %	6.3 %
Corporate and foreign fixed income investments	13.0 %	12.0 %
Equity securities	19.9 %	18.8 %
Alternative investments and other investments:		
Private equity and real estate funds	10.1 %	9.5 %
Hedge funds	18.0 %	20.2 %
Commodities funds and other investments	10.0 %	9.0 %
	100.0 %	100.0 %

Investment return for the years ended September 30, 2016 and 2015 recognized by the Medical Center are summarized as follows:

	2016	2015
Return on interest in investments held by Ascension	$ 6,213	$ (12,373)
Interest and dividends	565	518
Net realized and unrealized gains (losses) on investments reported at fair value	1,935	(768)
Total investment return, net	$ 8,713	$ (12,623)
Investment return included in nonoperating gains (losses)	$ 8,031	$ (12,409)
Investment return reported separately as increase (decrease) in temporarily restricted net assets	682	(214)
Total investment return, net	$ 8,713	$ (12,623)

NOTE 4 – FAIR VALUE MEASUREMENTS

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

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

The Medical Center follows 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.

Net Asset Value (NAV): Values are based on the calculated net asset value. The calculated net asset values for underlying investments are fair value estimates determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth and other business and market sector factors.

There were no significant transfers between Levels 1 and 2 during the years ended September 20, 2016 and 2015, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

As of September 30, 2016 and 2015, 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 market and income approaches. 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 market and income approaches. 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 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 Medical Center'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 Medical Center 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, 2016, 25%, 34%, and 1% of total Alpha Fund assets that are measured at fair value on a recurring basis were categorized as Level 1, Level 2 and Level 3 inputs, respectively, with 40% of assets recorded at NAV. There were no Alpha Fund liabilities measured at fair value on a recurring basis as of September 30, 2016.

As of September 30, 2015, 21%, 37%, and 1% of total Alpha Fund assets that were measured at fair value on a recurring basis were categorized as Level 1, Level 2 and Level 3 inputs, respectively, with 41% of assets recorded at NAV. With respect to Alpha Fund's liabilities measured at fair value on a recurring basis, 100% were categorized as Level 1 as of September 30, 2015.

(Dollars in Thousands)

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes fair value measurements, by level, at September 30, 2016, for all other financial assets and liabilities which are measured at fair value on a recurring basis in the Medical Center's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 11,151	$ --	$ --	$ 11,151
U.S. government obligations	--	2,332	--	2,332
Corporate and foreign fixed income investments	2,165	3,909	--	6,074
Asset-backed securities	--	663	--	663
Equity investments	23,789	--	--	23,789
Other investments:				
Real estate funds	957	--	--	957
Commodity funds and other investments	831	--	--	831
Deferred compensation assets, included in other noncurrent assets, invested in:				
Mutual funds	9,657	--	--	9,657
Assets at net asset value:				
Hedge funds				5,967

(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
Other investments:				
Real estate funds	826	--	--	826
Commodity funds and other investments	631	--	--	631
Deferred compensation assets, included in other noncurrent assets, invested in:				
Mutual funds	8,653	--	--	8,653
Assets at net asset value:				
Hedge funds				6,878

(Dollars in Thousands)

NOTE 5 – LONG-TERM DEBT

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

	2016	2015
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, 2016) set at prevailing market rates	$ 26,500	$ 27,900
Intercompany debt with Ascension, payable in installments through November 2053; interest (3.671% and 2.975% at September 30, 2016 and 2015, respectively) adjusted based on prevailing blended market interest rate of underlying debt obligations	29,346	28,649
	55,846	56,549
Less current portion of long-term debt	1,500	1,614
	$ 54,346	$ 54,935

(Dollars in Thousands)

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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

Year ending September 30,		
2017	$	1,500
2018		1,500
2019		1,600
2020		1,700
2021		1,700
Thereafter		47,846
	$	55,846

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

In November 1999, the Credit Group issued $2,365,725 of Hospital Revenue Bonds Series 1999 Bonds (1999 Bonds) through eleven different issuing authorities in nine states. The Bonds of each series were issued pursuant to separate Bond Indentures, each dated as of November 1, 1999, between the related issuer of such series and the Bond Trustee for each series. The proceeds of each series of bonds were loaned by the related Issuer to Ascension (or, solely with respect to the Connecticut Bonds, the Connecticut Borrowers, the Medical

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 Medical Center through November 15, 2029 in amounts ranging from $728 to $1,103, annually, with repayment to occur in annual installments ranging from $643 to $8,225, 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, 2016, 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, 2016 and 2015, there were no borrowings under either line of credit.

As of September 30, 2016, the Senior Credit Group had a $100 million revolving line of credit related to its letters of credit program toward which a bank commitment of $100 million was extended to November 22, 2017. The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups. Of this $100 million revolving line of credit, letters of credit totaling $81 million have been issued as of September 30, 2016. No borrowings were outstanding under the letters of credit as of September 30, 2016 and 2015.

The outstanding principal amount of all hospital revenue bonds is $6.3 billion, which represents 41% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at September 30, 2016.

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 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, 2016 and 2015 is approximately $301,974 and $385,319, respectively.

During the years ended September 30, 2016 and 2015, the Medical Center paid interest of approximately $1,800 and $1,791, respectively. There was no capitalized interest in 2016 or 2015.

NOTE 6 – ENDOWMENTS

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

The Medical Center's Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and, if applicable, (c) accumulations to the permanent endowment made in accordance with the related gift's donor instructions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Medical Center in a manner consistent with the standard for expenditure as prescribed by Connecticut UPMIFA.

NOTE 6 – ENDOWMENTS (CONTINUED)

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

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

ENDOWMENT FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Connecticut UPMIFA requires the Medical Center to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in unrestricted net assets as of September 30, 2016 and 2015.

RETURN OBJECTIVES AND RISK PARAMETERS

The Medical Center'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 Medical Center must hold in perpetuity or for a donor-specified period. Under these policies, endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. The Medical Center 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 Medical Center 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 Medical Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

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

CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	$ --	$ 3,315	$ 12,870	$ 16,185
Investment return:				
Investment income	--	387	--	387
Net appreciation (realized and unrealized)	--	142	--	142
Total investment return, net	--	529	--	529
Contributions	--	--	78	78
Appropriation of endowment assets for expenditures	--	(197)	--	(197)
Endowment net assets, ending	$ --	$ 3,647	$ 12,948	$ 16,595

(Dollars in Thousands)

NOTE 6 – ENDOWMENTS (CONTINUED)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	$ --	$ 3,782	$ 12,763	$ 16,545
Investment return:				
Investment income	--	193	--	193
Net depreciation (realized and unrealized)	--	(351)	--	(351)
Total investment return, net	--	(158)	--	(158)
Contributions	--	10	107	117
Appropriation of endowment assets for expenditures	--	(319)	--	(319)
Endowment net assets, ending	$ --	$ 3,315	$ 12,870	$ 16,185

NOTE 7 – PENSION PLANS

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

ASCENSION HEALTH PENSION PLAN

The Medical Center participates in the Ascension Health Pension Plan (the Ascension Plan), a noncontributory defined benefit pension plan. Benefits cover all eligible employees hired prior to January 1, 2006 and are based on each participant's years of service and compensation. The Ascension Plan's assets are invested in the Ascension Health Master Pension Trust (the Trust), a master trust primarily consisting of cash and cash equivalents, equity, fixed income funds and alternative investments, consisting of various hedge funds, real estate funds, private equity funds, commodity funds, private credit funds, and certain other private funds. The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates. Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Net periodic pension income of $7,807 in 2016 and $9,193 in 2015 was recognized by the Medical Center. The service cost component of net periodic pension cost charged to the Medical Center is actuarially determined while all other components are allocated based on the Medical Center's pro rata share of Ascension Health's overall projected benefit obligation.

NOTE 7 – PENSION PLANS (CONTINUED)

ASCENSION HEALTH PENSION PLAN (CONTINUED)

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, 2016 and 2015, the Ascension Plan had a net unfunded liability of $489.5 and $203.7 million. The Medical Center's allocated share of the Ascension Plan's net unfunded liability reflected in the accompanying Consolidated Balance Sheet at September 30, 2016 was a pension liability of $21,050. As a result of updating the funded status of the Ascension Plan, the Medical Center's allocated share of the Ascension Plan's net funded liability was increased by $25,032 during the year ended September 30, 2016. As a result of updating the funded status of the Ascension Plan, the Medical Center's allocated share of the Ascension Plan's net funded liability was increased by $19,860 during the year ended September 30, 2015. 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, 2016 and 2015, the fair value of the Ascension Plan's assets available for benefits was $4.25 billion and $4.04 billion, respectively. As discussed in the Fair Value Measurements note, the Medical Center, as well as the System, follows a three-level hierarchy to categorize assets and liabilities measured at fair value. In accordance with this hierarchy, as of September 30, 2016, 28%, 37%, 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 34% of assets recorded at NAV. With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 37%, 39%, and 24% were categorized as Level 1, Level 2 and Level 3, respectively, as of September 30, 2016. Additionally, as of September 30, 2015, 29%, 28% and 1% of the Ascension Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1, Level 2 and Level 3, respectively, with 42% of assets recorded at 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.

NOTE 7 – PENSION PLANS (CONTINUED)

ASCENSION HEALTH PENSION PLAN (CONTINUED)

As of September 30, 2016 and 2015, deferred pension costs of $57,792 and $34,530, 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, 2016 and 2015, $1,754 and $1,022, respectively, of these deferred costs were amortized into expense in the Consolidated Statements of Operations and Changes in Net Assets. The amortization of these costs was also reflected as a reduction of the Medical Center's net transfer to the System.

ASCENSION HEALTH DEFINED CONTRIBUTION PLAN

The Medical Center participates in the Ascension Health Defined Contribution Plan (the Defined Contribution Plan), a contributory and noncontributory, defined contribution plan sponsored by Ascension Health which covers all eligible associates. There are three primary types of contributions to the Defined Contribution Plan: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and increase 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 these employer contributions immediately. Defined contribution expense, representing both employer automatic contributions and employer matching contributions, was $9,484 and $9,998 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015 was $1,231 and $1,233, respectively. In 2016 and 2015, the discount rate used was 2.81% and 3.57%, 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 one thousand two hundred dollars per annum. The Health Plan is not funded.

As described in the subsequent events section of the Significant Accounting Policies note, the Medical Center will no longer provide these benefits effective December 31, 2016.

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

	2016	2015
Change in benefit obligation		
Benefit obligation, beginning	$ (2,174)	$ (2,346)
Interest cost	(89)	(96)
Actuarial losses	(145)	(6)
Benefits paid	276	274
Benefit obligation, ending	$ (2,132)	$ (2,174)
Change in plan assets		
Fair value of plan assets, beginning	$ --	$ --
Employer contributions	276	274
Benefits paid	(276)	(274)
Fair value of plan assets, ending	$ --	$ --
Funded status	$ (2,132)	$ (2,174)
Unrecognized gain	--	--
Accrued benefit cost	$ (2,132)	$ (2,174)

(Dollars in Thousands)

NOTE 8 – OTHER POSTRETIREMENT BENEFITS (CONTINUED)

	2016	2015
Components of net periodic cost (benefit)		
Interest cost	$ 89	$ 96
Net amortization and deferral	(2)	--
Net periodic cost	$ 87	$ 96
Assumption		
Discount rate	3.59%	4.34%

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

	2016	2015
Unrecognized actuarial gains	$ 29	$ 176

Changes in benefit obligations recognized in unrestricted net assets include:

	2016	2015
Current year actuarial losses	$ (145)	$ (8)
Amortization of actuarial losses	(2)	--
	$ (147)	$ (8)

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, 2017.

(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,		
2017	$	231
2018		222
2019		211
2020		198
2021		186
2022-2025		761

The above table has not been modified to reflect the decision to terminate these benefits effective December 31, 2016.

Also, the Medical Center sponsored a sick leave plan (Sick Plan) for employees who reached the age of 55 and satisfied certain service requirements. The Sick Plan was terminated during the year ended September 30, 2015 and the Medical Center paid employees the vested Sick Plan balance of $4,600.

NOTE 9 – SELF-INSURANCE PROGRAMS

The Medical Center participates in pooled risk programs to insure substantially all professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2016 and 2015. 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 Medical Center participates in Ascension's professional and general liability self-insured program which most commonly provides claims-made coverage through a wholly owned on-shore trust and offshore captive insurance company, Ascension Health Insurance, Ltd. (AHIL), with a self-insured retention up to $10,000 per occurrence with no aggregate. The Medical Center has a deductible of $100 per claim with no aggregate for most of its claims. Excess coverage is provided through AHIL with limits up to $205,000 for 2016 and 2015. 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 $9,211 and $8,469 for the years ended September 30, 2016 and 2015, respectively. For the year ended September 30, 2015, the expense was reduced by $700 of excess premiums previously retained by Ascension's professional and general liability self-insured program which has been returned to the Health Ministry. There were no excess premiums returned to the Health Ministry for the year ended September 30, 2016. 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 $6,032 and $6,176 at September 30, 2016 and 2015, respectively.

WORKERS' COMPENSATION

The Medical Center participates in Ascension's workers' compensation program which provides occurrence coverage through a grantor trust. The trust provides coverage up to $1,500 per occurrence with no aggregate. The Medical Center 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 $1,740 and $629 for the years ended September 30, 2016 and 2015, respectively. Included in current liabilities on the accompanying Consolidated Balance Sheets are workers' compensation loss reserves of $1,272 and $1,004 at September 30, 2016 and 2015, respectively.

HEALTH INSURANCE

The Medical Center participates in the Ascension self-insured plan for employee health care benefits. Stop-loss coverage for medical and pharmaceutical claims in excess of $110 and $200, respectively, per participant per calendar year is shared between the participating members of the Ascension self-insured plan. Stop-loss coverage for all medical and pharmaceutical claims in excess of $1,000 per participant per calendar year is commercially insured. Prior to July 1, 2016, the Medical Center accrued 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 (IBNR) claims based on claims experience. The amount of actual losses could differ from estimates recognized.

Effective July 1, 2016, the Medical Center began recognizing employee health care expense on a premium equivalent basis, with premium equivalents being paid to Ascension. In connection with this change, IBNR reserves were transferred to Ascension.

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,		
2017	$	3,824
2018		3,639
2019		3,260
2020		2,509
2021		2,263
Thereafter		9,321
	$	24,816

(Dollars in Thousands)

NOTE 10 – LEASE COMMITMENTS (CONTINUED)

Development Corp. has subleased certain of its space under the operating leases reported above. Subleases with terms that are of one year or more are as follows:

Year ending September 30,		
2017	$	64
2018		64
2019		59
2020		30
2021		16
Thereafter		4
	$	237

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 $39 and $45 for the years ended September 30, 2016 and 2015, respectively. Rent expense under operating leases amounted to $8,025 and $7,899 for the years ended September 30, 2016 and 2015, 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,		
2017	$	347
2018		300
2019		189
2020		116
2021		63
Thereafter		143
	$	1,158

NOTE 11 – RELATED-PARTY TRANSACTIONS

The Medical Center utilized various centralized programs and overhead services of the System or its other sponsored organizations including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to the Medical Center for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of the Medical Center. Allocations are based on relevant metrics such as the Medical Center's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of the System. The amounts charged to the Medical Center for these services may not necessarily result in the net costs that would be incurred by the Medical Center on a stand-alone basis. The charges allocated to the Medical Center were approximately \$48,533 and \$39,666 for the years ended September 30, 2016 and 2015, respectively. A portion of the allocated charges are reported as transfers to System in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Charges of \$5,119 and \$5,204 were recorded as transfers for the years ended September 30, 2016 and 2015, respectively.

In addition, the System is in the process of implementing a System-wide information technology and process standardization project. The Medical Center has been and will continue to be allocated its share of the costs to fund this project. The Medical Center made payments to the System of \$3,975 and \$3,973 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015, the Medical Center paid \$1,771 and \$2,266, 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 2016 and 2015, the Medical Center transferred \$2,560 and \$1,466, 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.

(Dollars in Thousands)

NOTE 11 – RELATED-PARTY TRANSACTIONS (CONTINUED)

During 2016 and 2015, the Medical Center transferred $192 and $258, respectively to the System to fund the Medical Center'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 at an interest rate of 5%. 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, 2016 and 2015, the Medical Center had outstanding balances of $2,671 and $3,200, respectively, under this line of credit and these amounts are included in other noncurrent assets in the Consolidated Balance Sheets.

NOTE 12 – PLEDGES RECEIVABLE

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, 2016 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:

	2016	2015
Due within one year	$ 330	$ 445
Due in one to five years	380	691
	710	1,136
Less allowance and discount to present value	122	231
	588	905
Less pledges receivable, net - current portion	231	277
Noncurrent pledges receivable, net	$ 357	$ 628

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

(Dollars in Thousands)

NOTE 13 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Health care services	$ 5,414	$ 5,084
Education and training	1,893	2,204
Capital	4,884	5,025
Other	3,116	3,101
	$ 15,307	$ 15,414

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:

	2016	2015
Health care services	$ 6,278	$ 6,263
Education and training	2,637	2,637
Capital	1,904	1,904
Other	2,129	2,066
	$ 12,948	$ 12,870

NOTE 14 – CONTINGENCIES AND COMMITMENTS

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

NOTE 14 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

In January 2006, the Medical Center, AHIL, and an insurance provider entered into an agreement to provide professional liability insurance for community physicians. The agreement stipulates that future actuarial gains and losses will be solely the responsibility of the Medical Center. As of September 30, 2016 and 2015, such gains and losses cannot be determined. Management expects any related adjustment will not have a material adverse effect on the Medical Center's consolidated financial position.

In March 2013, Ascension and some of its subsidiaries were named as defendants to litigation surrounding the Church Plan status of the Ascension Plan. On May 9, 2014, the United States District Court, Eastern District of Michigan, Southern Division, issued a Decision and Order Granting Defendants' Motion to Dismiss in favor of Ascension and the other defendants. On June 11, 2014, the plaintiff in the case filed a Notice of Appeal. On March 17, 2015, upon motion of the parties, the Sixth Circuit remanded the case to the District Court to consider approving a proposed settlement of the lawsuit by the parties. On September 17, 2015, the District Court issued its Order approving the proposed settlement, and the settlement became final on November 16, 2015.

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

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of St. Vincent's Medical Center as of and for the years ended September 30, 2016 and 2015, and have issued our report thereon dated February 17, 2017, which contains an unmodified opinion with an emphasis of matter paragraph 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 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
February 17, 2017

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ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET
(Dollars in Thousands)

SEPTEMBER 30, 2016

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	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	$ 1,544	$ 1,758	$ 57	$ 3,041	$ 63	$ 193	$ --	$ 6,656
Accounts receivable, less allowances for doubtful accounts of $20,300	41,712	4,396	--	--	--	--	--	46,108
Inventories and other current assets	8,103	1,150	3,533	460	3,755	348	--	17,349
Total Current Assets	51,359	7,304	3,590	3,501	3,818	541	--	70,113
Interest in Investments Held by Ascension	--	--	15,619	--	23,295	--	--	38,914
Board-Designated Investments and Assets Limited as to Use								
Noncurrent pledges receivable, net	--	--	--	357	--	--	--	357
Board-designated investments	--	--	--	16,720	--	--	--	16,720
Temporarily or permanently restricted	280	--	28	28,080	--	--	--	28,388
Temporarily or permanently restricted interest in The St. Vincent's Medical Center Foundation, Inc.	21,903	--	3,618	--	2,382	--	(27,903)	--
Total Board-Designated Investments and Assets Limited as to Use	22,183	--	3,646	45,157	2,382	--	(27,903)	45,465
Interest in The St. Vincent's Medical Center Foundation, Inc.	--	--	312	--	--	--	(312)	--

See independent auditors' report on supplementary information.

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2016

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	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	$ 8,762	$ --	$ --	$ 105	$ 871	$ 4,844	$ --	$ 14,582
Buildings, leasehold improvements and equipment	439,378	8,569	3,535	617	18,665	17,174	--	487,938
Construction in progress	5,473	724	155	--	43	6	--	6,401
	453,613	9,293	3,690	722	19,579	22,024	--	508,921
Less accumulated depreciation	(295,534)	(2,566)	(1,328)	(322)	(10,013)	(7,819)	--	(317,582)
Total Property and Equipment, net	158,079	6,727	2,362	400	9,566	14,205	--	191,339
Capitalized Software Costs, net	20,182	48	--	--	--	--	--	20,230
Other Assets	12,686	3,064	29	890	29	24	--	16,722
Total Assets	$ 264,489	$ 17,143	$ 25,558	$ 49,948	$ 39,090	$ 14,770	$ (28,215)	$ 382,783

See independent auditors' report on supplementary information.

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2016

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	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	$ 32,337	$ 6,313	$ 3,489	$ 180	$ 1,527	$ 254	$ --	$ 44,100
Current portion of long-term debt	1,500	--	--	--	--	--	--	1,500
Due to (from) System and affiliated entities, net	(52,638)	42,258	5,844	12,230	468	(1,857)	--	6,305
Estimated third-party payor settlements	17,909	--	--	--	--	--	--	17,909
Total Current Liabilities	(892)	48,571	9,333	12,410	1,995	(1,603)	--	69,814
Noncurrent Liabilities								
Long-term debt	54,346	--	--	--	--	--	--	54,346
Self-insurance liabilities	2,456	1,423	--	--	--	--	--	3,879
Pension and other postretirement liabilities	18,198	1,421	1,027	56	2,615	--	--	23,317
Other liabilities	10,366	753	29	20	313	334	--	11,815
Total Noncurrent Liabilities	85,366	3,597	1,056	76	2,928	334	--	93,357
Total Liabilities	84,474	52,168	10,389	12,486	4,923	(1,269)	--	163,171
Net Assets								
Unrestricted	157,832	(35,025)	11,523	9,515	31,785	16,039	(312)	191,357
Temporarily restricted	12,183	--	1,408	15,067	1,672	--	(15,023)	15,307
Permanently restricted	10,000	--	2,238	12,880	710	--	(12,880)	12,948
Total Net Assets	180,015	(35,025)	15,169	37,462	34,167	16,039	(28,215)	219,612
Total Liabilities and Net Assets	$ 264,489	$ 17,143	$ 25,558	$ 49,948	$ 39,090	$ 14,770	$ (28,215)	$ 382,783

See independent auditors' report on supplementary information.

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATING BALANCE SHEET

(Dollars in Thousands)

SEPTEMBER 30, 2015

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	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	$ 529	$ 4,710	$ 70	$ 1,913	$ 68	$ 159	$ --	$ 7,449
Accounts receivable, less allowances for doubtful accounts of $27,400	60,164	10,328	--	--	--	--	--	70,492
Due from System, parent and affiliated entities, net	36,604	(28,923)	(1,279)	(9,582)	(1,315)	272	4,223	--
Inventories and other current assets	10,656	410	3,526	497	2,899	225	--	18,213
Total Current Assets	107,953	(13,475)	2,317	(7,172)	1,652	656	4,223	96,154
Interest in Investments Held by Ascension	283,140	991	11,020	--	24,269	1,671	--	321,091
Board-Designated Investments and Assets Limited as to Use								
Noncurrent pledges receivable, net	--	--	--	628	--	--	--	628
Board-designated investments	--	--	--	14,201	--	--	--	14,201
Temporarily or permanently restricted	281	--	28	27,975	--	--	--	28,284
Temporarily or permanently restricted interest in The St. Vincent's Medical Center Foundation, Inc.	21,792	--	3,924	--	2,430	--	(28,146)	--
Total Board-Designated Investments and Assets Limited as to Use	22,073	--	3,952	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 MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATING BALANCE SHEET (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2015

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	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	433,065	3,571	3,500	617	17,937	16,588	--	475,278
Construction in progress	6,387	1,321	31	--	469	426	--	8,634
	448,213	4,892	3,531	722	19,277	21,800	--	498,435
Less accumulated depreciation	(276,770)	(1,669)	(1,155)	(293)	(9,351)	(7,170)	--	(296,408)
Total Property and Equipment, net	171,443	3,223	2,376	429	9,926	14,630	--	202,027
Capitalized Software Costs, net	22,920	46	--	1	--	--	--	22,967
Other Assets	12,812	2,251	--	854	15	24	--	15,956
Total Assets	$ 620,341	$ (6,964)	$ 19,977	$ 36,916	$ 38,776	$ 16,981	$ (24,719)	$ 701,308

See independent auditors' report on supplementary information.

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATING BALANCE SHEET (CONTINUED)

(Dollars in Thousands)

SEPTEMBER 30, 2015

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	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	$ 35,262	$ 6,610	$ 2,991	$ 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	46,352	6,610	2,991	291	1,646	229	4,223	62,342
Noncurrent Liabilities								
Long-term debt	54,935	--	--	--	--	--	--	54,935
Self-insurance liabilities	2,516	1,287	--	--	--	--	--	3,803
Pension and other postretirement liabilities	4,069	690	1,019	(2)	2,337	--	--	8,113
Other liabilities	10,029	151	--	22	--	295	--	10,497
Total Noncurrent Liabilities	71,549	2,128	1,019	20	2,337	295	--	77,348
Total Liabilities	117,901	8,738	4,010	311	3,983	524	4,223	139,690
Net Assets (Deficit)								
Unrestricted	480,367	(15,702)	12,015	8,630	32,363	16,457	(796)	533,334
Temporarily restricted	12,151	--	1,714	15,173	1,720	--	(15,344)	15,414
Permanently restricted	9,922	--	2,238	12,802	710	--	(12,802)	12,870
Total Net Assets (Deficit)	502,440	(15,702)	15,967	36,605	34,793	16,457	(28,942)	561,618
Total Liabilities and Net Assets	$ 620,341	$ (6,964)	$ 19,977	$ 36,916	$ 38,776	$ 16,981	$ (24,719)	$ 701,308

See independent auditors' report on supplementary information.

ST. VINCENT’S MEDICAL CENTER AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	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	$ 427,308	$ 56,157	$ --	$ --	$ --	$ --	$ --	$ 483,465
Less provision for doubtful accounts	19,160	7,202	--	--	--	--	--	26,362
Net patient service revenue, less provision for doubtful accounts	408,148	48,955	--	--	--	--	--	457,103
Other revenues	21,304	34,411	6,764	716	24,428	3,107	(43,336)	47,394
Net assets released from restrictions for operations	307	--	1,502	--	152	--	--	1,961
Total Operating Revenues	429,759	83,366	8,266	716	24,580	3,107	(43,336)	506,458
Operating Expenses								
Salaries and wages	145,946	54,720	4,561	69	13,614	--	--	218,910
Employee benefits	39,279	8,550	1,085	--	4,272	--	--	53,186
Purchased services	64,349	11,069	611	--	1,644	1,017	(7,254)	71,436
Professional fees	43,416	15,827	230	--	178	56	(33,675)	26,032
Supplies	56,342	2,043	275	1	765	11	(683)	58,754
Insurance	7,985	1,766	7	--	184	18	--	9,960
Interest	1,800	--	--	--	--	--	--	1,800
Depreciation and amortization	24,597	903	173	2	897	649	--	27,221
Provider tax	24,306	--	--	--	--	--	--	24,306
Other	25,806	6,004	1,620	246	1,937	1,563	(1,626)	35,550
Total Operating Expenses Before Restructuring Losses	433,826	100,882	8,562	318	23,491	3,314	(43,238)	527,155
(Loss) Income from Operations Before Restructuring Losses	(4,067)	(17,516)	(296)	398	1,089	(207)	(98)	(20,697)
Restructuring Losses	(2,033)	(72)	(78)	--	(4)	--	--	(2,187)
(Loss) Income from Operations	(6,100)	(17,588)	(374)	398	1,085	(207)	(98)	(22,884)

See independent auditors’ report on supplementary information.

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Eliminations	Total
Nonoperating Gains (Losses)								
Investment return, net	$ 6,270	$ (2)	$ 199	$ 1,819	$ (256)	$ 1	$ --	$ 8,031
Other	(64)	--	--	(1,125)	--	--	98	(1,091)
Total Nonoperating Gains (Losses), net	6,206	(2)	199	694	(256)	1	98	6,940
Excess (Deficiency) of Revenues and Gains Over Expenses and Losses	106	(17,590)	(175)	1,092	829	(206)	--	(15,944)
Unrestricted Net Assets								
Excess (Deficiency) of revenues and gains over expenses and losses	106	(17,590)	(175)	1,092	829	(206)	--	(15,944)
Transfers to System	(324,538)	(1,818)	(357)	(209)	(1,060)	(212)	--	(328,194)
Net assets released from restrictions for property acquisitions	345	--	--	--	274	--	--	619
Other	--	--	--	--	(693)	--	484	(209)
Pension and other postretirement liability adjustments	1,552	85	40	2	72	--	--	1,751
(Decrease) Increase in Unrestricted Net Assets	(322,535)	(19,323)	(492)	885	(578)	(418)	484	(341,977)

See independent auditors' report on supplementary information.

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	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	$ 652	$ --	$ 1,502	$ 2,058	$ 424	$ --	$ (2,672)	$ 1,964
Investment return	--	--	--	1,256	--	--	--	1,256
Net change in unrealized losses on investments	--	--	--	(574)	--	--	--	(574)
Net assets released from restrictions	(652)	--	(1,502)	(2,846)	(424)	--	2,844	(2,580)
Change in interest in The St. Vincent's Medical Center Foundation, Inc.	32	--	(306)	--	125	--	149	--
Other	--	--	--	--	(173)	--	--	(173)
Increase (Decrease) in Temporarily Restricted Net Assets	32	--	(306)	(106)	(48)	--	321	(107)
Permanently Restricted Net Assets								
Contributions	--	--	--	78	--	--	--	78
Change in interest in The St. Vincent's Medical Center Foundation, Inc.	78	--	--	--	--	--	(78)	--
Increase in Permanently Restricted Net Assets	78	--	--	78	--	--	(78)	78
(Decrease) Increase in Net Assets	(322,425)	(19,323)	(798)	857	(626)	(418)	727	(342,006)
Net Assets - Beginning	502,440	(15,702)	15,967	36,605	34,793	16,457	(28,942)	561,618
Net Assets - Ending	$ 180,015	$ (35,025)	$ 15,169	$ 37,462	$ 34,167	$ 16,039	$ (28,215)	$ 219,612

See independent auditors' report on supplementary information.

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	St. Vincent's Health Services Corporation	Eliminations	Total
Operating Revenues									
Net patient service revenue	$ 423,128	$ 43,326	$ --	$ --	$ --	$ --	$ --	$ --	$ 466,454
Less provision for doubtful accounts	20,518	3,549	--	--	--	--	--	--	24,067
Net patient service revenue, less provision for doubtful accounts	402,610	39,777	--	--	--	--	--	--	442,387
Other revenues	18,068	31,260	7,291	498	23,949	4,170	--	(40,435)	44,801
Net assets released from restrictions for operations	270	--	981	--	56	--	--	--	1,307
Total Operating Revenues	420,948	71,037	8,272	498	24,005	4,170	--	(40,435)	488,495
Operating Expenses									
Salaries and wages	157,229	49,961	5,019	79	12,899	--	--	--	225,187
Employee benefits	39,933	7,965	1,204	--	4,092	--	--	--	53,194
Purchased services	55,092	5,882	774	--	1,267	1,673	--	(7,597)	57,091
Professional fees	38,167	15,233	95	--	614	79	--	(31,033)	23,155
Supplies	55,179	1,663	190	2	769	11	--	(130)	57,684
Insurance	7,822	1,173	7	--	169	16	--	--	9,187
Interest	1,791	--	--	--	--	--	--	--	1,791
Depreciation and amortization	24,667	502	175	3	806	630	--	--	26,783
Provider tax	18,202	--	--	--	--	--	--	--	18,202
Other	26,712	5,475	1,183	228	2,144	1,660	--	(1,475)	35,927
Total Operating Expenses	424,794	87,854	8,647	312	22,760	4,069	--	(40,235)	508,201
(Loss) Income from Operations	(3,846)	(16,817)	(375)	186	1,245	101	--	(200)	(19,706)

See independent auditors' report on supplementary information.

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	St. Vincent's Health Services Corporation	Eliminations	Total
Nonoperating (Losses) Gains									
Investment return, net	$ (11,608)	$ (71)	$ (445)	$ (37)	$ (179)	$ (69)	$ --	$ --	$ (12,409)
Other	366	--	74	(1,408)	--	--	--	200	(768)
Total Nonoperating Losses, net	(11,242)	(71)	(371)	(1,445)	(179)	(69)	--	200	(13,177)
(Deficiency) Excess of Revenues and Gains Over Expenses and Losses	(15,088)	(16,888)	(746)	(1,259)	1,066	32	--	--	(32,883)
Unrestricted Net Assets									
(Deficiency) excess of revenues and gains over expenses and losses	(15,088)	(16,888)	(746)	(1,259)	1,066	32	--	--	(32,883)
Transfers (to) from System	(28,285)	1,018	(570)	(2,252)	(1,285)	128	(1,563)	1,563	(31,246)
Net assets released from restrictions for property acquisitions	--	--	--	--	43	--	--	--	43
Pension and other postretirement liability adjustments	868	50	58	--	39	--	--	--	1,015
(Decrease) Increase in Unrestricted Net Assets	(42,505)	(15,820)	(1,258)	(3,511)	(137)	160	(1,563)	1,563	(63,071)

See independent auditors' report on supplementary information.

ST. VINCENT'S MEDICAL CENTER AND SUBSIDIARIES

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

(Dollars in Thousands)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	St. Vincent's Medical Center	St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College	The St. Vincent's Medical Center Foundation, Inc.	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	St. Vincent's Health Services Corporation	Eliminations	Total
Temporarily Restricted Net Assets									
Contributions	$ 293	$ --	$ 971	$ 2,174	$ 99	$ --	$ --	$ (2,276)	$ 1,261
Investment return	--	--	--	1,266	--	--	--	--	1,266
Net change in unrealized losses on investments	--	--	--	(1,480)	--	--	--	--	(1,480)
Net assets released from restrictions	(270)	--	(981)	(2,268)	(99)	--	--	2,268	(1,350)
Change in interest in The St. Vincent's Medical Center Foundation, Inc.	(87)	--	(213)	--	89	--	--	211	--
Other	(33)	--	--	--	--	--	--	--	(33)
(Decrease) Increase in Temporarily Restricted Net Assets	(97)	--	(223)	(308)	89	--	--	203	(336)
Permanently Restricted Net Assets									
Contributions	--	--	--	107	--	--	--	--	107
Change in interest in The St. Vincent's Medical Center Foundation, Inc.	69	--	38	--	--	--	--	(107)	--
Increase in Permanently Restricted Net Assets	69	--	38	107	--	--	--	(107)	107
(Decrease) Increase in Net Assets	(42,533)	(15,820)	(1,443)	(3,712)	(48)	160	(1,563)	1,659	(63,300)
Net Assets - Beginning	544,973	118	17,410	40,317	34,841	16,297	1,563	(30,601)	624,918
Net Assets - Ending	$ 502,440	$ (15,702)	$ 15,967	$ 36,605	$ 34,793	$ 16,457	$ --	$ (28,942)	$ 561,618

See independent auditors' report on supplementary information.

ST. VINCENT'S MEDICAL CENTER 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, 2016 AND 2015

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

	2016	2015
Traditional charity care provided	$ 8,550	$ 7,167
Unpaid cost of public programs for persons living in poverty	33,678	37,674
Other programs for persons living in poverty and other vulnerable persons	5,081	4,389
Community benefit programs	5,635	5,382
Care of persons living in poverty and community benefit programs	$ 52,944	$ 54,612

See independent auditors' report on supplementary information.