BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Financial Statements and Consolidating Schedules

August 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
Bon Secours Health System, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Bon Secours Health System, Inc. and its subsidiaries (the System), which comprise the consolidated balance sheets as of August 31, 2016 and 2015, and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bon Secours Health System, Inc. and its subsidiaries as of August 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

November 1, 2016

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

August 31, 2016 and 2015

(In thousands)

Assets		2016	2015
Current assets:			
Cash and cash equivalents	$	217,931	184,901
Accounts receivable, net:			
Patient and third-party payors		372,917	407,566
Other		42,113	34,510
Total accounts receivable, net		415,030	442,076
Assets limited or restricted as to use		91,030	79,951
Inventories		57,800	55,262
Prepaid expenses and other current assets		32,036	26,616
Total current assets		813,827	788,806
Assets limited or restricted as to use, less current portion		1,227,356	1,182,371
Property, plant, and equipment, net		1,013,195	1,030,259
Goodwill and other assets, net		372,036	381,167
Total assets	$	3,426,414	3,382,603
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	39,809	36,016
Accounts payable		173,021	166,669
Accrued salaries, wages, and benefits		165,315	156,453
Other accrued expenses		112,585	110,721
Total current liabilities		490,730	469,859
Long-term debt, less current portion		888,514	929,193
Other long-term liabilities and deferred credits		781,690	660,649
Total liabilities		2,160,934	2,059,701
Net assets:			
Unrestricted-controlling interest		944,928	1,016,540
Unrestricted-noncontrolling interest		264,706	259,591
Total unrestricted		1,209,634	1,276,131
Temporarily restricted		43,484	39,008
Permanently restricted		12,362	7,763
Total net assets		1,265,480	1,322,902
Total liabilities and net assets	$	3,426,414	3,382,603

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Unrestricted Net Assets

Years ended August 31, 2016 and 2015

(In thousands)

		2016	2015
Revenues:			
Net patient service revenue before bad debts	$	3,308,143	3,551,875
Provision for patient bad debts		(199,503)	(193,593)
Net patient service revenue		3,108,640	3,358,282
Other revenue		144,897	118,218
Total revenues		3,253,537	3,476,500
Expenses:			
Salaries, wages, and benefits		1,692,061	1,825,233
Supplies		562,539	577,496
Purchased services and other		714,437	775,648
Depreciation and amortization		136,499	148,934
Interest		30,871	33,232
Total expenses		3,136,407	3,360,543
Operating Income		117,130	115,957
Nonoperating gains (losses), net:			
Nonoperating investment gains (losses), net		12,668	(7,540)
Loss on early retirement of debt		—	(399)
Inherent contribution, net		392	6,185
Other nonoperating activities, net		(42,484)	(35,415)
Excess of revenues over expenses		87,706	78,788
Other changes in unrestricted net assets:			
Grants for capital		174	393
Net change in unrealized gains (losses) on other-than-trading securities		362	(784)
Net assets released from restrictions used for purchase of property, plant, and equipment		1,942	6,700
Net change in equity of joint ventures		1,194	3,284
Distributions to noncontrolling interest owners		(7,666)	(5,478)
Pension and other postretirement adjustments		(145,840)	(68,214)
Transfers to affiliates and other changes, net		(4,369)	(8,415)
(Decrease) increase in unrestricted net assets		(66,497)	6,274
Unrestricted net assets, beginning of year		1,276,131	1,269,857
Unrestricted net assets, end of year	$	1,209,634	1,276,131

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended August 31, 2016 and 2015

(In thousands)

		Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at August 31, 2014	$	1,269,857	46,088	7,829	1,323,774
Excess of revenues over expenses		78,788	—	—	78,788
Grants and restricted contributions		—	11,074	702	11,776
Grants for capital		393	—	—	393
Net change in unrealized losses on other-than-trading securities		(784)	(490)	(3)	(1,277)
Investment income		—	125	—	125
Net assets released from restrictions used for purchase of property, plant, and equipment		6,700	(6,700)	—	—
Net assets released from restrictions used for operations		—	(8,659)	(150)	(8,809)
Net change in equity of joint ventures		3,284	—	—	3,284
Distributions to noncontrolling interest owners		(5,478)	—	—	(5,478)
Pension and other postretirement adjustments		(68,214)	—	—	(68,214)
Inherent contribution – restricted		—	1,035	—	1,035
Deconsolidation of subsidiary		—	(3,390)	(615)	(4,005)
Transfers to affiliates and other changes, net		(8,415)	(75)	—	(8,490)
Increase (decrease) in net assets		6,274	(7,080)	(66)	(872)
Balance at August 31, 2015		1,276,131	39,008	7,763	1,322,902
Excess of revenues over expenses		87,706	—	—	87,706
Grants and restricted contributions		—	14,658	505	15,163
Grants for capital		174	—	—	174
Net change in unrealized gains on other-than-trading securities		362	74	2	438
Investment income		—	240	—	240
Net assets released from restrictions used for purchase of property, plant, and equipment		1,942	(1,942)	—	—
Net assets released from restrictions used for operations		—	(8,479)	—	(8,479)
Net change in equity of joint ventures		1,194	—	—	1,194
Distributions to noncontrolling interest owners		(7,666)	—	—	(7,666)
Pension and other postretirement adjustments		(145,840)	—	—	(145,840)
Inherent contribution – restricted		—	—	4,092	4,092
Transfers to affiliates and other changes, net		(4,369)	(75)	—	(4,444)
(Decrease) increase in net assets		(66,497)	4,476	4,599	(57,422)
Balance at August 31, 2016	$	1,209,634	43,484	12,362	1,265,480

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended August 31, 2016 and 2015

(In thousands)

	2016	2015
Cash flows from operating activities:		
Decrease in net assets	$ (57,422)	(872)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Provision for bad debts	199,503	193,593
Depreciation and amortization, including $5,328 and $4,885 reported in nonoperating activities, net in 2016 and 2015, respectively	141,827	153,819
Amortization of deferred financing costs and bond premium/discount, net	(999)	(852)
Equity in income of joint ventures	(7,633)	(19,677)
Loss on deconsolidation of subsidiary	—	6,083
Distributions received from investments in joint ventures	19,362	16,664
Inherent contribution	(4,484)	(7,220)
Net realized/unrealized (losses) gains on certain investments and derivative instruments	(9,856)	14,817
Loss on early retirement of debt	—	399
Gain on disposal of assets	(104)	(882)
Unrealized gains on investment in joint venture	(8,169)	(9,975)
Pension and other postretirement adjustments	145,840	68,214
Grants received for capital expenditures	(174)	(393)
Contributions restricted by donor	(15,163)	(11,776)
Cash distributions to noncontrolling interest owners and affiliates	13,928	11,830
Changes in assets and liabilities:		
Increase in accounts receivable	(172,445)	(200,691)
(Increase) decrease in inventories, prepaid expenses and other current assets	(7,877)	3,582
Decrease in goodwill and other assets, net	13,385	8,710
Increase in accounts payable and other current liabilities	16,901	13,977
(Decrease) increase in other long-term liabilities and deferred credits	(35,161)	3,013
Net cash provided by operating activities	231,259	242,363
Cash flows from investing activities:		
Cash assumed through acquisition	—	1,148
Cash paid for acquisition	(8,660)	—
Cash disposed in Charity transaction	—	(12,224)
Purchases from sales of securities, net	(56,148)	(56,635)
Purchases of alternative investments and equity and fixed income commingled funds	(25,151)	(158,425)
Proceeds from sale of alternative investments and fixed income commingled funds	60,151	88,850
Property, plant, and equipment additions, net of disposals	(121,996)	(154,781)
Payments related to interest rate swaps	(10,675)	(11,730)
Net cash used in investing activities	(162,479)	(303,797)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	80,500
Payments of long-term debt	(37,159)	(28,394)
Retirements of long-term debt	—	(68,664)
Payment of deferred financing fees	—	(1,071)
Grants received for capital expenditures	174	393
Proceeds from repayment of note receivable	—	120,000
Proceeds from contributions restricted by donors	15,163	11,776
Cash distributions to noncontrolling interest owners and affiliates	(13,928)	(11,830)
Net cash (used in) provided by financing activities	(35,750)	102,710
Net increase in cash and cash equivalents	33,030	41,276
Cash and cash equivalents, beginning of year	184,901	143,625
Cash and cash equivalents, end of year	$ 217,931	184,901

Supplemental disclosures:

(a) Cash paid for taxes was $520 and $70 for 2016 and 2015, respectively.

See accompanying notes to consolidated financial statements.

(1) Organization and Mission

(a) Organizational Structure

Bon Secours Health System, Inc., a Maryland nonprofit, nonstock membership corporation (BSHSI or the System), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc., a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System. BSI, which is the sole corporate member of BSHSI, has no healthcare operations. The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris (Sisters of Bon Secours), a congregation of religious women of the Roman Catholic Church founded in France in 1824.

The Sisters of Bon Secours have ministered to the healthcare needs of people in the United States since 1881. To ensure the sustainability of the ministry into the future as well as to broaden their collaboration with the laity in areas of influence, the Sisters of Bon Secours petitioned the Vatican to establish Bon Secours Ministries, an entity comprised of both laypersons and Sisters of Bon Secours to oversee the Catholic healthcare ministry of BSHSI. Bon Secours Ministries, which is referred to as a "public juridic person" in the Catholic Church's *Code of Canon Law*, was established by the Vatican on May 31, 2006 with the specific responsibility to oversee (and, as appropriate, initiate) the healthcare ministries within the System and, in particular, BSHSI's Catholic identity and mission. This formal relationship with the Catholic Church and the specific ministry is commonly referred to as "sponsorship." The Sisters of Bon Secours formally transferred the responsibility of sponsorship of the System to Bon Secours Ministries on November 1, 2006. Since then, Bon Secours Ministries (of which the majority of its members are Sisters of Bon Secours) has provided an active presence of leadership and direction for BSHSI to ensure its operations and use of resources are aligned with the mission, values and fundamentals of Catholic social teaching.

The System's principal activities comprise health and nursing care services in the states of New York, Maryland, Virginia, Kentucky, South Carolina, and Florida.

(b) Acquisitions and Disposals

Bon Secours Charity Health System, Inc.

In May 2015, BSHSI entered into an Affiliation agreement with the Sisters of Charity and Westchester Medical Center (Westchester), which resulted in Westchester holding a 60% holding interest in Bon Secours Charity Health System (Charity) and BSHSI holding the remaining 40% interest in Charity. Prior to the transaction, Charity was a wholly owned subsidiary of BSHSI.

In connection with the transaction, Charity issued $122,324 of taxable bonds (the Charity bonds), of which approximately $120,000 of the proceeds were used by Charity to repay BSHSI a portion of the outstanding principal amount of certain intercompany loans previously made by BSHSI to Charity. An additional portion of the outstanding principal amount of such intercompany loans in the amount of $80,000 was deemed a capital contribution by BSHSI to Charity (the BSHSI capital contribution), and the remaining outstanding principal amount of such loans was forgiven by BSHSI. Westchester is the guarantor of the Charity bonds and BSHSI does not have any obligation with respect to the debt service on the Charity Bonds.

(In thousands)

After the transaction was completed, Westchester bears full responsibility for meeting all cash, working capital and other capital needs of Charity, including any operating losses determined on a cash basis, debt service obligations on all debt of Charity and all obligations of the Charity subsidiaries relating to the Archdiocese Plan. Any amounts contributed by Westchester to or on behalf of Charity shall be considered unsecured, subordinated loans from Westchester to Charity and shall not be considered equity contributions to Charity. In the event of a dissolution and liquidation of Charity, the distribution of net proceeds (if any, after payment of all of the liabilities of Charity, including amounts owed to Westchester) from such event shall be made first to repay the BSHSI capital contribution, and then remainder will be based on the respective ownership percentages.

As a result of the transaction, BSHSI deconsolidated the financial position and excluded the operating results of Charity in the consolidated statement of operations and changes in unrestricted net assets for the period beginning June 1, 2015 and thereafter. BSHSI did not record a gain or loss in connection with the transaction. The assets, liabilities and net assets of Charity at the time of the deconsolidation, including the $120,000 proceeds of the Charity Bonds, were as follows:

Current assets	$	93,171
Property, plant and equipment, net		151,424
Other assets		6,729
Current liabilities		60,778
Long-term liabilities		134,232
Net assets		56,314

After the transaction date, BSHSI accounts for its interest in Charity under the equity method and includes its interest in Charity’s excess of revenue over expenses in its consolidated statements of operations and changes in unrestricted net assets as other operating revenues. BSHSI and Charity are operating under the terms of a month to month transition corporate services agreement that the parties intend to extend through May 2020, with the option to extend further. The System recorded other operating revenues of approximately $22,276 and $5,400 during the years ended August 31, 2016 and 2015, respectively, related to the corporate services agreement.

Rappahannock General Hospital

In December 2011, BSHSI entered into an affiliation agreement with Chesapeake Health Services (CHS or RGH), pursuant to which BSHSI became a minority member of RGH. From 2011 to 2014, BSHSI made various capital contributions to RGH ($2,005 in 2014). As a result of these transactions, BSHSI’s minority membership in RGH was 41%.

On December 31, 2014 (acquisition date), BSHSI acquired the remaining 59% interest in RGH and BSHSI did not transfer any consideration as part of this transaction. BSHSI accounted for this business combination under the acquisition method and recorded an inherent contribution of $6,185 since the fair value of the assets assumed exceeded the liabilities acquired. The results of RGH's operations have been included in the statement of operations and changes in unrestricted net assets commencing on the acquisition date. The assets, liabilities, and net assets of RGH on the acquisition date were as follows:

(In thousands)

Current assets	$	5,469
Property, plant and equipment, net		18,134
Other assets		8,873
Current liabilities		17,906
Long-term liabilities		640
Net assets		13,930

The following table represents the System's proforma financial information as of and for the year ending August 31, 2015, assuming the deconsolidation of Charity and acquisition of RGH had taken place on September 1, 2014. The proforma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effective on September 1, 2014.

		2015
Revenues	$	3,126,762
Expenses		3,003,356
Operating income		123,406
Nonoperating losses		(37,484)
Excess of revenue over expenses		85,922

(c) Mission

The Mission of the System is to bring compassion to healthcare and to be good help to those in need, especially those who are poor and dying. As a system of caregivers, the System is committed to helping to bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church.

The ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering a wide variety of services, including acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living, in Florida, Kentucky, Maryland, New York, South Carolina, and Virginia without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, veteran status, genetic information, disability or any other characteristic protected by applicable federal, state or local employment laws and/or regulations. Activities directly associated with this purpose are considered operating activities. Operating activities also include other incidental services that are closely related to healthcare.

(d) Community Benefits

The System exists to benefit the people in the communities it serves. In pursuing its mission, the System advocates for and provides services to help meet healthcare and related socioeconomic needs of poor and disadvantaged individuals and the broader community. The System provides services in the communities served by holistically ministering to its patients with respect and without regard to their ability to pay.

Programs and services for the uninsured and underinsured represent the financial commitment of the System to everyone in the community. The System's financial assistance policy ensures that all members of the community receive this basic human right to access healthcare.

The categories included as programs and services for the poor and disadvantaged are as follows:

(i) Charitable Services – Financially Disadvantaged Persons

The System provides care to patients regardless of their ability to pay for all or a portion of the charges incurred. This care is classified as charity care based upon the System's established policies. In accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the organization's criteria for financial assistance.

In assessing a patient's ability to pay, the System utilizes generally recognized poverty income levels, financially supporting 100% of the healthcare services provided to patients with annual family income at or below 200% of the federal poverty guidelines. Additional assistance is provided by a reduction in charges for medically necessary services through a community service adjustment.

(ii) Charitable Services – State Programs

The System provides services to indigent patients under various state programs, including state Medicaid, that generally pay healthcare providers amounts that are less than the cost of the services provided to the recipients. Estimated unreimbursed costs of the care provided to these disadvantaged patients are also reported as charitable services.

(iii) Other Community Benefits

Other community benefits include community services for the poor and disadvantaged as well as the broader community. The programs cover a broad spectrum of services and are financially supported by the System:

- Primary care access – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles;
- Health screenings and immunizations – provision of free health screenings and immunizations for a variety of health conditions for women, children, and senior residents;

(In thousands)

- Child programs – providing oral healthcare, asthma and childhood obesity interventions;
- Caregiver and senior programs – focused on support, health screenings, and services to assist older adult populations;
- Education – providing medical and other health professional programs;
- Leadership activities – a full-time community health leader is provided in each community served who works to expand community capacity, identify community health needs and address social health conditions.

The cost of charitable services and community benefits provided by the System is determined in accordance with the System's accounting policies. These costs are estimated by using the cost to charge ratio applied by Medicaid and other state programs as well as specific patient visits identified under the System's charity care policies. The estimated cost of these services is as follows for the years ended August 31, 2016 and 2015:

	2016	2015
Charitable services and other community benefits:		
Cost of services to financially disadvantaged persons	$ 122,355	119,710
Unpaid cost of state programs (e.g., Medicaid) to financially disadvantaged persons	56,832	81,835
Cost of other community benefits	58,228	58,746
Total community benefits, at cost	$ 237,415	260,291

(2) Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all members of the corporate group controlled by BSHSI. Members of the corporate group include all entities that BSHSI directly or indirectly controls, even if the System has less than 50% of the ownership or membership interest in the entity. Investments in entities where the System holds 50% or less of an entity's operations and does not have operational control are recorded under the equity or cost method of accounting. The System has included its equity share of income or losses and changes in net assets from investments in unconsolidated affiliates in other revenue and changes in unrestricted net assets, respectively, in the accompanying consolidated statements of operations and changes in unrestricted net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(In thousands)

In the years ended August 31, 2016 and 2015, the System recorded income of $1,986 and $10,448, respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities.

(c) Cash and Cash Equivalents

For purposes of the consolidated financial statements, cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less, excluding investments limited or restricted as to use.

(d) Accounts Receivable, net

Accounts receivable is presented net of allowances for uncollectible accounts. The System grants credits to patients and generally does not require collateral or other security. However, it routinely obtains assignment of patients' benefits under their health insurance policies. Most of the System's net patient service revenue is derived from third-party payment programs. Medicare, Medicaid, and managed care contracts comprise approximately 75% of the System's consolidated third-party payor revenue for the years ended August 31, 2016 and 2015, respectively.

The respective percentages of amounts due from patients and third-party payors at August 31, 2016 and 2015 are as follows:

	2016	2015
Medicare	24%	22%
Medicaid	7	8
Managed care	45	43
Other, including self-pay	24	27
	100%	100%

In evaluating the collectability of accounts receivable, the System analyzes historical collections and write-offs and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for bad debts and provision for uncollectible accounts. Management regularly reviews its estimate and evaluates the sufficiency of the allowance for bad debts. The System analyzes contractual amounts due from patients who have third-party coverage and provides an allowance for doubtful accounts and a provision for bad debts. For patient accounts receivable associated with self-pay patients, which includes those patients without existing insurance coverage for a portion of the bill, the Company records a significant provision for bad debts for patients that are unable or unwilling to pay for the portion of the bill representing their financial responsibility. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted.

(In thousands)

(e) Assets Limited or Restricted as to Use and Investment Income

Assets limited or restricted as to use include assets held by trustees under indentures, self-insurance trust arrangements, assets related to donor-restricted net assets, and assets designated by the board of directors over which it retains control and may, at its discretion, use for other purposes. The fair value of investments, with the exception of alternative investments, is based upon quoted market prices or other observable market inputs. The System elected to fair value its investments in its equity and fixed income commingled funds. Alternative investments are recorded under the equity method.

Unrealized gains or losses on trading securities are included in nonoperating investment gains (losses), net. As of August 31, 2016 and 2015, all investments and assets limited or restricted as to use are designated as trading securities, except for certain foundation investments and trustee held funds, which are designated as other than trading securities.

Investment income on donor-restricted funds is recorded as an addition to donor-restricted net assets provided the income has been restricted by the donor. Investment income on trustee-held funds, professional/general liability, workers' compensation, and health benefit self-insurance funds is reported in other revenue for the years ended August 31, 2016 and 2015, respectively. All other investment income is reported within nonoperating investment gains (losses), net.

(f) Inventories

Inventories, consisting primarily of pharmaceuticals and medical supplies, are stated at the lower of cost or market, principally on a first-in, first-out basis.

(g) Property, Plant, and Equipment, net

Property, plant, and equipment, net are recorded at cost or, if donated, at fair value on the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Estimated useful lives of the assets are as follows:

Buildings	20 to 50 years
Fixed equipment	10 to 20 years
Major movable equipment	5 to 10 years
Software	3 to 7 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. The System capitalizes the direct costs, including internal costs, associated with the implementation of new information systems for internal use. Capitalized amounts are amortized over the estimated lives of the software.

(h) Asset Impairment

The System regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of the Accounting Standards Codification (ASC) Topic 360-10, *Impairment or Disposal of Long-Lived Assets*, if events or changes in circumstances indicate that the carrying value of an asset is not recoverable, the System's management estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual facilities to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the System groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charges were recorded during the years ended August 31, 2016 and 2015, respectively.

(i) Goodwill and Other Assets, Net

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. ASC Topic 350, *Intangibles – Goodwill and Other*, requires that tangible and indefinite-lived assets, as well as goodwill, must be analyzed in order to determine whether their value has been impaired.

Goodwill is assessed annually for impairment at the reporting unit. As of August 31, 2016 and 2015, the System had one reporting unit, which included all subsidiaries. The System first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment tests as described in Topic 350. The more-likely than-not threshold is defined as having a likelihood of more than 50%. The System determined that it was not more likely than not that the fair value of its reporting unit was less than its carrying amount. Accordingly, the

(Continued)

(In thousands)

System concluded that goodwill was not impaired as of August 31, 2016 and 2015 without having to perform the two-step impairment test.

Goodwill and other assets, net, consist of the following at August 31, 2016 and 2015:

		2016	2015
Goodwill, net	$	98,345	93,478
Investment in joint ventures (note 12)		202,229	224,678
Self insurance receivable		22,216	20,941
Other assets		21,005	15,003
Pledges and notes receivable		28,241	27,067
Total goodwill and other assets, net	$	372,036	381,167

(j) Deferred Financing Costs, Net

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included as a reduction of debt. The System adopted Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* in 2016 as further described in note 2(w). As a result of this change, $8,829 and $9,694 of deferred financing costs were classified as a direct reduction of debt at August 31, 2016 and 2015, respectively.

These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization of long-term debt issuance costs amounted to $8,902 and $8,037 at August 31, 2016 and 2015, respectively.

(k) Leases

Lease arrangements, including assets under construction, are capitalized when such leases convey substantially all the risks and benefits incidental to ownership. Capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to capital leases is included in the consolidated statements of operations and changes in unrestricted net assets within depreciation and amortization expense.

(In thousands)

(l) Other Long-Term Liabilities and Deferred Credits

Other long-term liabilities and deferred credits consist of the following at August 31, 2016 and 2015:

		2016	2015
Accrued pension liability (note 9)	$	507,058	390,094
Self-insurance liabilities		140,829	140,928
Environmental liabilities		11,281	10,968
Derivative instrument valuations (note 7)		64,413	54,050
Medical office building liabilities (note 13(e))		30,993	31,000
Other long-term liabilities		27,116	33,609
	$	781,690	660,649

(m) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of operations and changes in unrestricted net assets as net assets released from restrictions. Such amounts are classified as other revenue or transfers for additions to property, plant, and equipment. Donor-restricted contributions whose restrictions are satisfied within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

(n) Net Assets

The System classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Temporarily restricted net assets of $43,484 and $39,008 at August 31, 2016 and 2015, respectively, primarily consisted of pledges and funds received for capital projects, various healthcare programs, and community outreach programs. Approximately 80% of the temporarily restricted net assets will be expended for capital with the remaining 20% for operating purposes. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes.

(o) Fair Values

The carrying values of financial instruments classified as current assets and current liabilities approximate fair values. The fair values of assets limited or restricted as to use, with the exception of

(Continued)

alternative investments, are based on quoted market prices or other observable inputs. Alternative investments are recorded under the equity method but approximate fair value. The System elected to record its investments in equity and fixed income commingled funds at fair value. See note 4 for additional disclosures of assets limited or restricted as to use. The carrying values of other long-term liabilities approximate fair values. See note 6 for the fair value of long-term debt.

(p) Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

(q) Other Revenue

Other revenue includes income from equity investments in joint ventures (note 12), gains on sales of operating activities, grant revenues (including Meaningful Use-Health Information Technology for Economic and Clinical Health Act (HITECH) Stimulus Grants) (note 11), assisted living, capitated payments from insurance companies, revenues from corporate services provided to Charity (note 1(b)), earnings on funds held by bond trustees and cafeteria and meal sales.

(r) Other Nonoperating Activities, Net

Other activities, which are largely unrelated to the System’s primary mission, are recorded as other nonoperating gains (losses), include rental activities of medical office buildings, school of nursing, general donations, and fund-raising activities.

(s) Performance Indicator

The accompanying consolidated statements of operations and changes in unrestricted net assets include a performance indicator, excess of revenues over expenses. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include net change in unrealized gains and losses on other-than-trading securities, permanent transfers of assets to and from unconsolidated affiliates for other than goods and services, pension and other postretirement adjustments, the System’s allocated share of joint ventures’ change in equity, distributions to noncontrolling interest owners, and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets).

(t) Income Taxes

The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740, *Income Taxes*. The

(Continued)

System's taxable subsidiaries had approximately $89,895 and $84,748 of net operating loss carryforwards as of August 31, 2016 and 2015, respectively, which expire in varying periods through 2036 and are available to offset future taxable income. The System accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect during the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Income tax liabilities are recorded for the impact of positions taken on income tax returns, which management believes are not more likely than not to be sustained on tax audit. Interest and penalties related to income taxes are accounted for as income tax expense. The System's deferred tax assets are fully reserved at August 31, 2016 and 2015 as the System considers it more likely than not that these amounts will not be recognized.

(u) Derivative Instruments

ASC Topic 815, *Derivatives and Hedging*, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. An entity is required to recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. In addition, for those derivative instruments that meet the criteria of an effective hedge, the hedged item must also be recorded at its fair value, with the changes in fair value reflected in other changes in unrestricted net assets.

Derivative instruments, specifically interest rate swaps, are recorded on the consolidated balance sheets at their respective fair values and are included in other long-term liabilities and deferred credits. The System's current derivative instruments do not qualify for hedge accounting, and the changes in fair value of such derivative instruments are reflected in nonoperating investment gains (losses), net in the accompanying consolidated statements of operations and changes in unrestricted net assets in the period of change. Net settlement payments made or received on nonqualifying derivatives are recorded as a component of nonoperating investment gains (losses), net.

(v) Self-Insurance

Under the System's self-insurance programs (professional/general liability, workers' compensation, and employee health benefits), claims are reflected as based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. BSHSI shares certain insurance risks it has underwritten through the use of reinsurance contracts. Amounts that can be claimed from BSHSI's reinsurers are valued by an independent actuary and are included in other assets. Should BSHSI's reinsurers be unable to reimburse BSHSI for recoverable claims, BSHSI would still be liable to pay the claims; however, BSHSI contracts with various highly rated insurance carriers to mitigate this risk.

(w) Recently Issued Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal year 2019. The System expects to record a decrease in net patient service revenue and a corresponding decrease in the provision for patient bad debts upon adoption of the standard.

In February 2015, FASB issued ASU 2015-02, *Consolidation of Variable Interest Entities (ASC 810)*. This ASU modifies the evaluation of whether legal entities are variable interest entities or voting interest entities. This ASU is effective beginning September 1, 2016 and the System is currently assessing the impact of the adoption of this standard on the System's disclosures, which is not expected to have a material impact on its consolidated financial statements.

In 2016, the System adopted ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The presentation of debt issuance costs on the consolidated balance sheet has been changed from an asset to a direct reduction of debt, similar to the presentation of debt discounts. The related consolidated statements of operations and changes in unrestricted net assets for the periods were not affected by the adoption of ASU 2015-03. This change has been applied retrospectively to September 1, 2014.

In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments whose fair values are measured at net asset value (NAV) under the practical expedient and also removes the requirement to make certain disclosures for these investments from the FASB's fair value measurement guidance. This ASU is effective beginning September 1, 2016 and the System is currently evaluating the effect of this standard on the System's disclosures. The ASU is not expected to have an impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which will require lessees to recognize most leases on-balance sheet, increasing their reported assets and liabilities – sometimes very significantly. This update was developed to provide financial statement users with more information about an entity's leasing activities, and will require changes in processes and internal controls. The adoption of ASU 2016-02 is effective fiscal year 2020, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. The System is currently assessing the impact of the adoption of ASU No. 2016-02, which is expected to have a significant impact on its financial position but not a significant impact to the results of operations.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (ASU 2016-14), which amends the requirements for financial statements and notes in Topic 958, *Not-for-Profit Entities* (NFP). ASU 2016-14 will have the following impact on the financial statements of NFPs:

(In thousands)

- Reduces the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions;
- Requires NFPs to present expenses by their functional and their natural classifications in one location in the financial statements;
- Requires NFPs to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and
- Retains the option to present operating cash flows in the statement of cash flows using either the direct or indirect method.

The adoption of ASU 2016-14 is effective in fiscal year 2019, and is applied retrospectively in the year of adoption. The System does not anticipate that the adoption of this ASU will have a significant impact on its financial position and results of operations.

(x) Reclassifications

Certain reclassifications were made to 2015 amounts to conform to the 2016 presentation.

(3) Property, Plant, and Equipment, Net

Property, plant, and equipment, net consist of the following at August 31, 2016 and 2015:

		2016	2015
Land	$	85,393	78,802
Land improvements		38,774	38,445
Buildings		967,839	942,998
Fixed equipment		86,603	79,732
Major movable equipment		1,348,157	1,276,738
Leasehold improvements		120,213	111,409
Construction in progress		41,100	38,642
		2,688,079	2,566,766
Less accumulated depreciation		1,674,884	1,536,507
	$	1,013,195	1,030,259

Included in construction in progress at August 31, 2016 and 2015 are costs mainly associated with new facility construction, and other facility renovations and expansion. The System anticipates expending an additional $109,937 in future periods to complete strategic capital projects. Depreciation expense for the System was $139,352 and $152,759 for the years ended August 31, 2016 and 2015, respectively.

(In thousands)

(4) Assets Limited or Restricted as to Use

The composition of assets limited or restricted as to use consists of the following at August 31, 2016 and 2015:

	2016	2015
Board-designated funds:		
Cash and cash equivalents	$ 101,469	93,181
Equity mutual funds	67,051	49,918
Equity commingled funds	57,319	51,143
Common and preferred stocks	291,464	237,420
Fixed income mutual funds	110,176	105,249
Fixed income commingled funds	199,762	169,238
U.S. government and agency securities	12,891	15,249
Corporate obligations	16,225	18,706
Alternative investments	311,922	375,372
Land and other investments, at cost	62	39
	1,168,341	1,115,515
Donor-restricted funds:		
Cash and cash equivalents	19,185	11,044
Equity mutual funds	4,271	2,074
Equity commingled funds	674	606
Common and preferred stocks	5,018	6,717
Fixed income mutual funds	2,196	2,007
Fixed income commingled funds	2,348	2,005
U.S. government and agency securities	699	737
Corporate obligations	982	1,021
Alternative investments	3,666	4,447
Land and other investments, at cost	—	23
	39,039	30,681
Funds held by indenture trustees:		
Cash and cash equivalents	11,846	5,421
Government and agency bonds	6,097	5,350
Corporate obligations	2,307	3,028
	$ 20,250	13,799

(In thousands)

		2016	2015
Self-insurance funds:			
Cash and cash equivalents	$	6,523	8,346
Equity commingled funds		22,129	22,183
Common and preferred stocks		8,524	11,211
Fixed income commingled funds		44,558	49,001
Alternative investments		9,022	11,586
		90,756	102,327
Assets limited or restricted as to use		1,318,386	1,262,322
Available for current liabilities		(91,030)	(79,951)
Long-term assets limited or restricted as to use	$	1,227,356	1,182,371

The portion of the System's assets limited or restricted as to use available for current liabilities consists of the following at August 31, 2016 and 2015:

		2016	2015
Self-insurance programs	$	63,855	49,420
Foundation programs		13,803	10,686
Board-designated		13,372	19,845
	$	91,030	79,951

The System's consolidated total return on assets limited or restricted as to use consists of the following for the years ended August 31, 2016 and 2015:

		2016	2015
Dividends and interest	$	8,492	7,560
Net realized gains on securities		8,488	24,492
Net change in unrealized gains (losses) on securities		22,405	(36,498)
		39,385	(4,446)
Change in fair value of derivative instruments		(21,037)	(2,811)
	$	18,348	(7,257)

(Continued)

(In thousands)

Total return on assets limited or restricted as to use is classified in the accompanying consolidated financial statements as follows for the years ended August 31, 2016 and 2015:

		2016	2015
Nonoperating investment gains (losses), net	$	12,668	(7,540)
Investment income, net on self insurance and trustee-held funds recorded as other revenue		5,002	1,435
Investment income and net change in unrealized gains (losses) on securities in restricted net assets		316	(368)
Net change in unrealized gains (losses) on other-than-trading securities		362	(784)
Total return on assets limited or restricted as to use	$	18,348	(7,257)

The System's ability to generate investment income is dependent in large measure on market conditions. The market value of the System's investment portfolio, as well as the System's investment income, have fluctuated significantly in the past and are likely to continue to fluctuate in the future. The System's investment portfolio assets are designated as trading securities as discussed in ASC Topic 320, *Investments – Debt and Equity Securities*. The System's entire portfolio is actively managed by third-party investment managers. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. As required by U.S. GAAP, realized and unrealized gains and losses on an investment portfolio designated as a trading portfolio are accounted for as nonoperating investment income and are included in excess of continuing revenues over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenues over expenses.

At August 31, 2016 and 2015, the System had invested $324,610 and $391,405, or 24.6% and 31.0%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds, real estate investment funds and long/short equity funds.

The hedge funds include two multi-strategy and two dedicated equity long/short hedge funds of funds. The investment objective of the multi-strategy funds is to achieve positive absolute returns with low volatility, achieved through investments with multiple underlying managers who are investing across various strategies. Strategies used within the multi-strategy hedge funds include, but are not limited to:

Equity Long/Short: Investment companies that maintain long and short positions in publicly traded equities in order to capture opportunities driven by the perception of securities or industries being over-or undervalued.

Credit/Distressed: Investment companies that focus mainly on opportunities in corporate fixed income securities that are in financial distress, or perceived distress, or are going through a restructuring or reorganization.

Event Driven: Investment companies that focus on identifying securities that would benefit from the occurrence of a major corporate event.

Global Macro: Investment companies that employ broad mandates to invest globally across all asset classes, including interest rates, currencies, commodities and equities, in order to benefit from market movements within various countries.

Relative Value: Investment companies that seek to identify valuation discrepancies between related securities, utilizing fundamental and quantitative techniques to establish equity, fixed income and derivative positions.

The objective of the dedicated long/short equity fund strategy is to achieve long-term equity market-like returns at a lower level of risk, achieved through investments solely in equity long/short managers.

(5) Fair Value of Financial Instruments

The System determines the fair values of its financial instruments based on the fair value hierarchy established in ASC Topic 820, *Fair Value Measurement*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents, debt and equity securities and mutual funds that are traded in an active exchange market, as well as government and agency securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain equity mutual funds, corporate-debt securities, equity commingled funds, fixed income commingled funds, and interest rate swaps.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the System's business, its value or consolidated financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values for the System's fixed maturity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The System's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the System from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

Fair values for the System's interest rate swaps have been determined using pricing models developed based on the LIBOR swap rate and other observable market data. The values were determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the System.

BSHSI elected to record equity and fixed income commingled funds using the fair value option contained within FASB ASC Topic 825, *Financial Instruments*, in prior years and continues to account for these investments at fair value.

(In thousands)

The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2016:

			Fair value measurements at August 31, 2016 using		
		Fair value	**Level 1**	**Level 2**	**Level 3**
Assets limited or restricted as to use:					
Cash and cash equivalents	$	139,023	139,023	—	—
Equity mutual funds		71,322	71,322	—	—
Equity commingled funds		80,122	—	80,122	—
Common and preferred stocks		305,006	305,006	—	—
Fixed income mutual funds		112,372	112,372	—	—
Fixed income commingled funds		246,668	—	246,668	—
Government and agency bonds		19,687	17,032	2,655	—
Corporate obligations		19,514	2,308	17,206	—
Assets limited or restricted as to use	$	993,714	647,063	346,651	—
Liabilities:					
Interest rate swaps	$	64,413	—	64,413	—
Total liabilities	$	64,413	—	64,413	—

(In thousands)

The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2015:

		Fair value measurements at August 31, 2015 using		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Assets limited or restricted as to use:				
Cash and cash equivalents	$ 117,992	117,992	—	—
Equity mutual funds	51,992	51,992	—	—
Equity commingled funds	73,932	—	73,932	—
Common and preferred stocks	255,348	255,348	—	—
Fixed income mutual funds	107,256	107,256	—	—
Fixed income commingled funds	220,244	—	220,244	—
Government and agency bonds	21,336	18,898	2,438	—
Corporate obligations	22,755	3,757	18,998	—
Assets limited or restricted as to use	$ 870,855	555,243	315,612	—
Liabilities:				
Interest rate swaps	$ 54,050	—	54,050	—
Total liabilities	$ 54,050	—	54,050	—

During the year ended August 31, 2016, the System sold $60,151 of alternative investments, which are recorded under the equity method as described in note 2(e) and reinvested the proceeds in Level 1, common and preferred stocks, equity mutual funds, and Level 2, fixed income comingled funds in accordance with the System's investment strategy. There were no other significant transfers of Level 1, 2 and 3 during the year ended August 31, 2016. During the year ended August 31, 2015, the System transferred $49,675 of Level 1 fixed income assets to Level 2 fixed income assets, due to a change in investment strategy for the System's investment portfolio. The System had no activity in Level 3 assets during the years ended August 31, 2016 and 2015.

The System has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Directors, contains numerous standards designed to ensure adequate diversification by asset category and geography. The IPS also limits investments by manager and position size, and limits fixed-income positions based on credit ratings, which serves to further mitigate the risks associated with the investment program. At August 31, 2016 and 2015, management believes that its investment positions are in accordance with the guidelines in the IPS.

(In thousands)

(6) Long-Term Debt

Long-term debt consists of the following at August 31, 2016 and 2015:

		2016	**2015**
Master Trust Notes and Hospital Revenue Bonds:			
Series 1992B and 1992C Virginia fixed rate term bonds payable in installments through August 2027; interest at 5.93%	$	54,043	56,743
Series 1995 Memorial Regional Medical Center fixed rate serial and term bonds payable in installments through August 2018; interest at 6.38% to 6.50%		8,520	12,400
Series 1996 Virginia fixed rate serial and term bonds payable in installments through August 2020; interest at 5.40% to 6.25%		6,500	7,895
Series 2002B Florida variable rate demand bond payable in installments beginning November 2017 through November 2026 subject to a seven day put provision; interest at 0.64% and 0.10% at August 31, 2016 and 2015, set at prevailing rates		4,250	4,250
Series 2002B Kentucky variable rate demand bond payable in installments through November 2026 subject to a seven day put provision; interest at 0.64% and 0.10% at August 31, 2016 and 2015, set at prevailing rates		10,450	11,225
Series 2008B-C Virginia fixed rate serial and term bond payable in installments through November 2042; interest at 4.50 to 5.25% at August 31, 2016 and 2015.		173,355	173,355
Series 2008A South Carolina variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042; interest at 0.65% and 0.01% at August 31, 2016 and 2015, set at prevailing rates		69,925	69,925
Series 2008D Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.60% to 0.63% and 0.02% at August 31, 2016 and 2015, set at prevailing rates		98,605	102,875
Series 2008D South Carolina variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.63% and 0.02% at August 31, 2016 and 2015, set at prevailing rates		18,980	20,570

(In thousands)

		2016	2015
Series 2013 Kentucky fixed rate serial and term bonds payable in installments beginning November 2015 through November 2026; interest at 4.0% to 5.0%	$	35,575	39,075
Series 2013 South Carolina fixed rate serial bonds payable in installments beginning November 2015 through November 2029; interest at 3.75% to 5.0%		180,170	184,870
Series 2013 Virginia fixed rate serial bonds payable in installments beginning November 2016 through November 2030; interest at 4.0% to 5.0%		78,245	78,245
Series 2013B variable rate direct placement bonds payable in installments through November 2043; interest at 1.37% to 1.51% at August 31, 2016 and 1.2% to 1.3% at August 31, 2015, set at prevailing rates		56,960	58,455
Series 2013 New York variable rate term loan payable in installments beginning November 2016 through November 2020; interest at 1.34% at August 31, 2016 and 1.0% at August 31, 2015		20,200	23,900
Series 2014 Virginia variable rate term loan payable in installments beginning November 2016 through November 2026; interest at 1.48% at August 31, 2016 and at 1.28% at August 31, 2015, set at prevailing rates		55,630	58,260
Total Master Trust Notes and Hospital Revenue Bonds	$	871,408	902,043

(In thousands)

		2016	2015
Other debt secured by certain property, plant, and equipment:			
3.27% mortgage note payable due April 2050	$	21,777	22,126
Capital leases obligations (interest at 5.00% to 6.00%)		4,947	7,090
Other debt (interest at 3.00% to 6.00%)		19,656	22,416
Total other debt		46,380	51,632
Total debt		917,788	953,675
Add bond premium, net of accumulated amortization		19,364	21,228
Less deferred financing costs, net of accumulated amortization		(8,829)	(9,694)
		928,323	965,209
Less current portion		(39,809)	(36,016)
Long-term debt, less current portion	$	888,514	929,193

Master Notes have been issued by BSHSI on behalf of itself and certain affiliates who collectively constitute the Members of an Obligated Group created by a Second Amended and Restated Master Trust Indenture dated as of March 12, 2014, as restated, supplemented, and amended. Master Notes secure payment of principal and interest on various series of serial and term indebtedness issued for the benefit of the Members of the Obligated Group by various governmental issuers as well as the performance of certain agreements entered into with credit enhancers, liquidity providers, swap counterparties and certain banks, which have purchased indebtedness issued for the benefit of the Obligated Group. Each Master Note is a joint and several obligation of each Member of the Obligated Group and is secured by a pledge of such Member's unrestricted receivables. Approximately, 52.7% and 52.6% of the indebtedness secured by Master Notes was supported, as to payments of principal and interest, by bond insurance policies or letters of credit as of August 31, 2016 and 2015, respectively.

The Master Trust Indenture and certain other agreements require the Obligated Group to maintain minimum financial ratios, place restrictions on the disposition of assets, the incurrence of additional indebtedness and changes in members of the Obligated Group, and provide for the maintenance of certain trustee-held funds, among other things.

The Series 2002 Bonds, the Series 2008A Bonds and the Series 2008D Bonds are subject to optional tender by the bondholders, and in certain events, mandatory tender. Tendered bonds, which are not remarketed will be purchased by a bank pursuant to a related letter of credit. No principal payments are due the bank with respect to such purchased Bonds until at least 367 days after the purchase date.

The Obligated Group has delivered letters of credit as additional security for the Series 2002 and 2008A Bonds. Pursuant to each letter of credit, the bank covenants to pay principal of and interest on the related series of Bonds. An existing bond insurance policy with respect to each series of such bonds will only pay principal of and interest on the related series of Bonds if the bank fails to pay pursuant to the letter of credit. The bank can, under certain circumstances, cause the cancellation of each bond insurance policy. The

Obligated Group must repay the principal amount of the purchased Series 2002 Bonds and Series 2008A Bonds beginning on the 367th day after the purchase date in ten substantially equal semiannual installments (or if the bond insurance policy has been canceled, in six substantially equal semiannual installments). The Obligated Group must repay the principal amount of the purchased Series 2008D Bonds (x) pursuant to one of the letter of credit agreements, in eight substantially equal semiannual installments commencing on the first business day following the 367th day after the purchase date and (y) pursuant to two of the letter of credit agreements, in eight substantially equal quarterly installments commencing on the first March 31, June 30, September 30 or December 31 occurring at least eighteen months following the date the bank purchases the related bonds.

BSHSI issued separate Master Notes to secure its obligations to reimburse the various letter of credit banks. The letters of credit which secure the Series 2002 Bonds, the Series 2008A Bonds and the Series 2008D Bonds have stated expiration dates, which range from November 2017 to November 2019. BSHSI has historically been able to request and receive extensions of the stated expiration dates.

The Series 2013B Bonds (as hereinafter defined) were purchased by a financial institution for a stated term less than the maturity of such bonds. The two series of Series 2013B Bonds have final maturities of November 1, 2025 and 2042, respectively, and were purchased by a financial institution (referred to as the Series 2013B Direct Purchase Bank) for an initial term of twelve years. During the initial term, the Series 2013B Bonds will bear interest based on a percentage of LIBOR plus an agreed–upon spread. With respect to the series maturing on November 1, 2042, following the expiration of the initial term, BSHSI may determine to seek an extension of the initial term, convert the interest rate mode on such Series 2013B Bonds or otherwise refinance such Series 2013B Bonds. Payment of the Series 2013B Bonds is secured by Master Notes issued under the Master Indenture. In connection with the issuance of the Series 2013B Bonds, the Obligated Group entered into separate covenant agreements with the Series 2013B Direct Purchase Bank, which contain various covenants that can be enforced or waived solely by the Series 2013B Direct Purchase Bank. Those covenants are similar to covenants BSHSI has provided to various other banks and insurance companies, which have provided credit enhancement with respect to BSHSI's other outstanding indebtedness. The obligations of the Obligated Group under the covenant agreement are secured by a Master Note.

Frances Schervier Home and Hospital (Schervier) is located in the Bronx, New York and directly controlled by BSHSI, but is not a member of the BSHSI Obligated Group. On November 21, 2013, Schervier borrowed $26,900 (referred to as the 2013 Term Loan) from a financial institution through a taxable term loan. The proceeds of the 2013 Term Loan, together with $4,500 of existing debt service reserve funds, were used to defease certain Series 1997 fixed rate bonds (referred to as the Schervier Bonds) issued by the Dormitory Authority of the State of New York (referred to as DASNY) that were outstanding in the principal amount $30,320. Schervier's scheduled payment obligations under the Schervier Bonds were secured by a Master Note. Schervier's scheduled payment obligations under the 2013 Term Loan are guaranteed by the Members of the Obligated Group pursuant to a guaranty agreement with U.S. Bank (the Schervier Guaranty). The Schervier Guaranty does not guarantee payment of principal or interest on the 2013 Term Loan upon an acceleration of the due date thereof by reason of an event of default under the agreement governing the 2013 Term Loan. In the event of any such acceleration, payments under the Schervier Guaranty will be required to be made only in such amounts and at such times as such payments would have been due had there been no acceleration of the 2013 Term Loan. The Schervier Guaranty is secured by a Master Note.

(In thousands)

On October 31, 2014, BSHSI borrowed from the Economic Development Authority of the City of Norfolk the proceeds of a series of revenue bonds (referred to as the Series 2014 Bonds) issued by the Norfolk EDA in the principal amount of $58,260. The Series 2014 Bonds bear interest at a variable rate equal to the sum of a percentage of LIBOR plus an agreed-upon spread. The proceeds of the Series 2014 Bonds were used to refinance, in a current refunding transaction, the Series 2011 Bonds. BSHSI contributed equity in the amount of $4,700 to pay the November 15, 2014 principal payment as well as accrued interest on the Series 2011 Bonds. In connection with the issuance of the Series 2014 Bonds, BSHSI, as Credit Group Representative, entered into a Continuing Covenant Agreement with a financial institution (referred to as the Series 2014 Direct Purchase Bank), which purchased the Series 2014 Bonds. The Series 2014 Direct Purchase Bank has agreed to hold the Series 2014 Bonds until the maturity date, November 1, 2025, subject to the right of BSHSI to redeem the Series 2014 Bonds or to convert the Series 2014 Bonds to another interest rate mode. The covenants contained in the Continuing Covenant Agreement are similar to covenants BSHSI has provided to various financial institutions and insurance companies, which have provided credit enhancement with respect to BSHSI’s other outstanding indebtedness or have directly purchased revenue bonds issued for the benefit of the Obligated Group. The obligation of BSHSI to repay the Series 2014 Bonds and obligations of the Obligated Group under the Continuing Covenant Agreement are secured by separate Obligations issued under the Master Trust Indenture.

On March 19, 2015, Schervier Apartments, LLC (a BSHSI subsidiary) borrowed $22,240 under a 35-year 3.27% fixed rate nonrecourse Mortgage Note, with interest and principal payable in monthly installments. The Mortgage Note is insured by HUD pursuant to Section 223(f) of the National Housing Act, as amended, and is collateralized by land, buildings and equipment of Schervier Apartments, LLC. The proceeds of the Mortgage Note were used to 1) pay all debts and liabilities of Frances Schervier Housing Development Fund Corporation including a Mortgage Note in the amount of $5,763 and accounts payable to Schervier for past operating subsidies of $1,331; 2) pay all associated transactions fees and costs of issuance; and 3) fund escrow and replacement reserve accounts. The remaining proceeds of the Mortgage Note are to be used by Bon Secours New York Health System to develop additional services for seniors.

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

2017	$	39,809
2018		35,396
2019		42,339
2020		37,414
2021		45,915
Thereafter		716,915
Total	$	917,788

(In thousands)

In May 2014, BSHSI executed a $100,000 revolving credit agreement with a five year term with a commercial bank (the Credit Agreement). Pursuant to the Credit Agreement, BSHSI, as Credit Group Representative, may either request loans or request that the bank issue letters of credit for the benefit of the Obligated Group. The proceeds of any such loan and any such letter of credit are available for general corporate purposes. As of August 31, 2016 and 2015, no loans have been made under the Credit Agreement. The obligations of the Obligated Group under the Credit Agreement are secured by a Master Note.

The System has entered into four leases maturing from 2019 to 2028 that are classified as capital leases for building and equipment. In addition, the System consolidates two limited liability corporations that own medical office buildings with notes payable outstanding of $19,309 and $21,744 as of August 31, 2016 and 2015, respectively. Such notes have interest rates of 7.50% and 7.75% and maturity dates in 2020 and 2022.

Total interest expense was $30,871 and $33,232 for the years ended August 31, 2016 and 2015, respectively. Cash paid for interest was $33,188 and $34,937 for the years ended August 31, 2016 and 2015, respectively, and includes capitalized interest for construction projects of $394 and $204, net of investment income, for the years ended August 31, 2016 and 2015, respectively.

(7) Interest Rate Risk Management

The System uses fixed and variable-rate debt to finance capital needs and develop an appropriate debt structure. Variable-rate debt exposes the System to variability in interest expense due to changes in interest rates. Conversely, fixed-rate debt obligations can be more expensive to the System in times of declining interest rates. The System manages and monitors its cost of capital on a regular basis and from time to time enters into derivative instruments with financial institutions to help manage interest rate risk.

The following is a summary of the derivative instruments in place at August 31, 2016:

Description	Number	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ August 31, 2016	Counterparties	Mark to market	Collateral thresholds
Fixed payer	1	$ 33,210	3.448%	Nov-2025	$ —	Goldman Sachs	$ (4,215)	10,000
Fixed payer	1	49,815	3.491%	Nov-2025	—	Deutsche Bank	(6,424)	20,000
Fixed payer	2	96,650	4.460%/3.420%	Aug-2026/Nov-2028	—	Merrill Lynch	(17,357)	*
Fixed payer	2	105,925	4.485%/3.384%	Oct-2025/Oct-2026	3,786	JP Morgan	(18,289)	15,000
Fixed payer	1	69,925	3.454%	Nov-2042	—	PNC	(27,419)	*
Total fixed payers	7	355,525			3,786		(73,704)	
Fixed basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	8,800	20,000
Variable basis	3	427,500	SIFMA	Nov-2029	—	Merrill Lynch	(1,729)	*
Total derivatives	11	$ 983,025			$ 3,786		(66,633)	$ 65,000
					Valuation Adjustments		2,220	
							$ (64,413)	

* Derivative instrument does not provide for the posting of collateral.

(In thousands)

The following is a summary of the derivative instruments in place at August 31, 2015:

Description	Number	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ August 31, 2015	Counterparties	Mark to market	Collateral thresholds
Fixed payer	1	$ 36,030	3.448%	Nov-2025	$ —	Goldman Sachs	$ (4,178)	10,000
Fixed payer	1	54,045	3.491%	Nov-2025	—	Deutsche Bank	(6,387)	20,000
Fixed payer	2	103,350	4.460%/3.420%	2028	—	Merrill Lynch	(16,662)	*
Fixed payer	2	108,550	4.485%/3.384%	Oct-2025/Oct-2026	3,824	JP Morgan	(18,301)	15,000
Fixed payer	1	69,925	3.454%	Nov-2042	—	PNC Bank	(18,649)	*
	7	371,900			3,824		(64,177)	
Fixed basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	6,358	20,000
Variable basis	3	444,750	SIFMA	Nov-2029	—	Merrill Lynch	694	*
Total derivatives	11	$ 1,016,650			$ 3,824		(57,125)	$ 65,000
					Valuation Adjustments		3,075	
							$ (54,050)	

* Derivative instrument does not provide for the posting of collateral.

The unrealized losses of $10,362 and gains of $8,919 for the years ended August 31, 2016 and 2015, respectively, relating to these nonqualifying derivative activities are recorded within nonoperating investment gains (losses), net in the accompanying consolidated statements of operations and changes in unrestricted net assets.

The System utilizes a diversified group of swap counterparties and has sought to limit its obligations to post collateral in the agreements governing its derivative instruments. In addition, the System routinely evaluates its derivative portfolio and may decide at any time to terminate certain of the derivative instruments discussed above and/or enter into new derivative instruments. Should the System decide to terminate any of such instruments, it may be required to make termination or breakage payments under the terms of those instruments.

(8) Noncontrolling Interest

The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the System's controlling interest and noncontrolling interest, including amounts such as the performance indicator, change in pension and other postretirement adjustments and other changes in unrestricted net assets as of and for the years ended August 31, 2016 and 2015:

(In thousands)

		Unrestricted net assets-controlling interest	Unrestricted net assets-noncontrolling interest	Total unrestricted net assets
Balance as of August 31, 2014	$	1,028,084	241,773	1,269,857
Excess of revenues over expenses		56,607	22,181	78,788
Grants for capital		393	—	393
Net change in unrealized losses on other than trading securities		(784)	—	(784)
Net assets released from restrictions used for purchase of property, plant, and equipment		6,700	—	6,700
Net change in equity of joint ventures		3,284	—	3,284
Distributions to noncontrolling interest owners		—	(5,478)	(5,478)
Pension and other postretirement adjustments		(68,214)	—	(68,214)
Transfers to affiliates and other changes, net		(9,530)	1,115	(8,415)
(Decrease) increase in net assets		(11,544)	17,818	6,274
Balance as of August 31, 2015		1,016,540	259,591	1,276,131
Excess of revenues over expenses		74,925	12,781	87,706
Grants for capital		174	—	174
Net change in unrealized gains on other than trading securities		362	—	362
Net assets released from restrictions used for purchase of property, plant, and equipment		1,942	—	1,942
Net change in equity of joint ventures		1,194	—	1,194
Distributions to noncontrolling interest owners		—	(7,666)	(7,666)
Pension and other postretirement adjustments		(145,840)	—	(145,840)
Transfers to affiliates and other changes, net		(4,369)	—	(4,369)
(Decrease) increase in net assets		(71,612)	5,115	(66,497)
Balance as of August 31, 2016	$	944,928	264,706	1,209,634

(Continued)

(In thousands)

(9) Pension Plans

The System's employees are covered either by one of the System's noncontributory defined benefit pension plans, or are covered by defined contribution retirement plans. The System's noncontributory defined benefit pension plans provide benefits based upon age at retirement, years of credited services, and average earnings. Seven of the System's eight defined benefit plans are deemed church plans under the Internal Revenue Code. For defined benefit pension plans deemed to be church plans under the Internal Revenue Code, the System's funding policy is to make contributions to fund the annual service cost of the plans plus a seven year amortization of the unfunded Accumulated Benefit Obligation. The defined benefit pension plan that is subject to the Employee Retirement Income Security Act of 1974 guidelines is funded in accordance with those guidelines. The service cost and projected benefit obligation is based upon the projected unit credit actuarial method.

In July 2011, the System announced the closure of the defined benefit pension plans to all new employees, except for the Bon Secours New York Health System Pension Plan. Existing defined benefit plan participants were given a choice option. This choice option allowed a one-time election to maintain participation in the defined benefit pension plan or move to a defined contribution retirement plan.

The investment policy and objectives for defined benefit plan assets are established by BSHSI and are based on a long-term perspective. An investment advisory firm engaged by BSHSI reviews asset performance and allocation on a periodic basis throughout the fiscal year. The percentage allocation to each asset class may vary depending upon market conditions and is adjusted when it falls outside the established ranges set for each asset class.

The following are deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, as of August 31, 2016 and 2015. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected average remaining assumed service period for active employees.

		Amounts in unrestricted net assets at August 31, 2016	Amounts in unrestricted net assets at August 31, 2015	Amounts in unrestricted net assets to be recognized in fiscal year 2017
Net prior service cost	$	69	58	(18)
Net actuarial losses		431,015	285,186	27,238
Total	$	431,084	285,244	27,220

(In thousands)

The components of the funded status, net periodic benefit costs, and actuarial assumptions used in accounting for defined benefit pension plans as of and for the years ended August 31, 2016 and 2015 are as follows:

		2016	2015
Change in projected benefit obligation:			
Net projected benefit obligation at beginning of year	$	1,037,121	979,940
Service cost		19,106	20,388
Interest cost		39,188	41,970
Actuarial loss		170,116	31,559
Gross benefits paid		(36,406)	(36,736)
Projected benefit obligation at end of year		1,229,125	1,037,121
Change in plan assets:			
Fair value of plan assets at beginning of year		647,027	665,715
Actual return on plan assets		60,418	(11,025)
Employer contributions		51,028	29,073
Gross benefits paid		(36,406)	(36,736)
Fair value of plan assets at end of year		722,067	647,027
Net amount recognized at end of year	$	(507,058)	(390,094)

		2016	2015
Accumulated benefit obligation at end of year	$	1,178,040	994,315
Amounts recognized in the consolidated balance sheets consist of:			
Accrued benefit costs – long term	$	(507,058)	(390,094)
Components of net periodic benefit cost:			
Service cost	$	19,106	20,388
Interest cost		39,188	41,970
Expected return on plan assets		(50,729)	(45,050)
Amortization of:			
Actuarial loss		14,598	17,299
Prior service cost		(16)	(10)
Total net periodic benefit costs	$	22,147	34,597

(In thousands)

	2016	2015
Weighted average assumptions used to determine benefit obligations at August 31:		
Discount rate	3.55%	4.55%
Rate of compensation increase	3.00	3.00
Weighted average assumptions used to determine net periodic benefit cost at August 31:		
Discount rate	4.55%	4.30%
Expected return on plan assets	7.80	7.80
Rate of compensation increase	3.00	3.00

Net pension expense is included as a component of fringe benefits recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in unrestricted net assets.

The expected long-term rate of return of the pension plan assets used for determining pension expense was 7.80% and was determined based upon a review of the System's long-term rate of return experienced in the capital markets for the target asset allocation employed to invest pension assets.

As of August 31, 2015, BSHSI adopted the new RP-2014 Mortality Table with generational improvements using projection scale BB-2D. As a result of the adoption, the projected benefit obligation increased approximately $66,100.

As of August 31, 2015, BSHSI changed its methodology used to estimate the interest and service cost components of net periodic benefit costs to a spot rate approach for all defined benefit pension plans. Historically, BSHSI estimated the service and interest cost components using a single weighted average discount rate derived from a hypothetical portfolio of bonds used to measure the benefit obligation at the beginning of the period. BSHSI made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of service and interest costs. This change did not impact the projected benefit obligation nor the net periodic benefit costs as of and for the year ended August 31, 2015. BSHSI accounted for this change as a change in estimate and, accordingly, accounted for it prospectively starting with the year ended August 31, 2016. This change does not affect the measurement of the projected benefit obligation as the change in the service cost and interest cost is completely offset in the actuarial (gain) loss reported.

In order to apply the spot rate approach, BSHSI also changed its methodology for determining the discount rate for its projected benefit obligation as of August 31, 2015 from a bond model approach to a yield curve approach because the bond model approach is not compatible with the spot rate approach. The change to the yield curve approach resulted in an increase of the projected benefit obligation at August 31, 2015 and a reduction of other changes in unrestricted net assets of approximately $5,640.

The System's pension plan asset allocation is planned to include approximately 65% equities, 30% fixed income/cash, and 5% alternative investments. Equity investments are balanced between type and size of investment and investment managers are monitored against benchmarks. As of August 31, 2016 and 2015, the pension plan assets were allocated by asset category as follows:

(In thousands)

	2016	2015
Asset category:		
Equity mutual and commingled funds and securities	62%	62%
Fixed income mutual funds and securities	26	25
Alternative investments	5	10
Cash	7	3
Total	100%	100%

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2016:

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Cash and cash equivalents	$ 48,197	48,197	—	—
Equity mutual funds	9,023	9,023	—	—
Equity commingled funds	78,725	—	78,725	—
Common and preferred stocks	360,279	358,693	1,586	—
Fixed income commingled funds	75,492	—	75,492	—
U.S. government and agency securities	11,362	2,200	9,162	—
Corporate obligations	101,162	—	101,162	—
Alternative investments	37,827	—	—	37,827
Total plan assets	$ 722,067	418,113	266,127	37,827

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2015:

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Cash and cash equivalents	$ 22,384	22,384	—	—
Equity mutual funds	4,145	4,145	—	—
Equity commingled funds	70,255	—	70,255	—
Common and preferred stocks	327,488	325,944	1,544	—
Fixed income commingled funds	50,616	—	50,616	—
Government and agency bonds	13,627	1,019	12,608	—
Corporate obligations	96,882	—	96,882	—
Alternative investments	61,630	—	—	61,630
Total plan assets	$ 647,027	353,492	231,905	61,630

(Continued)

(In thousands)

During the year ended August 31, 2016, the System sold $20,484 of Level 3 alternative investments and reinvested the proceeds in Level 1 common and preferred stocks and Level 2 fixed income commingled funds in accordance with the System's investment strategy. There were no other transfers of Level 1 and Level 2 during the year ended August 31, 2016. During the year ended August 31, 2015, the System transferred approximately $55,000, of Level 1 fixed income assets to Level 2 due to a change in investment strategy in the pension assets.

The change in the fair value for the pension assets valued using significant unobservable inputs (Level 3) was due to the following:

		Alternative investments
Ending balance August 31, 2014	$	58,939
Total net gains unrealized		2,691
Ending balance August 31, 2015		61,630
Total net gains realized		421
Total net losses unrealized		(3,740)
Sales		(20,484)
Ending balance August 31, 2016	$	37,827

The System applies ASU No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan asset portfolio. The guidance amends ASC Topic 820 and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value or its equivalent. The alternative investments classified within Level 3 of the fair value hierarchy have been recorded using Net Asset Value (NAV).

The following summarizes the redemption and commitment terms for the alternative investment vehicles held in the pension plan assets as of August 31, 2016:

		Hedge fund	Hedge fund
Redemption timing;			
Redemption frequency		Quarterly	Quarterly
Required notice		70 days	95 days
Audit reserve:			
Percentage held back for audit reserve		10%	10%
Gates:			
Potential gate holdback		—%	—%
Potential gate release timeframe		n/a	n/a
Unfunded commitments	$	—	—

(In thousands)

The hedge funds include two multi-strategy hedge funds of funds. The investment objective of the multi-strategy funds is to achieve positive absolute returns with low volatility, achieved through investments with multiple underlying managers who are investing across various strategies. Strategies used within these hedge funds include, but are not limited to:

Equity Long/Short: Investment companies that maintain long and short positions in publicly traded equities in order to capture opportunities driven by the perception of securities or industries being over-or undervalued.

Credit/Distressed: Investment companies that focus mainly on opportunities in corporate fixed income securities that are in financial distress, or perceived distress, or are going through a restructuring or reorganization.

Event Driven: Investment companies that focus on identifying securities that would benefit from the occurrence of a major corporate event.

Global Macro: Investment companies that employ broad mandates to invest globally across all asset classes, including interest rates, currencies, commodities and equities, in order to benefit from market movements within various countries.

Relative Value: Investment companies that seek to identify valuation discrepancies between related securities, utilizing fundamental and quantitative techniques to establish equity, fixed income and derivative positions.

The System expects to contribute approximately $60,000 to its pension plans during the year ended August 31, 2017.

Future pension benefit payments, which reflect expected future service, as appropriate, are expected as follows:

2017	$	51,601
2018		48,141
2019		47,410
2020		48,421
2021		51,132
2022–2026		295,313

The System also has various contributory, tax-deferred annuity, and savings plans with participation available to certain employees. The System matches employee contributions up to 6% of compensation under certain defined contribution plans. The System contributed $38,387 and $40,542 towards these plans during the years ended August 31, 2016 and 2015, respectively. Total expense was $37,862 and $40,389 in 2016 and 2015, respectively.

Multi-Employer Plans

The system contributes to two multi-employer defined benefit pension plans. These plans include The Archdiocese Pension Plan for the Archdiocese of New York (Archdiocesan Plan) and the 1199 Union Pension Plan.

(a) Archdiocesan Plan

The Archdiocesan Plan is a noncontributory, multi-employer defined benefit plan, which covers substantially all of the System's full-time nonunion employees in the state of New York. The Employer Identification Number is 13-3089351. The Archdiocesan Plan is a Church plan approved by the Internal Revenue Service and is exempt from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the Archdiocesan Plan are based on actuarial valuations. The contributions of all participating employers are pooled. As of January 1, 2015, the Archdiocesan Plan's market value of assets is $1,170,446 and the present value of accrued plan benefits is $1,423,184 resulting in a funded status of 82.2%. Contributions to the Archdiocesan Plan were $498 and $2,569 for the years ended August 31, 2016 and 2015, respectively. Fiscal year 2015 contributions included $2,058 from Bon Secours Charity, which are not included in the fiscal year 2016 contribution number.

(b) 1199 SEIU Health Care Employees Pension Fund

The System contributes to a multi-employer defined benefit plan under the terms of a collective bargaining agreement for its 1199 SEIU employees. The Employer Identification Number is 13-3604862/001. The most recent available information on the Pension Protection Act (PPA) zone status is for the plan years ended December 31, 2014 and 2013. The zone status is based on information that the System received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. Based on this information, the zone status was green for the plan years ended December 31, 2014 and 2013.

The expiration date of the collective bargaining agreements requiring contributions to the plan is September 30, 2018. The contributions by the System to the union pension fund were $1,363 and $9,992 for the years ended August 31, 2016 and 2015, respectively. Fiscal year 2015 contributions included $8,839 from Bon Secours Charity, which are not included in the fiscal year 2016 contribution number. The System was not listed in the plan's most recent available annual report (Form 5500 for U.S. Plans) for providing more than 5% of the total contributions to the plan for the years ended December 31, 2013 and 2012.

(10) Net Patient Service Revenue

BSHSI has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

(In thousands)

The System estimates the allowance for uncollectible accounts based on the aging of the accounts receivable, historical collection experience, payor mix and other relevant factors. A significant portion of the allowance for uncollectible accounts relates to self-pay patients, as well as co-payments and deductibles owed by patients with insurance. There are various factors that can impact collection trends such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients. Other factors include the volume of patients through the emergency departments and the increased level of co-payments and deductibles due from patients with insurance. These factors continuously change and can have an impact on collection trends and the estimation process.

The activity in the allowance for uncollectible accounts is summarized as follows for the years ended August 31, 2016 and 2015:

		2016	2015
Beginning balance	$	131,483	145,138
Provision for bad debts		199,503	193,593
Divestiture of Charity Health System		—	(25,754)
Write-offs		(189,134)	(181,494)
Ending balance	$	141,852	131,483

(11) Reimbursement Programs

The System participates in the Medicare and Medicaid programs. Payment rates for inpatient services provided to program beneficiaries are governed by the applicable regulations and implementation provisions thereunder, based generally on prospectively determined rates using clinical and diagnostic charges. Capital costs are also generally based upon prospectively determined rates. However, certain services are subject to cost-based reimbursement principles, subject to certain limitations. The System also participates in various managed care programs. Generally, these programs provide for payments based on negotiated rates; however, certain plans utilize cost-based or charge-based payment principles.

Programs utilizing cost-based reimbursement principles are subject to review and final determination by appropriate program representatives. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews. The amounts due to third party payors are included in other accrued expenses and other long-term liabilities in the accompanying consolidated balance sheets.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the System's revenues and the System's operations are subject to a variety of other federal, state, and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the System.

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the System.

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments, and the government has aggressively increased enforcement of Medicare and Medicaid anti-fraud and abuse laws. The System's compliance with these laws and regulations is subject to periodic governmental review, which could result in enforcement actions unknown or unasserted at this time. The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse laws and physician self-referral laws (STARK law and regulation). Recent federal initiatives have prompted a national review of federally funded healthcare programs. In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs.

CMS utilizes Recovery Audit Contractors (RACs) as part of the CMS's further efforts to assure accurate patient payments. The project uses RACs to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. To date, all System hospitals have had certain Medicare claims denied, and all have a diligent appeal process. While additional RAC assessments against the System are anticipated, the impact of such assessments is still unknown. In addition to RAC audits, System affiliates may from time to time be subject to other audits by state or federal agencies, including state Medicaid programs. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

The System's management strives to anticipate factors that affect payment changes and develop plans to address them. Management attempts to address these issues proactively through its policies and practices that focus on areas such as charity and uninsured care as well as effective managed care contracting, accounts receivable and revenue cycle best practices and analysis of potential government payment changes. Nonetheless, future actions by federal, state, and private payors could have a significant adverse effect on the System's operating results, cash flows, and liquidity. In addition, management pursues the highest level of compliance, but state and federal audits by the Offices of the Inspector General do create uncertainty. At this time, the System has audits underway, the outcomes of which are uncertain and the impact cannot be reasonably estimated at this time.

As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the U.S. healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over the next decade. This federal healthcare reform legislation did not affect either the 2016 or the 2015 consolidated financial statements.

A number of programs were enacted by CMS in 2011 that continued to impact the reimbursement for the System during the fiscal years ended August 31, 2016 and 2015. Beginning in federal fiscal year 2013, value-based incentive payments were made based upon achievement of or improvement on a set of clinical and patient experience of care quality measures designed to foster improved clinical outcomes for hospital patients as well as improve how patients experience inpatient care. For Federal fiscal year 2014 and 2015,

(Continued)

respectively, 1.25% and 1.50% of a hospital's inpatient Medicare reimbursement was at risk/available in this program for either a penalty or a bonus depending on performance as measured with the rest of the hospitals in the country. Percentages considered at risk will increase an additional 0.25% each Federal fiscal year, with 2% of a hospital's inpatient Medicare reimbursement being at risk by Federal fiscal year 2017. In addition, components of valuable based purchasing are changed and/or expanded each Federal fiscal year and include new measures, performance periods, performance standards, and domain weighting. The System's hospitals are currently measuring quality indicators consistent with the CMS value-based purchasing methodology and creating action plans to continue improvement in future periods in an effort to maximize the System's reimbursement opportunities.

Also beginning with federal fiscal year 2013, CMS implemented a readmission reduction program, which is a penalty-only based program based on a hospital's actual readmissions for specific costly diagnoses compared to an expected readmission rate. Effective for discharges beginning on October 1, 2012, the CMS's Hospital Readmissions Reduction Program withheld up to 1% of regular reimbursements for hospitals that had excess patient readmissions within 30 days of discharge for three medical conditions: heart attack, heart failure and pneumonia. As a part of healthcare reform legislation, the maximum penalty increased to 2% for Federal fiscal year 2014 and to 3% for Federal fiscal year 2015 and Federal fiscal year 2016. The medical conditions under review for readmissions were expanded in Federal fiscal year 2016 to include chronic obstructive pulmonary disease and elective primary hip and or total knee arthroplasty. It is expected in Federal fiscal year 2017 that coronary bypass graft will be added to the Readmission review policy.

On July 13, 2010, CMS issued rules to implement the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act (the HITECH Act). Certain hospitals and eligible healthcare professionals (EPs) that demonstrated "meaningful use" of certified EHR technology could qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and EPs "adopt, implement or upgrade" certified EHR, which includes purchasing the technology, in order to receive incentive payments. Beginning in Federal fiscal year 2015, Medicare payment reduction penalties were assessed against hospitals and EPs that did not achieve meaningful use of EHR. The System has made a substantial investment in a qualified EHR, and has qualified providers for Medicaid payments in all states where the State Medicaid Health Information Technology Plan has been submitted to and are approved by CMS.

Beginning April 1, 2013, sequestration was put into effect as part of the spending reductions required by the Budget Control Act of 2011. These budget deficit reductions have resulted in a 2% reduction in all Medicare payments made to all healthcare providers.

On August 2, 2013, CMS published the "Two Midnight" rule, which creates new guidelines for determining when an inpatient admission is medically necessary. Under the rule, an inpatient admission is generally appropriate only when a physician expects the patient to require a hospital stay, including at least two midnights and admits the patient to the hospital on that expectation. This rule also imposed a -0.2% adjustment on inpatient payments to account for projected increased expenditures related to the Two Midnight standard; this adjustment was expected to negatively impact hospital revenues. The rule became effective October 1, 2013 and has been in effect since that date but, because of concerns that providers had not had adequate time to fully prepare for its provisions, CMS' Recovery Audit Contractors (RACs) were prohibited from conducting post-payment reviews for hospitals' compliance with the Two Midnight rule prior to December 31, 2015. In lieu of post-payment reviews, CMS implemented a program of "probe and educate" reviews, through which contractors reviewed hospitals' claims for compliance with the Two Midnight rule, recouped funds paid for non-compliant claims, and educated providers accordingly. Meanwhile, RACs began to conduct post-payment reviews for dates of admission as of January 1, 2016, but only for providers referred to them by a contractor as being in persistent noncompliance with the Two Midnight Rule. As CMS enforcement of the Two Midnight rule has unfolded, the System has taken steps to ensure compliance with the regulations. The effect of these efforts is reflected somewhat in the increased number of observation patients. Finally, CMS announced in August 2016 that it would eliminate the -0.2% payment adjustment and, as of fiscal year 2017, implement a temporary 0.6% increase to compensate for the three years during which the negative adjustment was in effect, which is expected to have a positive impact on hospital revenues.

Beginning October 1, 2013, the Affordable Care Act (ACA) amended the adjustment provision for hospital Medicare disproportionate share (DSH) payments. Hospitals, which qualified for DSH payments will now receive twenty five percent of what would have been received under the historical statutory formula and will receive an additional payment for uncompensated care. Hospital-specific uncompensated care allotments are announced in the annual rulemaking process, and allotments are expected to decrease annually relative to the growing percentage of newly insured individuals. For both traditional DSH and the uncompensated care component, the System records reserves to account for differences in estimated earned amounts versus actual payments received. Through the fiscal year ended August 31, 2016, the System has had minimal unplanned impact from this change in formula.

(12) Investments in Joint Ventures

The System has invested in a number of joint ventures, limited liability corporations and other entities to provide specialty healthcare services or engage in other activities. These investments range from minority investments with no control to majority investments or investments with control.

(a) Roper St. Francis Healthcare – South Carolina

BSHSI, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are members of Care Alliance Health Services (d/b/a Roper St. Francis Healthcare). Roper St. Francis Healthcare is the sole member of and operates Bon Secours – St. Francis Xavier Hospital, Roper Hospital, a supporting foundation and physician practices located in Charleston, South Carolina. BSHSI is obligated to provide 27% of any capital contribution to Roper St. Francis Healthcare and is entitled to 27% of any surplus capital. BSHSI accounts for its interest in Roper St. Francis Healthcare under the equity method and includes its interest in Roper St. Francis Healthcare's excess of revenue over expenses in its consolidated statements of operations and changes in unrestricted net assets as other revenue. Roper St. Francis Healthcare, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are not otherwise affiliated with BSHSI and are not Members of the Obligated Group.

The System recorded income of $452 and $5,940 related to its equity interest for the years ended August 31, 2016 and 2015, respectively. Included in these amounts were the System's allocated share of investment gains of $2,007 and $472 for the years ended August 31, 2016 and 2015, respectively. In addition, adjustments of $3,000 and $1,663 were recorded as net change in equity of joint ventures in 2016 and 2015, respectively, to reflect the System's 27% interest in the net assets of this joint venture. The System received cash distributions of $5,400 related to its equity interest during the years ended August 31, 2016 and 2015.

(In thousands)

The total assets, total liabilities, and net assets as of August 31, 2016 and 2015 and the total revenue, total expenses, investment gains, net, and change in unrestricted net assets for the years then ended for Roper St. Francis Healthcare are as follows:

		2016	2015
Total assets	$	973,155	861,843
Total liabilities		593,358	476,975
Net assets		379,797	384,868
Total revenue		853,087	830,595
Total expenses		839,297	805,744
Investment gains (losses), net		(8,888)	1,828
Change in unrestricted net assets		(7,213)	(8,161)

In June 2009, Roper St. Francis Healthcare received state approval from the South Carolina Department of Health and Environmental Services ("DHEC") for the construction of a new 50-bed full service hospital located in Berkeley County, South Carolina. The capital construction projects for the new hospital will be financed through a combination of Roper St. Francis Healthcare's equity and proceeds of the issuance of tax-exempt debt. Construction of the new hospital is anticipated to commence within the near future.

(b) Sentara Princess Anne

BSHSI, DePaul Medical Center and Bon Secours Hampton Roads Health System (referred to as Bon Secours Hampton Roads) and Sentara Healthcare (Sentara) are members in a Virginia not-for-profit, nonstock corporation that owns and operates Sentara Princess Anne Hospital located in Virginia Beach, Virginia. Sentara holds a 70% membership interest and DePaul Medical Center holds a 30% membership interest in the corporation.

The joint venture is managed by Sentara and the agreements provide the members with rights to "put" and "call" the Bon Secours Hampton Roads' membership interest at fair market value terms upon the occurrence of certain events and dates.

BSHSI accounts for its interest in Sentara Princess Anne Hospital under the equity method and includes its interest in Sentara Princess Anne Hospital's excess of revenue over expenses in its consolidated statements of operations and changes in unrestricted net assets as other revenue. Sentara Healthcare is not otherwise affiliated with BSHSI and is not a Member of the Obligated Group.

(Continued)

(In thousands)

The System recorded income of $9,481 and $8,830 and received cash distributions of $11,337 and $9,201 related to its equity interest during the years ended August 31, 2016 and 2015, respectively.

The total assets, total liabilities, and net assets as of August 31, 2016 and 2015 and the total revenue, total expenses, and change in unrestricted net assets for the years then ended, for Sentara Princess Anne Hospital are as follows:

	2016	2015
Total assets	256,502	259,887
Total liabilities	169,651	166,800
Net assets	86,851	93,087
Total revenue	237,865	224,798
Total expenses	206,827	196,544
Change in unrestricted net assets	(6,236)	(2,112)

(c) Premier Purchasing Partners, LP

BSHSI holds an equity investment in Premier Purchasing Partners, LP (Premier LP), a group purchasing organization, in which BSHSI is a limited partner. On October 1, 2013, Premier LP sold 16% of its equity as part of an organizational restructuring and an initial public offering of shares in its affiliate, Premier, Inc. BSHSI recorded reductions to operating supply expenses of $8,169 and $9,975 resulting from the unrealized gains related to the System's vesting of its interests in Premier, LP for the years ended August 31, 2016 and 2015, respectively. As of August 31, 2016 and 2015, the System's investment in Premier was $9,963 and $21,722, respectively and is recorded in goodwill and other assets, net. During the year ended August 31, 2016, the System reclassified $18,163 of the vested portion of its investment in Premier LP from goodwill and other assets, net, to assets limited or restricted to use, less current portion.

(d) Bon Secours Charity Health System, Inc.

As of August 31, 2016 and 2015, BSHSI holds a 40% interest in Charity Health System, Inc. and accounts for its interest in Charity under the equity method and includes its interest in Charity's excess of revenue over expenses its consolidated statements of operations and changes in unrestricted net assets as other revenue. BSHSI recorded gains of $823 and losses of $564 in operating revenue related to its equity interest in Charity for the years ended August 31, 2016 and 2015, respectively. BSHSI's investment in Charity was $52,164 and $56,995 as of August 31, 2016 and 2015, respectively.

(13) Other Commitments and Contingent Liabilities

(a) General and Professional Liability Insurance

The System participates in a self-insurance program for health professional/general liability (HPL/GL Program) by policies issued under a member of the System, Bon Secours Assurance Company, LTD (BSAC). BSAC is incorporated in the Cayman Islands. BSHSI is the sole shareholder of BSAC. Assets are available under the HPL/GL Program to provide specified levels of claims-made coverage for health professional liabilities and occurrence-based coverage for general liabilities, with excess layers reinsured through commercial carriers under policies written on a claims-made basis.

The provision for claims and related funding levels for the HPL/GL Program is established annually based upon the recommendations of consulting actuaries. BSAC has accrued claims including liabilities for incidents incurred but not reported of approximately $105,977 and $107,534 at August 31, 2016 and 2015, respectively. The current portion of such accruals, $19,665 at August 31, 2016 and $19,263 at August 31, 2015, is included in other accrued expenses, and the remainder, $86,312 at August 31, 2016 and $88,271 at August 31, 2015, is reported within other long-term liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

(b) Workers' Compensation Insurance

The System's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer. Mary Immaculate Hospital, which is also a participant of the System's workers' compensation program, is insured under a large deductible policy. Accrued workers' compensation claims of $63,817 and $61,907, of which the current portion, $9,300 and $9,250 at August 31, 2016 and 2015, respectively, is reported as other accrued expenses and the remainder, $54,517 and $52,657 at August 31, 2016 and 2015, respectively, is reported within other long-term liabilities in the accompanying consolidated balance sheets, include estimates for incidents incurred but not reported at August 31, 2016 and 2015, respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial central estimate.

(c) Employee Health Insurance

Employee health benefits of the System are principally provided through the System's self-insurance program. Accrued claims associated with this program, which are reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately $19,578 and $20,975, include estimates for claims incurred but not reported, at August 31, 2016 and 2015, respectively.

(d) Litigation

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The System's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, but cannot reasonably predict any particular outcomes or operational or financial effects from these matters at this time.

BSHSI believes that certain of its sponsored pension plans are "church plans" under the Employee Retirement Income Security Act of 1974, as amended (ERISA). "Church plans" are employee benefit plans established and maintained by a church or by non-profit organizations controlled by or associated with a church, and therefore are exempt from ERISA's coverage. Catholic and other religious based health systems across the country have been the target of class action lawsuits, focusing on whether pension plans sponsored by the health systems qualify under the church plan exemption. The court decisions in church plan cases have been split—primarily relating to the issue of whether only a "church" may establish and maintain a church plan. A defined benefit pension plan covered under ERISA would be subject to minimum funding rules, certain vesting rules, notice requirements, additional Internal Revenue Code requirements, and would be required to pay premiums to the Pension Benefit Guaranty Corporation. Two such class action lawsuits were filed against Bon Secours in 2016, and the cases have now been consolidated into one class action lawsuit. It is not feasible at this time to predict the extent or range of potential outcomes of this litigation, or what impact the ultimate outcome would have on the financial condition of the System taken as whole, although such impact could be material.

(In thousands)

(e) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rental expense was $68,215 and $75,984 in 2016 and 2015, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2017	$	47,347
2018		38,648
2019		33,843
2020		28,100
Thereafter		48,875

Certain local systems entered into agreements to lease space in medical office buildings (MOBs) under construction by external development companies. Based on the provisions of ASC Topic 840-40-05-5, *Lessee Involvement with Construction*, local systems were considered the owner of the MOBs during construction. These transactions do not qualify for sale-leaseback accounting and as such are treated as financing transactions. Accordingly, the associated financing obligations, along with their related construction in progress or building assets of approximately $31,000 at August 31, 2016 and 2015 are included in other long-term liabilities and construction in progress or buildings and equipment in the accompanying consolidated balance sheets. The financing obligations associated with these transactions will not result in cash payments in excess of amounts paid under the related operating lease payments. All future cash obligations related to leased space within these MOBs are included as future minimum lease payments in the amounts reported above.

(f) Guaranty Agreements

Affiliates of the System entered into nine limited partnership agreements during the period from 1997 through 2015. The limited partnerships are involved in housing projects in the System's Baltimore market. System affiliates have entered into guaranty agreements with the limited partnerships during 1997 through 2015, whereby they have agreed to advance funds to the partnerships under specified conditions. The termination of each guaranty agreement is predicated on the occurrence of certain events. Seven such guaranty agreements are still in effect as of August 31, 2016. System affiliates have not been obligated to make any guarantee payments under the guaranty agreements to date through August 31, 2016. The maximum potential amount of future payments the System affiliates are obligated to make was $18,896 and $22,787 as of August 31, 2016 and 2015, respectively.

(14) Net Assets

BSHSI's endowments consist of approximately 78 and 76 individual funds established for a variety of purposes as of August 31, 2016 and 2015, respectively. Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor or board-imposed restrictions and the nature of the restrictions, if any.

The System's endowment net assets are comprised of permanently restricted funds, which were $12,362 and $7,763 at August 31, 2016 and 2015, respectively. The System does not hold any board-designated endowment funds within unrestricted net assets or temporarily restricted net assets.

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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at August 31, 2016 and 2015.

The System has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period as well as board-designated funds. The practice allows the endowment assets to be invested in a manner that is intended to produce investment returns that exceed the price and yield the results of the allocation index while assuming a moderate level of investment risk. The System expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The System uses diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

BSHSI has a practice of distributing the major portion of current year earnings on the endowment funds, if the restrictions have been met. This is consistent with the System's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(In thousands)

(15) Functional Expenses

The functional breakdown of expenses incurred by the System in fulfilling its mission for the years ended August 31, 2016 and 2015 is as follows:

		2016	2015
Healthcare services	$	2,896,323	3,108,788
General and administrative		237,422	247,884
Fundraising		2,662	3,871
Total expenses	$	3,136,407	3,360,543

(16) Subsequent Events

Management evaluated all events and transactions that occurred after August 31, 2016 and through November 1, 2016. The System did not have any material recognizable subsequent events during this period.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Index to Consolidating Information

KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report on Supplementary Information

The Board of Directors
Bon Secours Health System, Inc. and Subsidiaries:

We have audited the consolidated financial statements of Bon Secours Health System, Inc. and its subsidiaries as of and for the years ended August 31, 2016 and 2015, and have issued our report thereon dated November 1, 2016 which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The supplementary information included in Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

November 1, 2016

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Health System	Bon Secours Richmond Health Corporation	Bon Secours St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours St. Petersburg Health System	Bon Secours Associates, LLC	Shannon MOB Partnership
Assets									
Current assets:									
Cash and cash equivalents	$ 364	7,690	639,653	147,402	1,191	8,024	5,106	-	1,203
Accounts receivable, net:									
Patient and third-party payors	10,587	80,929	170,632	79,498	21,363	6,499	3,408	-	-
Other	3,041	2,872	12,056	3,231	400	433	(14)	-	465
Total accounts receivable, net	13,628	83,801	182,688	82,729	21,763	6,932	3,394	-	465
Assets limited or restricted as to use	170	6,775	8,826	503	-	9,909	361	-	-
Inventories	1,027	15,389	20,821	15,948	4,408	108	100	-	-
Prepaid expenses and other current assets	663	7,076	13,484	10,322	3,133	356	222	-	-
Total current assets	15,852	120,731	865,472	256,904	30,495	25,329	9,183	-	1,668
Assets limited as to use and restricted, less current portion	19,733	159,090	427,971	27,980	12,736	1,251	-	-	-
Property, plant and equipment, net	31,298	153,711	371,500	185,940	46,151	24,843	10,849	-	3,682
Goodwill and other assets, net	7,712	62,010	44,264	101,970	7,429	7,255	3,531	1,721	18,632
Total assets	$ 74,595	495,542	1,709,207	572,794	96,811	58,678	23,563	1,721	23,982
Liabilities and Net Assets									
Current liabilities:									
Current portion of long-term debt	524	1,196	7,169	-	-	4,161	-	-	1,608
Accounts payable	5,381	34,903	52,544	23,588	8,039	2,657	1,304	-	576
Accrued salaries, wages and benefits	5,526	24,827	57,653	27,994	6,221	2,802	1,233	-	-
Other accrued expenses	9,189	5,759	13,852	5,256	1,896	1,838	355	-	-
Due to (from) affiliate	(305)	(2,945)	(5,171)	(4,524)	(622)	(116)	81	-	-
Total current liabilities	20,315	63,740	126,047	52,314	15,534	11,342	2,973	-	2,184
Long-term debt, less current portion	998	22,406	38,516	-	-	36,916	-	-	10,031
Other long-term liabilities and deferred credits	41,521	61,599	333,683	19,862	72,080	12,768	4,615	-	-
Due to (from) affiliate, less current portion	98,734	43,946	296,724	265,851	27,432	21,309	14,505	-	5,229
Total liabilities	161,568	191,691	794,970	338,027	115,046	82,335	22,093	-	17,444
Net assets:									
Unrestricted-controlling	(87,992)	184,568	729,688	230,717	(21,274)	(24,124)	1,104	1,721	6,538
Unrestricted-noncontrolling	-	111,254	152,028	904	-	-	-	-	-
Total unrestricted	(87,992)	295,822	881,716	231,621	(21,274)	(24,124)	1,104	1,721	6,538
Temporarily restricted	1,019	6,240	23,880	2,558	1,695	467	366	-	-
Permanently restricted	-	1,789	8,641	588	1,344	-	-	-	-
Total net assets	(86,973)	303,851	914,237	234,767	(18,235)	(23,657)	1,470	1,721	6,538
Total liabilities and net assets	$ 74,595	495,542	1,709,207	572,794	96,811	58,678	23,563	1,721	23,982

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	BSB Health MOB Partnership 2	Bon Secours Good HelpCare LLC	Good Help Connections, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2016 Consolidated	2015 Consolidated
Assets								
Current assets:								
Cash and cash equivalents	468	3,028	6,624	-	31,680	(634,502)	217,931	184,901
Accounts receivable, net:								
Patient and third-party payors	-	-	-	-	-	1	372,917	407,566
Other	25	205	5,535	-	13,087	777	42,113	34,510
Total accounts receivable, net	25	205	5,535	-	13,087	778	415,030	442,076
Assets limited or restricted as to use	581	-	-	19,381	44,524	-	91,030	79,951
Inventories	-	-	-	-	-	(1)	57,800	55,262
Prepaid expenses and other current assets	-	-	152	-	11,196	(14,568)	32,036	26,616
Total current assets	1,074	3,233	12,311	19,381	100,487	(648,293)	813,827	788,806
Assets limited as to use and restricted, less current portion	-	-	-	71,376	152,039	355,180	1,227,356	1,182,371
Property, plant and equipment, net	1,455	-	-	-	177,498	6,268	1,013,195	1,030,259
Goodwill and other assets, net	11,307	-	-	7,354	295,393	(196,542)	372,036	381,167
Total assets	13,836	3,233	12,311	98,111	725,417	(483,387)	3,426,414	3,382,603
Liabilities and Net Assets								
Current liabilities:								
Current portion of long-term debt	826	-	-	-	24,324	1	39,809	36,016
Accounts payable	139	2,903	1,430	-	39,950	(393)	173,021	166,669
Accrued salaries, wages and benefits	-	333	191	-	38,537	(2)	165,315	156,453
Other accrued expenses	-	-	17,247	19,381	52,380	(14,568)	112,585	110,721
Due to (from) affiliate	-	-	-	-	13,603	(1)	-	-
Total current liabilities	965	3,236	18,868	19,381	168,794	(14,963)	490,730	469,859
Long-term debt, less current portion	6,844	-	-	-	772,804	(1)	888,514	929,193
Other long-term liabilities and deferred credits	2,409	-	-	78,730	323,528	(169,105)	781,690	660,649
Due to (from) affiliate, less current portion	2,598	-	-	-	(499,905)	(276,423)	-	-
Total liabilities	12,816	3,236	18,868	98,111	765,221	(460,492)	2,160,934	2,059,701
Net assets:								
Unrestricted-controlling	500	(3)	(6,557)	-	(47,064)	(22,894)	944,928	1,016,540
Unrestricted-noncontrolling	520	-	-	-	-	-	264,706	259,591
Total unrestricted	1,020	(3)	(6,557)	-	(47,064)	(22,894)	1,209,634	1,276,131
Temporarily restricted	-	-	-	-	7,260	(1)	43,484	39,008
Permanently restricted	-	-	-	-	-	-	12,362	7,763
Total net assets	1,020	(3)	(6,557)	-	(39,804)	(22,895)	1,265,480	1,322,902
Total liabilities and net assets	13,836	3,233	12,311	98,111	725,417	(483,387)	3,426,414	3,382,603

See accompanying independent auditors' report on supplementary informati

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Baltimore Health Corporation					
	Bon Secours Hospital Baltimore	**Bon Secours of Maryland Foundation**	**Bon Secours Baltimore Health System Foundation**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Assets						
Current assets:						
Cash and cash equivalents	$ (72,317)	2,577	(2,408)	72,512	364	362
Accounts receivable, net:						
Patient and third-party payors	10,587	-	-	-	10,587	16,077
Other	1,995	1,018	49	(21)	3,041	2,058
Total accounts receivable, net	12,582	1,018	49	(21)	13,628	18,135
Assets limited or restricted as to use	-	170	-	-	170	215
Inventories	1,027	-	-	-	1,027	1,093
Prepaid expenses and other current assets	663	3,496	-	(3,496)	663	585
Total current assets	(58,045)	7,261	(2,359)	68,995	15,852	20,390
Assets limited as to use and restricted, less current portion	12,519	39	7,176	(1)	19,733	19,346
Property, plant and equipment, net	28,458	36,929	-	(34,089)	31,298	31,338
Goodwill and other assets, net	6,688	321	(1)	704	7,712	8,371
Total assets	$ (10,380)	44,550	4,816	35,609	74,595	79,445
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	524	63	-	(63)	524	493
Accounts payable	5,293	525	9	(446)	5,381	5,497
Accrued salaries, wages and benefits	5,526	8	-	(8)	5,526	5,790
Other accrued expenses	9,189	5,083	-	(5,083)	9,189	11,110
Due to (from) affiliate	(3,207)	2,901	-	1	(305)	-
Total current liabilities	17,325	8,580	9	(5,599)	20,315	22,890
Long-term debt, less current portion	896	15,892	-	(15,790)	998	1,522
Other long-term liabilities and deferred credits	41,521	-	-	-	41,521	32,579
Due to (from) affiliate, less current portion	17,485	8,568	-	72,681	98,734	98,634
Total liabilities	77,227	33,040	9	51,292	161,568	155,625
Net assets:						
Unrestricted-controlling	(87,827)	(3,587)	4,178	(756)	(87,992)	(77,154)
Unrestricted-noncontrolling	-	14,927	-	(14,927)	-	-
Total unrestricted	(87,827)	11,340	4,178	(15,683)	(87,992)	(77,154)
Temporarily restricted	220	170	629	-	1,019	974
Permanently restricted	-	-	-	-	-	-
Total net assets	(87,607)	11,510	4,807	(15,683)	(86,973)	(76,180)
Total liabilities and net assets	$ (10,380)	44,550	4,816	35,609	74,595	79,445

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Hampton Roads Health System										
	Maryview Medical Center	**Bon Secours Maryview Nursing Care Center**	**Professional Health Care Mgmt Services**	**Bon Secours DePaul Medical Center, Inc.**	**Tidewater Diversified, Inc.**	**Mary Immaculate Hospital, Inc.**	**St. Francis Nursing Care Center, Inc.**	**Other Corporations**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Assets											
Current assets:											
Cash and cash equivalents	$ (4,500)	16,490	(8,393)	(149,458)	1,305	137,533	6,381	3,026	5,306	7,690	11,800
Accounts receivable, net:											
Patient and third-party payors	37,749	1,249	-	20,985	-	19,765	1,182	-	(1)	80,929	90,584
Other	1,019	-	12	480	249	286	-	828	(2)	2,872	4,575
Total accounts receivable, net	38,768	1,249	12	21,465	249	20,051	1,182	828	(3)	83,801	95,159
Assets limited or restricted as to use	76	-	-	66	-	1,473	-	5,160	-	6,775	5,932
Inventories	7,146	-	-	3,666	363	3,785	-	428	1	15,389	14,390
Prepaid expenses and other current assets	4,357	30	14	1,431	101	856	42	244	1	7,076	4,487
Total current assets	45,847	17,769	(8,367)	(122,830)	2,018	163,698	7,605	9,686	5,305	120,731	131,768
Assets limited as to use and restricted, less current portion	108,857	-	-	14,804	-	32,859	-	2,570	-	159,090	154,718
Property, plant and equipment, net	64,166	1,063	7,082	44,577	62	35,079	954	727	1	153,711	145,651
Goodwill and other assets, net	14,773	316	349	39,318	336	5,943	392	1,430	(847)	62,010	66,983
Total assets	$ 233,643	19,148	(936)	(24,131)	2,416	237,579	8,951	14,413	4,459	495,542	499,120
Liabilities and Net Assets											
Current liabilities:											
Current portion of long-term debt	1,000	200	(4)	-	-	-	-	-	-	1,196	1,196
Accounts payable	14,643	329	330	7,777	8	8,786	437	2,594	(1)	34,903	34,326
Accrued salaries, wages and benefits	18,134	202	59	2,780	36	1,739	146	1,731	-	24,827	23,127
Other accrued expenses	3,596	58	-	1,101	4	957	27	15	1	5,759	4,976
Due to (from) affiliate	986	(90)	(1,872)	(694)	(4)	(698)	(58)	(515)	-	(2,945)	730
Total current liabilities	38,359	699	(1,487)	10,964	44	10,784	552	3,825	-	63,740	64,355
Long-term debt, less current portion	19,346	3,060	-	-	-	-	-	-	-	22,406	23,602
Other long-term liabilities and deferred credits	35,176	315	3,840	10,575	46	7,955	392	3,299	1	61,599	61,055
Due to (from) affiliate, less current portion	(11,900)	-	798	46,739	-	(2,691)	3,498	2,194	5,308	43,946	40,598
Total liabilities	80,981	4,074	3,151	68,278	90	16,048	4,442	9,318	5,309	191,691	189,610
Net assets:											
Unrestricted-controlling	152,523	15,074	(5,141)	(92,402)	2,326	220,409	4,490	(111,861)	(850)	184,568	198,097
Unrestricted-noncontrolling	-	-	1,054	-	-	-	-	110,199	1	111,254	104,034
Total unrestricted	152,523	15,074	(4,087)	(92,402)	2,326	220,409	4,490	(1,662)	(849)	295,822	302,131
Temporarily restricted	139	-	-	(7)	-	1,063	19	5,027	(1)	6,240	5,609
Permanently restricted	-	-	-	-	-	59	-	1,730	-	1,789	1,770
Total net assets	152,662	15,074	(4,087)	(92,409)	2,326	221,531	4,509	5,095	(850)	303,851	309,510
Total liabilities and net assets	$ 233,643	19,148	(936)	(24,131)	2,416	237,579	8,951	14,413	4,459	495,542	499,120

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Richmond Health Corporation									
	St. Mary's Hospital of Richmond, Inc.	**Richmond Community Hospital**	**St. Francis Medical Center**	**Memorial Regional Medical Center**	**Rappahannock General Hospital**	**Bon Secours Virgnia HealthSource, Inc.**	**Other Corporations**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Assets										
Current assets:										
Cash and cash equivalents	$ 354,391	67,064	32,311	184,943	(20,084)	(67,893)	(45,649)	134,570	639,653	524,360
Accounts receivable, net:										
Patient and third-party payors	70,837	16,948	31,803	38,034	5,739	3,740	3,531	-	170,632	188,248
Other	1,759	7	428	3,153	11	399	6,297	2	12,056	8,839
Total accounts receivable, net	72,596	16,955	32,231	41,187	5,750	4,139	9,828	2	182,688	197,087
Assets limited or restricted as to use	-	-	-	-	-	-	8,825	1	8,826	5,052
Inventories	7,587	1,757	2,903	5,202	904	642	1,827	(1)	20,821	21,595
Prepaid expenses and other current assets	1,985	1,985	1,158	1,148	371	4,868	1,969	-	13,484	11,732
Total current assets	436,559	87,761	68,603	232,480	(13,059)	(58,244)	(23,200)	134,572	865,472	759,826
Assets limited as to use and restricted, less current portion	383,943	-	-	14,919	182	-	28,926	1	427,971	412,509
Property, plant and equipment, net	132,408	12,129	97,021	82,197	14,126	10,411	23,208	-	371,500	385,797
Goodwill and other assets, net	14,056	1,548	7,061	6,444	958	12,684	1,514	(1)	44,264	49,470
Total assets	$ 966,966	101,438	172,685	336,040	2,207	(35,149)	30,448	134,572	1,709,207	1,607,602
Liabilities and Net Assets										
Current liabilities:										
Current portion of long-term debt	3,002	-	-	4,130	-	-	38	(1)	7,169	6,816
Accounts payable	18,348	1,664	8,675	13,565	1,722	1,281	7,287	2	52,544	60,488
Accrued salaries, wages and benefits	56,172	40	344	680	10	222	185	-	57,653	53,434
Other accrued expenses	3,030	571	2,414	5,362	425	1,431	619	-	13,852	19,098
Due to (from) affiliate	(1,305)	(393)	(1,633)	(1,144)	(507)	(384)	195	-	(5,171)	39
Total current liabilities	79,247	1,882	9,800	22,593	1,650	2,550	8,324	1	126,047	139,875
Long-term debt, less current portion	33,497	-	-	4,235	-	-	784	-	38,516	45,438
Other long-term liabilities and deferred credits	215,313	2,234	11,717	94,777	752	6,568	2,322	-	333,683	262,498
Due to (from) affiliate, less current portion	37,689	2,584	80,000	41,880	22	-	(22)	134,571	296,724	252,940
Total liabilities	365,746	6,700	101,517	163,485	2,424	9,118	11,408	134,572	794,970	700,751
Net assets:										
Unrestricted-controlling	601,220	94,738	71,168	172,435	(399)	(47,804)	(161,669)	(1)	729,688	728,815
Unrestricted-noncontrolling	-	-	-	-	-	3,537	148,491	-	152,028	154,425
Total unrestricted	601,220	94,738	71,168	172,435	(399)	(44,267)	(13,178)	(1)	881,716	883,240
Temporarily restricted	-	-	-	-	182	-	23,697	1	23,880	19,285
Permanently restricted	-	-	-	120	-	-	8,521	-	8,641	4,326
Total net assets	601,220	94,738	71,168	172,555	(217)	(44,267)	19,040	-	914,237	906,851
Total liabilities and net assets	$ 966,966	101,438	172,685	336,040	2,207	(35,149)	30,448	134,572	1,709,207	1,607,602

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 1.5

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours St. Francis Health System, Inc.											
	St. Francis - Downtown	**St. Francis - Eastside**	**St Francis - Millennium**	**St. Francis Home Care**	**St. Francis Cancer Center**	**St. Francis Physician Services**	**Upstate Surgery Center**	**St. Francis Foundation**	**St. Francis Ambulatory Services, LLC**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Assets												
Current assets:												
Cash and cash equivalents	$ (74,217)	259,765	(11,011)	(4,729)	(24,861)	55	818	(6,551)	1,582	6,551	147,402	461,909
Accounts receivable, net:												
Patient and third-party payors	38,174	16,749	1,612	1,875	7,771	12,116	493	708	-	-	79,498	82,794
Other	375	31	-	-	-	2,380	-	2	443	-	3,231	4,719
Total accounts receivable, net	38,549	16,780	1,612	1,875	7,771	14,496	493	710	443	-	82,729	87,513
Assets limited or restricted as to use	-	-	-	-	-	-	-	-	503	-	503	371
Inventories	12,270	2,556	-	-	956	71	95	-	-	-	15,948	13,839
Prepaid expenses and other current assets	2,534	331	172	10	5	7,062	16	95	97	-	10,322	8,606
Total current assets	(20,864)	279,432	(9,227)	(2,844)	(16,129)	21,684	1,422	(5,746)	2,625	6,551	256,904	572,238
Assets limited as to use and restricted, less current portion	22,610	-	-	-	-	-	-	-	5,370	-	27,980	27,077
Property, plant and equipment, net	100,457	57,609	387	-	25,308	1,489	229	461	-	-	185,940	188,504
Goodwill and other assets, net	82,118	-	-	-	-	12,414	301	5,396	1,741	-	101,970	103,475
Total assets	$ 184,321	337,041	(8,840)	(2,844)	9,179	35,587	1,952	111	9,736	6,551	572,794	891,294
Liabilities and Net Assets												
Current liabilities:												
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	15,555	3,781	219	162	554	3,155	76	86	-	-	23,588	23,512
Accrued salaries, wages and benefits	17,864	1,777	249	360	345	7,282	33	84	-	-	27,994	25,324
Other accrued expenses	1,224	792	214	372	176	2,384	85	9	-	-	5,256	5,624
Due to (from) affiliate	(1,305)	(1,243)	(90)	(3)	(626)	(1,231)	(26)	-	-	-	(4,524)	75
Total current liabilities	33,338	5,107	592	891	449	11,590	168	179	-	-	52,314	54,535
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities and deferred credits	(663)	8,004	186	-	-	12,335	-	-	-	-	19,862	29,639
Due to (from) affiliate, less current portion	259,300	-	-	-	-	-	-	-	-	6,551	265,851	583,966
Total liabilities	291,975	13,111	778	891	449	23,925	168	179	-	6,551	338,027	668,140
Net assets:												
Unrestricted-controlling	(107,654)	323,930	(9,618)	(3,735)	8,730	11,662	880	(68)	6,590	-	230,717	219,215
Unrestricted-noncontrolling	-	-	-	-	-	-	904	-	-	-	904	790
Total unrestricted	(107,654)	323,930	(9,618)	(3,735)	8,730	11,662	1,784	(68)	6,590	-	231,621	220,005
Temporarily restricted	-	-	-	-	-	-	-	-	2,558	-	2,558	2,812
Permanently restricted	-	-	-	-	-	-	-	-	588	-	588	337
Total net assets	(107,654)	323,930	(9,618)	(3,735)	8,730	11,662	1,784	(68)	9,736	-	234,767	223,154
Total liabilities and net assets	$ 184,321	337,041	(8,840)	(2,844)	9,179	35,587	1,952	111	9,736	6,551	572,794	891,294

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Kentucky Health System, Inc.					
	Our Lady of Bellefonte Hospital, Inc.	**Bon Secours Kentucky Health System Foundation**	**Bellefonte Physician Services**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Assets						
Current assets:						
Cash and cash equivalents	$ 63,983	844	(91,068)	27,432	1,191	58,310
Accounts receivable, net:						
Patient and third-party payors	19,598	-	1,765	-	21,363	20,871
Other	345	38	18	(1)	400	1,032
Total accounts receivable, net	19,943	38	1,783	(1)	21,763	21,903
Assets limited or restricted as to use	-	-	-	-	-	-
Inventories	4,093	-	315	-	4,408	4,111
Prepaid expenses and other current assets	1,537	-	1,596	-	3,133	2,438
Total current assets	89,556	882	(87,374)	27,431	30,495	86,762
Assets limited as to use and restricted, less current portion	9,733	3,003	-	-	12,736	12,480
Property, plant and equipment, net	45,022	-	1,128	1	46,151	47,588
Goodwill and other assets, net	7,429	(2)	-	2	7,429	9,267
Total assets	$ 151,740	3,883	(86,246)	27,434	96,811	156,097
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	-	-	-	-	-	-
Accounts payable	7,593	-	446	-	8,039	7,637
Accrued salaries, wages and benefits	5,751	-	470	-	6,221	6,470
Other accrued expenses	1,628	-	268	-	1,896	2,472
Due to (from) affiliate	(450)	-	(173)	1	(622)	-
Total current liabilities	14,522	-	1,011	1	15,534	16,579
Long-term debt, less current portion	-	-	-	-	-	-
Other long-term liabilities and deferred credits	72,056	-	23	1	72,080	56,100
Due to (from) affiliate, less current portion	-	-	-	27,432	27,432	75,871
Total liabilities	86,578	-	1,034	27,434	115,046	148,550
Net assets:						
Unrestricted-controlling	65,161	845	(87,280)	-	(21,274)	4,458
Unrestricted-noncontrolling	-	-	-	-	-	-
Total unrestricted	65,161	845	(87,280)	-	(21,274)	4,458
Temporarily restricted	1	1,694	-	-	1,695	1,759
Permanently restricted	-	1,344	-	-	1,344	1,330
Total net assets	65,162	3,883	(87,280)	-	(18,235)	7,547
Total liabilities and net assets	$ 151,740	3,883	(86,246)	27,434	96,811	156,097

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours New York Health System, Inc.							
	Frances Schervier Home and Hospital	**Schervier Housing Development Fund Corp.**	**Bon Secours New York Parent Corp.**	**Schervier Long Term Home Health Care**	**Schervier Apartments, LLC**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Assets								
Current assets:								
Cash and cash equivalents	$ (5,458)	-	(4,942)	(7,779)	4,899	21,304	8,024	13,293
Accounts receivable, net:								
Patient and third-party payors	6,499	-	-	-	-	-	6,499	5,810
Other	405	-	-	2	26	-	433	1,105
Total accounts receivable, net	6,904	-	-	2	26	-	6,932	6,915
Assets limited or restricted as to use	3,036	-	-	-	6,874	(1)	9,909	3,191
Inventories	108	-	-	-	-	-	108	115
Prepaid expenses and other current assets	329	-	-	-	27	-	356	441
Total current assets	4,919	-	(4,942)	(7,777)	11,826	21,303	25,329	23,955
Assets limited as to use and restricted, less current portion	17	-	-	-	1,234	-	1,251	1,218
Property, plant and equipment, net	20,781	-	-	27	4,034	1	24,843	25,388
Goodwill and other assets, net	5,582	-	-	54	1,618	1	7,255	3,681
Total assets	$ 31,299	-	(4,942)	(7,696)	18,712	21,305	58,678	54,242
Liabilities and Net Assets								
Current liabilities:								
Current portion of long-term debt	3,800	-	-	-	361	-	4,161	4,049
Accounts payable	1,934	-	-	512	218	(7)	2,657	2,259
Accrued salaries, wages and benefits	2,713	-	80	-	8	1	2,802	2,831
Other accrued expenses	1,459	-	-	12	366	1	1,838	816
Due to (from) affiliate	(209)	(452)	94	-	452	(1)	(116)	-
Total current liabilities	9,697	(452)	174	524	1,405	(6)	11,342	9,955
Long-term debt, less current portion	16,256	-	-	-	20,660	-	36,916	41,022
Other long-term liabilities and deferred credits	12,626	-	-	95	46	1	12,768	9,767
Due to (from) affiliate, less current portion	15,261	(38)	(4,369)	(11,016)	161	21,310	21,309	16,710
Total liabilities	53,840	(490)	(4,195)	(10,397)	22,272	21,305	82,335	77,454
Net assets:								
Unrestricted-controlling	(22,978)	485	(747)	2,676	(3,560)	-	(24,124)	(24,162)
Unrestricted-noncontrolling	-	-	-	-	-	-	-	-
Total unrestricted	(22,978)	485	(747)	2,676	(3,560)	-	(24,124)	(24,162)
Temporarily restricted	437	5	-	25	-	-	467	950
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	(22,541)	490	(747)	2,701	(3,560)	-	(23,657)	(23,212)
Total liabilities and net assets	$ 31,299	-	(4,942)	(7,696)	18,712	21,305	58,678	54,242

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours St. Petersburg Health System						
	Maria Manor Nursing Care Center, Inc.	**Bon Secours Place at St. Petersburg**	**Maria Manor Health Resources**	**St. Petersburg Home Care Services, Inc.**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Assets							
Current assets:							
Cash and cash equivalents	$ 4,384	1,576	-	(854)	-	5,106	4,775
Accounts receivable, net:							
Patient and third-party payors	2,300	88	-	1,020	-	3,408	3,182
Other	(17)	3	-	-	-	(14)	61
Total accounts receivable, net	2,283	91	-	1,020	-	3,394	3,243
Assets limited or restricted as to use	361	-	-	-	-	361	353
Inventories	100	-	-	-	-	100	119
Prepaid expenses and other current assets	133	82	-	7	-	222	170
Total current assets	7,261	1,749	-	173	-	9,183	8,660
Assets limited as to use and restricted, less current portion	-	-	-	-	-	-	-
Property, plant and equipment, net	4,816	5,992	-	41	-	10,849	11,126
Goodwill and other assets, net	2,990	541	1,000	-	(1,000)	3,531	3,946
Total assets	$ 15,067	8,282	1,000	214	(1,000)	23,563	23,732
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	-	-	-	-	-	-	-
Accounts payable	1,110	86	-	117	(9)	1,304	778
Accrued salaries, wages and benefits	1,035	102	-	95	1	1,233	1,208
Other accrued expenses	110	138	57	50	-	355	609
Due to (from) affiliate	(1,065)	305	76	757	8	81	322
Total current liabilities	1,190	631	133	1,019	-	2,973	2,917
Long-term debt, less current portion	-	-	-	-	-	-	-
Other long-term liabilities and deferred credits	4,074	540	-	-	1	4,615	5,633
Due to (from) affiliate, less current portion	10,700	3,805	-	-	-	14,505	14,832
Total liabilities	15,964	4,976	133	1,019	1	22,093	23,382
Net assets:							
Unrestricted-controlling	(1,263)	3,306	867	(805)	(1,001)	1,104	(8)
Unrestricted-noncontrolling	-	-	-	-	-	-	-
Total unrestricted	(1,263)	3,306	867	(805)	(1,001)	1,104	(8)
Temporarily restricted	366	-	-	-	-	366	358
Permanently restricted	-	-	-	-	-	-	-
Total net assets	(897)	3,306	867	(805)	(1,001)	1,470	350
Total liabilities and net assets	$ 15,067	8,282	1,000	214	(1,000)	23,563	23,732

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Associates, LLC		Shannon Health MOB Partnership 1		BSB MOB Partnership 2		Bon Secours GoodHelpCare LLC	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Current assets:								
Cash and cash equivalents	$ -	-	1,203	1,448	468	600	3,028	(5,218)
Accounts receivable, net:								
Patient and third-party payors	-	-	-	-	-	-	-	-
Other	-	-	465	518	25	37	205	-
Total accounts receivable, net	-	-	465	518	25	37	205	-
Assets limited or restricted as to use	-	-	-	-	581	416	-	-
Inventories	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	-	-	-	-	-	-	-	-
Total current assets	-	-	1,668	1,966	1,074	1,053	3,233	(5,218)
Assets limited as to use and restricted, less current portion	-	-	-	-	-	-	-	-
Property, plant and equipment, net	-	-	3,682	3,196	1,455	1,215	-	-
Goodwill and other assets, net	1,721	1,721	18,632	19,200	11,307	11,624	-	1
Total assets	$ 1,721	1,721	23,982	24,362	13,836	13,892	3,233	(5,217)
Liabilities and Net Assets								
Current liabilities:								
Current portion of long-term debt	-	-	1,608	1,608	826	826	-	-
Accounts payable	-	-	576	513	139	113	2,903	4,317
Accrued salaries, wages and benefits	-	-	-	-	-	-	333	211
Other accrued expenses	-	-	-	-	-	-	-	83
Due to (from) affiliate	-	-	-	-	-	-	-	-
Total current liabilities	-	-	2,184	2,121	965	939	3,236	4,611
Long-term debt, less current portion	-	-	10,031	11,639	6,844	7,670	-	-
Other long-term liabilities and deferred credits	-	-	-	-	2,409	2,237	-	-
Due to (from) affiliate, less current portion	-	-	5,229	4,863	2,598	2,320	-	-
Total liabilities	-	-	17,444	18,623	12,816	13,166	3,236	4,611
Net assets:								
Unrestricted-controlling	1,721	1,721	6,538	5,739	500	383	(3)	(9,828)
Unrestricted-noncontrolling	-	-	-	-	520	343	-	-
Total unrestricted	1,721	1,721	6,538	5,739	1,020	726	(3)	(9,828)
Temporarily restricted	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	1,721	1,721	6,538	5,739	1,020	726	(3)	(9,828)
Total liabilities and net assets	$ 1,721	1,721	23,982	24,362	13,836	13,892	3,233	(5,217)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Good Help Connections, LLC		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Current assets:						
Cash and cash equivalents	$ 6,624	683	-	-	31,680	25,239
Accounts receivable, net:						
Patient and third-party payors	-	-	-	-	-	-
Other	5,535	216	-	-	13,087	13,544
Total accounts receivable, net	5,535	216	-	-	13,087	13,544
Assets limited or restricted as to use	-	-	19,381	19,263	44,524	45,157
Inventories	-	-	-	-	-	-
Prepaid expenses and other current assets	152	92	-	-	11,196	11,802
Total current assets	12,311	991	19,381	19,263	100,487	95,742
Assets limited as to use and restricted, less current portion	-	-	71,376	83,064	152,039	151,663
Property, plant and equipment, net	-	-	-	-	177,498	184,058
Goodwill and other assets, net	-	1	7,354	7,619	295,393	302,955
Total assets	$ 12,311	992	98,111	109,946	725,417	734,418
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	-	-	-	-	24,324	21,027
Accounts payable	1,430	684	-	-	39,950	28,781
Accrued salaries, wages and benefits	191	-	-	-	38,537	38,057
Other accrued expenses	17,247	6,895	19,381	19,263	52,380	53,513
Due to (from) affiliate	-	10	-	-	13,603	(1,177)
Total current liabilities	18,868	7,589	19,381	19,263	168,794	140,201
Long-term debt, less current portion	-	-	-	-	772,804	798,301
Other long-term liabilities and deferred credits	-	-	78,730	90,683	323,528	290,168
Due to (from) affiliate, less current portion	-	-	-	-	(499,905)	(499,820)
Total liabilities	18,868	7,589	98,111	109,946	765,221	728,850
Net assets:						
Unrestricted-controlling	(6,557)	(6,597)	-	-	(47,064)	(1,692)
Unrestricted-noncontrolling	-	-	-	-	-	-
Total unrestricted	(6,557)	(6,597)	-	-	(47,064)	(1,692)
Temporarily restricted	-	-	-	-	7,260	7,260
Permanently restricted	-	-	-	-	-	-
Total net assets	(6,557)	(6,597)	-	-	(39,804)	5,568
Total liabilities and net assets	$ 12,311	992	98,111	109,946	725,417	734,418

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

		Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Health System	Bon Secours Richmond Health Corporation	Bon Secours St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours St. Petersburg Health System	Bon Secours Associates, LLC	Shannon MOB Partnership
Revenues:										
Net patient service revenue before bad debts	$	114,730	748,245	1,456,332	715,154	196,797	47,238	29,647	-	-
Provision for patient bad debts, net		(6,755)	(55,172)	(87,578)	(38,043)	(10,113)	(1,623)	(219)	-	-
Net patient service revenue		107,975	693,073	1,368,754	677,111	186,684	45,615	29,428	-	-
Other revenue		7,875	34,613	20,369	12,431	3,699	4,528	5,347	-	-
Total revenues		115,850	727,686	1,389,123	689,542	190,383	50,143	34,775	-	-
Expenses:										
Salaries, wages and benefits		56,987	340,646	630,580	345,986	93,774	31,214	19,442	-	-
Supplies		8,486	146,853	245,020	134,034	31,687	2,774	3,138	-	-
Purchased services and other		44,414	196,414	336,443	163,166	56,209	15,373	9,247	-	-
Depreciation and amortization		5,928	34,751	56,570	23,051	8,985	1,668	783	-	-
Interest		1,609	7,089	18,455	8,390	2,643	280	705	-	-
Total expenses		117,424	725,753	1,287,068	674,627	193,298	51,309	33,315	-	-
Operating income (loss)		(1,574)	1,933	102,055	14,915	(2,915)	(1,166)	1,460	-	-
Nonoperating gains (losses), net:										
Nonoperating investment gains (losses), net		510	3,986	12,085	925	315	(75)	(26)	-	-
Loss on early retirement of debt		-	-	-	-	-	-	-	-	-
Inherent contribution		-	-	392	-	-	-	-	-	-
Other nonoperating activities, net		(1,018)	(3,314)	(27,273)	802	(2,874)	22	72	-	799
Excess (deficit) of revenues over expenses		(2,082)	2,605	87,259	16,642	(5,474)	(1,219)	1,506	-	799
Other changes in unrestricted net assets:										
Grants for capital		100	74	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities		-	85	(4)	88	71	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment		35	413	1,220	-	127	147	-	-	-
Net change in equity of joint ventures		-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners		-	-	(7,526)	(140)	-	-	-	-	-
Pension and other post retirement adjustments		(8,070)	(4,436)	(71,089)	-	(18,719)	(466)	-	-	-
Transfers to affiliates and other changes, net		(821)	(5,050)	(11,383)	(4,974)	(1,737)	1,576	(394)	-	-
Increase (decrease) in unrestricted net assets		(10,838)	(6,309)	(1,523)	11,616	(25,732)	38	1,112	-	799

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	BSB Health MOB Partnership 2	Bon Secours Good HelpCare LLC	Good Help Connections, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2016 Consolidated	2015 Consolidated
Revenues:								
Net patient service revenue before bad debts	-	-	-	-	-	-	3,308,143	3,551,875
Provision for patient bad debts, net	-	-	-	-	-	-	(199,503)	(193,593)
Net patient service revenue	-	-	-	-	-	-	3,108,640	3,358,282
Other revenue	-	288	16,374	7,407	293,167	(261,201)	144,897	118,218
Total revenues	-	288	16,374	7,407	293,167	(261,201)	3,253,537	3,476,500
Expenses:								
Salaries, wages and benefits	-	3,653	7,405	-	163,782	(1,408)	1,692,061	1,825,233
Supplies	-	9	162	-	(9,653)	29	562,539	577,496
Purchased services and other	-	2,085	8,003	7,407	101,728	(226,052)	714,437	775,648
Depreciation and amortization	-	-	688	-	40,650	(36,575)	136,499	148,934
Interest	-	-	100	-	(8,218)	(182)	30,871	33,232
Total expenses	-	5,747	16,358	7,407	288,289	(264,188)	3,136,407	3,360,543
Operating income (loss)	-	(5,459)	16	-	4,878	2,987	117,130	115,957
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	-	(30)	24	-	(5,038)	(8)	12,668	(7,540)
Loss on early retirement of debt	-	-	-	-	-	-	-	(399)
Inherent contribution	-	-	-	-	-	-	392	6,185
Other nonoperating activities, net	294	-	-	-	(6,568)	(3,426)	(42,484)	(35,415)
Excess (deficit) of revenues over expenses	294	(5,489)	40	-	(6,728)	(447)	87,706	78,788
Other changes in unrestricted net assets:								
Grants for capital	-	-	-	-	-	-	174	393
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	123	(1)	362	(784)
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	1,942	6,700
Net change in equity of joint ventures	-	-	-	-	1,194	-	1,194	3,284
Distributions to noncontrolling interest owners	-	-	-	-	-	-	(7,666)	(5,478)
Pension and other post retirement adjustments	-	-	-	-	(43,059)	(1)	(145,840)	(68,214)
Transfers to affiliates and other changes, net	-	15,315	-	-	3,098	1	(4,369)	(8,415)
Increase (decrease) in unrestricted net assets	294	9,826	40	-	(45,372)	(448)	(66,497)	6,274

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.2

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Baltimore Health Corporation					
	Bon Secours Hospital Baltimore	**Bon Secours of Maryland Foundation**	**Bon Secours Baltimore Health System Foundation**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Revenues:						
Net patient service revenue before bad debts	$ 114,730	-	-	-	114,730	121,598
Provision for patient bad debts, net	(6,755)	-	-	-	(6,755)	(6,771)
Net patient service revenue	107,975	-	-	-	107,975	114,827
Other revenue	5,132	5,901	-	(3,158)	7,875	6,965
Total revenues	113,107	5,901	0	(3,158)	115,850	121,792
Expenses:						
Salaries, wages and benefits	54,983	2,004	-	-	56,987	60,372
Supplies	8,310	203	-	(27)	8,486	6,782
Purchased services and other	43,752	3,287	-	(2,625)	44,414	38,278
Depreciation and amortization	5,853	1,477	-	(1,402)	5,928	5,957
Interest	1,609	790	-	(790)	1,609	1,376
Total expenses	114,507	7,761	-	(4,844)	117,424	112,765
Operating income (loss)	(1,400)	(1,860)	-	1,686	(1,574)	9,027
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	302	-	207	1	510	96
Loss on early retirement of debt	-	-	-	-	-	-
Inherent contribution	-	-	-	-	-	-
Other nonoperating activities, net	(50)	(136)	(832)	-	(1,018)	(821)
Excess (deficit) of revenues over expenses	(1,148)	(1,996)	(625)	1,687	(2,082)	8,302
Other changes in unrestricted net assets:						
Grants for capital	100	-	-	-	100	362
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	35	-	35	5
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	(8,070)	-	-	-	(8,070)	(4,014)
Transfers to affiliates and other changes, net	(821)	-	-	-	(821)	(967)
Increase (decrease) in unrestricted net assets	(9,939)	(1,996)	(590)	1,687	(10,838)	3,688

See accompanying independent auditors' report on supplementary information

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Hampton Roads Health System										
	Maryview Medical Center	**Bon Secours Maryview Nursing Care Center**	**Professional Health Care Mgmt Services**	**Bon Secours DePaul Medical Center, Inc.**	**Tidewater Diversified, Inc.**	**Mary Immaculate Hospital, Inc.**	**St. Francis Nursing Care Center, Inc.**	**Other Corporations**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Revenues:											
Net patient service revenue before bad debts	$ 355,456	10,700	-	191,304	-	181,614	9,170	-	1	748,245	732,603
Provision for patient bad debts, net	(25,853)	(427)	-	(18,267)	(1)	(10,220)	(404)	-	-	(55,172)	(51,317)
Net patient service revenue	329,603	10,273	-	173,037	(1)	171,394	8,766	-	1	693,073	681,286
Other revenue	10,795	24	5,481	12,610	2,941	2,628	16	94,817	(94,699)	34,613	32,147
Total revenues	340,398	10,297	5,481	185,647	2,940	174,022	8,782	94,817	(94,698)	727,686	713,433
Expenses:											
Salaries, wages and benefits	153,187	6,485	3,956	84,111	391	54,888	5,029	32,600	(1)	340,646	331,898
Supplies	62,139	1,095	499	31,809	2,261	45,032	984	3,033	1	146,853	142,792
Purchased services and other	108,216	1,921	1,867	68,657	151	49,964	2,813	57,525	(94,700)	196,414	189,521
Depreciation and amortization	13,854	150	410	11,863	16	6,544	255	1,658	1	34,751	33,262
Interest	3,078	72	50	2,055	-	1,782	52	-	-	7,089	5,898
Total expenses	340,474	9,723	6,782	198,495	2,819	158,210	9,133	94,816	(94,699)	725,753	703,371
Operating income (loss)	(76)	574	(1,301)	(12,848)	121	15,812	(351)	1	1	1,933	10,062
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	2,808	52	7	(163)	3	1,333	21	(74)	(1)	3,986	599
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-
Inherent contribution	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net	(804)	(5)	(695)	18	(11)	(850)	(5)	(961)	(1)	(3,314)	(1,994)
Excess (deficit) of revenues over expenses	1,928	621	(1,989)	(12,993)	113	16,295	(335)	(1,034)	(1)	2,605	8,667
Other changes in unrestricted net assets:											
Grants for capital	48	-	-	-	-	26	-	-	-	74	30
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	53	-	32	-	85	(73)
Net assets released from restrictions used for the purchase of property, plant, and equipment	309	-	-	-	-	89	-	15	-	413	673
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	(2)	2	-	-
Pension and other post retirement adjustments	(4,436)	-	-	-	-	-	-	-	-	(4,436)	(6,163)
Transfers to affiliates and other changes, net	(2,327)	(66)	-	(1,391)	-	(1,124)	(35)	(107)	-	(5,050)	(4,550)
Increase (decrease) in unrestricted net assets	(4,478)	555	(1,989)	(14,384)	113	15,339	(370)	(1,096)	1	(6,309)	(1,416)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.4

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Richmond Health Corporation									
	St. Mary's Hospital of Richmond, Inc.	Richmond Community Hospital	St. Francis Medical Center	Memorial Regional Medical Center	Rappahannock General Hospital	Bon Secours Virginia HealthSource, Inc.	Other Corporations	Consolidating Eliminations	2016 Consolidated	2015 Consolidated
Revenues:										
Net patient service revenue before bad debts	$ 567,121	134,322	275,435	376,249	32,957	49,593	27,145	(6,490)	1,456,332	1,412,906
Provision for patient bad debts, net	(25,858)	(13,183)	(17,540)	(25,014)	(3,605)	(2,043)	(335)	-	(87,578)	(77,121)
Net patient service revenue	541,263	121,139	257,895	351,235	29,352	47,550	26,810	(6,490)	1,368,754	1,335,785
Other revenue	6,819	133	2,748	2,782	980	5,982	209,849	(208,924)	20,369	18,851
Total revenues	548,082	121,272	260,643	354,017	30,332	53,532	236,659	(215,414)	1,389,123	1,354,636
Expenses:										
Salaries, wages and benefits	215,481	24,763	100,411	132,531	17,646	37,818	101,928	2	630,580	617,624
Supplies	91,436	26,255	38,334	57,849	6,509	5,761	19,002	(126)	245,020	233,162
Purchased services and other	171,967	26,776	91,748	130,439	6,449	18,356	105,997	(215,289)	336,443	331,752
Depreciation and amortization	15,357	1,712	7,213	8,771	978	5,018	17,520	1	56,570	53,795
Interest	7,774	-	5,946	4,666	-	-	69	-	18,455	15,358
Total expenses	502,015	79,506	243,652	334,256	31,582	66,953	244,516	(215,412)	1,287,068	1,251,691
Operating income (loss)	46,067	41,766	16,991	19,761	(1,250)	(13,421)	(7,857)	(2)	102,055	102,945
Nonoperating gains (losses), net:										
Nonoperating investment gains (losses), net	11,392	111	4	800	(45)	(237)	59	1	12,085	2,168
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-
Inherent contribution	-	-	-	-	-	-	392	-	392	6,167
Other nonoperating activities, net	(8,501)	(548)	(2,333)	(7,669)	430	(1,351)	(7,301)	-	(27,273)	(24,836)
Excess (deficit) of revenues over expenses	48,958	41,329	14,662	12,892	(865)	(15,009)	(14,707)	(1)	87,259	86,444
Other changes in unrestricted net assets:										
Grants for capital	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	1	-	-	(5)	-	-	-	-	(4)	(363)
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	1,220	-	1,220	4,505
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	(7,525)	(1)	-	(7,526)	(4,534)
Pension and other post retirement adjustments	(48,856)	-	-	(22,233)	-	-	-	-	(71,089)	(22,440)
Transfers to affiliates and other changes, net	1,083	101	(3,410)	(3,021)	(1,729)	350	(4,758)	1	(11,383)	(4,155)
Increase (decrease) in unrestricted net assets	1,186	41,430	11,252	(12,367)	(2,594)	(22,184)	(18,246)	-	(1,523)	59,457

See accompanying independent auditors' report on supplementary information

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours St. Francis Health System, Inc											
	St. Francis - Downtown	**St. Francis - Eastside**	**St Francis - Millennium**	**St. Francis Home Care**	**St. Francis Cancer Center**	**St. Francis Physician Services**	**Upstate Surgery Center**	**St. Francis Foundation**	**St. Francis Ambulatory Services, LLC**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Revenues:												
Net patient service revenue before bad debts	$ 341,402	145,766	11,909	15,243	47,612	144,617	3,974	-	4,630	1	715,154	660,611
Provision for patient bad debts, net	(20,526)	(11,385)	(457)	(217)	(904)	(4,173)	(381)	-	-	-	(38,043)	(32,266)
Net patient service revenue	320,876	134,381	11,452	15,026	46,708	140,444	3,593	-	4,630	1	677,111	628,345
Other revenue	(819)	254	241	155	368	12,205	-	-	28	(1)	12,431	13,268
Total revenues	320,057	134,635	11,693	15,181	47,076	152,649	3,593	0	4,658	0	689,542	641,613
Expenses:												
Salaries, wages and benefits	111,322	49,538	6,976	10,720	7,996	155,555	1,299	-	2,580	-	345,986	328,832
Supplies	67,083	23,413	731	859	26,494	14,323	801	-	331	(1)	134,034	124,543
Purchased services and other	79,558	31,121	4,197	2,308	7,423	36,337	743	1	1,484	(6)	163,166	148,527
Depreciation and amortization	15,005	3,796	33	-	2,478	1,389	69	-	280	1	23,051	21,929
Interest	5,579	2,690	-	120	-	-	-	-	-	1	8,390	6,806
Total expenses	278,547	110,558	11,937	14,007	44,391	207,604	2,912	1	4,675	(5)	674,627	630,637
Operating income (loss)	41,510	24,077	(244)	1,174	2,685	(54,955)	681	(1)	(17)	5	14,915	10,976
Nonoperating gains (losses), net:												
Nonoperating investment gains (losses), net	2,053	154	(86)	(22)	(248)	(1,017)	(8)	147	(52)	4	925	300
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-	-
Inherent contribution	-	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net	(417)	28	-	56	23	1	(12)	1,127	(1)	(3)	802	1,673
Excess (deficit) of revenues over expenses	43,146	24,259	(330)	1,208	2,460	(55,971)	661	1,273	(70)	6	16,642	12,949
Other changes in unrestricted net assets:												
Grants for capital	-	-	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-	88	-	-	88	(330)
Net assets released from restrictions used for the purchase of property, plant, and equipment	1,723	211	-	-	-	-	-	(1,933)	-	(1)	-	702
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	(140)	-	-	-	(140)	(138)
Pension and other post retirement adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	(341,485)	(1,863)	-	-	-	337,737	(217)	854	-	-	(4,974)	(5,291)
Increase (decrease) in unrestricted net assets	(296,616)	22,607	(330)	1,208	2,460	281,766	304	282	(70)	5	11,616	7,892

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Kentucky Health System, Inc.					
	Our Lady of Bellefonte Hospital, Inc.	Bon Secours Kentucky Health System Foundation	Bellefonte Physician Services	Consolidating Eliminations	2016 Consolidated	2015 Consolidated
Revenues:						
Net patient service revenue before bad debts	$ 170,146	-	26,651	-	196,797	189,785
Provision for patient bad debts, net	(8,626)	-	(1,487)	-	(10,113)	(8,636)
Net patient service revenue	161,520	-	25,164	-	186,684	181,149
Other revenue	2,754	-	945	-	3,699	4,452
Total revenues	164,274	-	26,109	-	190,383	185,601
Expenses:						
Salaries, wages and benefits	63,007	-	30,767	-	93,774	91,175
Supplies	29,282	-	2,405	-	31,687	28,275
Purchased services and other	47,952	-	8,257	-	56,209	53,351
Depreciation and amortization	8,318	-	667	-	8,985	8,982
Interest	2,643	-	-	-	2,643	2,196
Total expenses	151,202	-	42,096	-	193,298	183,979
Operating income (loss)	13,072	-	(15,987)	-	(2,915)	1,622
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	409	42	(136)	-	315	314
Loss on early retirement of debt	-	-	-	-	-	-
Inherent contribution	-	-	-	-	-	-
Other nonoperating activities, net	(2,109)	(684)	(81)	-	(2,874)	(3,176)
Excess (deficit) of revenues over expenses	11,372	(642)	(16,204)	-	(5,474)	(1,240)
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	71	-	-	71	(44)
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	127	-	-	127	36
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	(18,719)	-	-	-	(18,719)	(6,086)
Transfers to affiliates and other changes, net	(2,338)	601	-	-	(1,737)	(436)
Increase (decrease) in unrestricted net assets	(9,685)	157	(16,204)	-	(25,732)	(7,770)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours New York Health System, Inc.							
	Frances Schervier Home and Hospital	**Schervier Housing Development Fund Corp.**	**Bon Secours New York Parent Corp.**	**Schervier Long Term Home Health Care**	**Schervier Apartments, LLC**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Revenues:								
Net patient service revenue before bad debts	$ 47,260	-	-	(21)	-	(1)	47,238	45,683
Provision for patient bad debts, net	(1,566)	-	-	(57)	-	-	(1,623)	95
Net patient service revenue	45,694	-	-	(78)	-	(1)	45,615	45,778
Other revenue	3,209	-	2,014	1,319	2,993	(5,007)	4,528	3,045
Total revenues	48,903	-	2,014	1,241	2,993	(5,008)	50,143	48,823
Expenses:								
Salaries, wages and benefits	30,038	-	710	539	308	(381)	31,214	29,425
Supplies	2,764	-	-	10	22	(22)	2,774	2,725
Purchased services and other	15,152	23	1,398	859	1,450	(3,509)	15,373	15,449
Depreciation and amortization	1,651	-	-	16	351	(350)	1,668	1,701
Interest	280	-	-	-	738	(738)	280	261
Total expenses	49,885	23	2,108	1,424	2,869	(5,000)	51,309	49,561
Operating income (loss)	(982)	(23)	(94)	(183)	124	(8)	(1,166)	(738)
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	(78)	-	-	-	3	-	(75)	(34)
Loss on early retirement of debt	-	-	-	-	-	-	-	-
Inherent contribution	-	-	-	-	-	-	-	-
Other nonoperating activities, net	(81)	-	94	-	-	9	22	(65)
Excess (deficit) of revenues over expenses	(1,141)	(23)	-	(183)	127	1	(1,219)	(837)
Other changes in unrestricted net assets:								
Grants for capital	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	147	-	-	-	-	-	147	64
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-
Pension and other post retirement adjustments	(466)	-	-	-	-	-	(466)	(35)
Transfers to affiliates and other changes, net	172	238	-	-	1,166	-	1,576	(35)
Increase (decrease) in unrestricted net assets	(1,288)	215	-	(183)	1,293	1	38	(843)

See accompanying independent auditors' report on supplementary information

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours St. Petersburg Health System						
	Maria Manor Nursing Care Center, Inc.	**Bon Secours Place at St. Petersburg**	**Maria Manor Health Resources**	**St. Petersburg Home Care Services, Inc.**	**Consolidating Eliminations**	**2016 Consolidated**	**2015 Consolidated**
Revenues:							
Net patient service revenue before bad debts	$ 25,321	3	-	4,322	1	29,647	28,483
Provision for patient bad debts, net	(183)	-	-	(36)	-	(219)	(218)
Net patient service revenue	25,138	3	-	4,286	1	29,428	28,265
Other revenue	974	4,373	-	-	-	5,347	5,220
Total revenues	26,112	4,376	-	4,286	1	34,775	33,485
Expenses:							
Salaries, wages and benefits	13,945	2,672	-	2,825	-	19,442	18,578
Supplies	2,595	445	-	98	-	3,138	2,880
Purchased services and other	7,004	944	57	1,240	2	9,247	8,560
Depreciation and amortization	498	270	-	15	-	783	825
Interest	573	132	-	-	-	705	591
Total expenses	24,615	4,463	57	4,178	2	33,315	31,434
Operating income (loss)	1,497	(87)	(57)	108	(1)	1,460	2,051
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	(20)	5	-	(11)	-	(26)	(24)
Loss on early retirement of debt	-	-	-	-	-	-	-
Inherent contribution	-	-	-	-	-	-	-
Other nonoperating activities, net	72	-	-	-	-	72	54
Excess (deficit) of revenues over expenses	1,549	(82)	(57)	97	(1)	1,506	2,081
Other changes in unrestricted net assets:							
Grants for capital	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	(805)
Pension and other post retirement adjustments	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	(394)	-	-	-	-	(394)	(309)
Increase (decrease) in unrestricted net assets	1,155	(82)	(57)	97	(1)	1,112	967

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.9

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Bon Secours Associates, LLC		Shannon Health MOB Partnership 1		BSB MOB Partnership 2		Bon Secours Good HelpCare LLC	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues:								
Net patient service revenue before bad debts	$ -	-	-	-	-	-	-	-
Provision for patient bad debts, net	-	-	-	-	-	-	-	-
Net patient service revenue	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	288	125
Total revenues	-	-	-	-	-	-	288	125
Expenses:								
Salaries, wages and benefits	-	-	-	-	-	-	3,653	1,453
Supplies	-	-	-	-	-	-	9	1
Purchased services and other	-	-	-	-	-	-	2,085	3,000
Depreciation and amortization	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	5,747	4,454
Operating income (loss) from continuing operations	-	-	-	-	-	-	(5,459)	(4,329)
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	-	-	-	-	-	-	(30)	(4)
Loss on early retirement of debt	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-	-
Other nonoperating activities, net	-	-	799	930	294	(792)	-	-
Excess (deficit) of revenues over expenses	-	-	799	930	294	(792)	(5,489)	(4,333)
Other changes in unrestricted net assets:								
Grants for capital	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-		-		-
Pension and other post retirement adjustments	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	-	-	-	-	-	-	15,315	(2)
Increase (decrease) in unrestricted net assets	-	-	799	930	294	(792)	9,826	(4,335)

See accompanying independent auditors' report on supplementary information

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2016
(with comparative totals for 2015)

	Good Help Connections, LLC 2016	Good Help Connections, LLC 2015	Bon Secours Assurance Company, Ltd. 2016	Bon Secours Assurance Company, Ltd. 2015	Bon Secours Health System Office 2016	Bon Secours Health System Office 2015
Revenues:						
Net patient service revenue before bad debts	$ -	-	-	-	-	-
Provision for patient bad debts, net	-	-	-	-	-	-
Net patient service revenue	-	-	-	-	-	-
Other revenue	16,374	1,740	7,407	15,885	293,167	248,229
Total revenues	16,374	1,740	7,407	15,885	293,167	248,229
Expenses:						
Salaries, wages and benefits	7,405	5,531	-	-	163,782	140,378
Supplies	162	17	-	-	(9,653)	(12,297)
Purchased services and other	8,003	2,737	7,407	15,885	101,728	77,878
Depreciation and amortization	688	-	-	-	40,650	41,824
Interest	100	54	-	-	(8,218)	(3,456)
Total expenses	16,358	8,339	7,407	15,885	288,289	244,327
Operating income (loss) from continuing operations	16	(6,599)	-	-	4,878	3,902
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	24	1	-	-	(5,038)	(10,817)
Loss on early retirement of debt	-	-	-	-	-	(399)
Gain (loss) on sale of asset, net	-	-	-	-	-	-
Other nonoperating activities, net	-	-	-	-	(6,568)	(1,278)
Excess (deficit) of revenues over expenses	40	(6,598)	-	-	(6,728)	(8,592)
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	123	26
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	1,194	3,284
Distributions to noncontrolling interest owners	-	-	-	-		-
Pension and other post retirement adjustments	-	-	-	-	(43,059)	(30,375)
Transfers to affiliates and other changes, net	-	-	-	-	3,098	(20,860)
Increase (decrease) in unrestricted net assets	40	(6,598)	-	-	(45,372)	(56,517)

See accompanying independent auditors' report on supplementary information