Trinity Health Of New England Corporation, Inc., Hartford, Connecticut

(A Member of Trinity Health)

Consolidated Financial Statements as of and
for the Years Ended September 30, 2017 and 2016,
Supplemental Consolidating Schedules as of and
for the Year Ended September 30, 2017, and
Independent Auditors' Report

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trinity Health Of New England Corporation, Inc.
Hartford, Connecticut

We have audited the accompanying consolidated financial statements of Trinity Health Of New England Corporation, Inc., Hartford, Connecticut and its subsidiaries (the "Corporation") (a member of Trinity Health Corporation), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits 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 auditor's 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 Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2017 and 2016, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As described in Notes 1 and 10 to the consolidated financial statements, the Corporation is a member of Trinity Health Corporation. The accompanying consolidated financial statements have been prepared from the separate records maintained by the Corporation and may not necessarily be indicative of the conditions that would have existed, or the results of operations, if the Corporation had been operated as an unaffiliated company. Portions of certain assets, income, and expenses represent allocations made from home office items applicable to Trinity Health Corporation as a whole.

Report on Consolidated Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 52–60 are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operation, and cash flows of the individual companies, and are not a required part of the consolidated financial statements. These schedules are the responsibility of the Corporation's management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules 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, such schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

February 16, 2018

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2017 AND 2016
(In thousands)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 55,592	$ 92,355
Investment in Trinity Health pooled investment program	51,661	60,125
Investments	7,223	14,812
Assets limited or restricted as to use—current portion	1,911	6,853
Patient accounts receivable—net of allowance for doubtful accounts of $30.6 million and $34.9 million at September 30, 2017 and 2016, respectively	171,032	171,080
Estimated receivables from third-party payors	9,001	7,620
Other receivables	16,175	20,330
Receivables from affiliates	1,823	3,147
Inventories	20,428	19,795
Prepaid expenses and other current assets	29,438	30,918
Total current assets	364,284	427,035
ASSETS LIMITED OR RESTRICTED AS TO USE—Noncurrent portion:		
Benefit plans and other	7,764	6,533
By board	44,201	39,825
By donors	116,895	110,059
Total assets limited or restricted as to use—noncurrent portion	168,860	156,417
PROPERTY AND EQUIPMENT—Net	658,694	641,643
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	10,853	12,298
INTANGIBLE ASSETS	8,244	14,487
OTHER ASSETS	99,581	85,695
TOTAL ASSETS	$1,310,516	$1,337,575

(Continued)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2017 AND 2016
(In thousands)

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 2,239	$ 2,965
Current portion of notes payable to Trinity Health and affiliates	7,465	7,451
Accounts payable	69,894	82,094
Accrued expenses	9,394	5,437
Salary, wages, and related liabilities	93,490	100,595
Current portion of self-insurance reserves	23,443	17,606
Estimated payables to third-party payors	27,624	20,635
Total current liabilities	233,549	236,783
LONG-TERM DEBT—Net of current portion	1,833	1,664
NOTES PAYABLE TO TRINITY HEALTH AND AFFILIATES—Net of current portion	389,069	371,520
SELF-INSURANCE RESERVES—Net of current portion	79,220	78,942
ACCRUED PENSION AND RETIREE HEALTH COSTS	265,028	314,044
OTHER LONG-TERM LIABILITIES	22,796	19,140
Total liabilities	991,495	1,022,093
NET ASSETS:		
Unrestricted net assets	197,148	199,555
Noncontrolling ownership interest in subsidiaries	2,583	2,588
Total unrestricted net assets	199,731	202,143
Temporarily restricted net assets	38,187	39,162
Permanently restricted net assets	81,103	74,177
Total net assets	319,021	315,482
TOTAL LIABILITIES AND NET ASSETS	$1,310,516	$1,337,575

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

(Concluded)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousands)

	2017	2016
UNRESTRICTED REVENUE:		
Patient service revenue—net of contractual and other allowances	$ 1,732,744	$ 1,361,894
Provision for bad debts	33,888	27,578
Net patient service revenue less provision for bad debts	1,698,856	1,334,316
Capitation revenue	20,519	18,695
Net assets released from restrictions	5,514	8,278
Other revenue	78,702	78,413
Total unrestricted revenue	1,803,591	1,439,702
EXPENSES:		
Salaries and wages	813,709	641,683
Employee benefits	160,476	138,913
Contract labor	55,977	44,670
Total labor expenses	1,030,162	825,266
Supplies	279,588	222,918
Purchased services	167,705	129,833
Depreciation and amortization	76,306	65,759
Occupancy	81,594	63,206
Interest	14,497	11,894
Other	164,532	132,540
Total expenses	1,814,384	1,451,416
OPERATING LOSS BEFORE OTHER ITEMS	(10,793)	(11,714)
ASSET IMPAIRMENT CHARGE	(6,144)	-
RESTRUCTURING COSTS	(2,038)	-
OPERATING LOSS	(18,975)	(11,714)
NONOPERATING ITEMS:		
Earnings in Trinity Health pooled investment program	11,553	2,939
Investment income	4,538	4,175
Loss from early extinguishment of debt	-	(4,034)
Inherent contribution related to acquisitions	-	60,065
Gain (loss) on earnings of unconsolidated affiliates	26	(1,875)
Interest	(1,404)	(1,299)
Other	(65)	(323)
Total nonoperating items	14,648	59,648
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	$ (4,327)	$ 47,934

(Continued)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousands)

	2017	2016
UNRESTRICTED NET ASSETS:		
Unrestricted net assets attributable to the Corporation:		
(Deficiency) excess of revenue over expenses	$ (4,327)	$ 47,934
Net assets released from restrictions for capital acquisitions	6,099	2,888
Transfers to Trinity Health and affiliates	(19,438)	(3,541)
Transfers to Trinity Assurance, Ltd.	-	(12,083)
Transfers from Trinity Health	4,025	43,992
Acquisitions—Saint Mary's	-	(98)
Acquisitions—Riverbend	-	(5,158)
Net change in retirement plan-related items	11,136	(37,134)
Other	98	(3,090)
(Decrease) increase in unrestricted net assets	(2,407)	33,710
Unrestricted net assets attributable to noncontrolling interests:		
Net investment (loss) gain	(5)	88
Acquisitions	-	2,500
(Decrease) increase in unrestricted net assets attributable to noncontrolling interests	(5)	2,588
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	10,634	13,453
Net investment gain	768	666
Net assets released from restrictions for capital acquisitions	(6,099)	(2,888)
Net assets released from restrictions	(5,514)	(8,277)
Acquisitions	-	2,524
Other	(764)	2,999
(Decrease) increase in temporarily restricted net assets	(975)	8,477
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	2,471	-
Net investment gain	5,000	2,247
Appropriation of endowment assets for expenditures	(545)	-
Acquisitions	-	16,526
Increase in permanently restricted net assets	6,926	18,773
INCREASE IN NET ASSETS	3,539	63,548
NET ASSETS—Beginning of year	315,482	251,934
NET ASSETS—End of year	$ 319,021	$ 315,482

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

(Concluded)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousands)

	2017	2016
OPERATING ACTIVITIES:		
Increase in net assets	$ 3,539	$ 63,548
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Inherent contribution related to acquisition of Saint Mary's and Johnson	-	(60,065)
Transfers from (to) Trinity Health and affiliates	19,481	(15,951)
Transfers to Trinity Health—pension	(4,161)	-
Depreciation and amortization	76,306	65,759
Provisions for bad debt	33,888	27,578
Change in net unrealized and realized gains on investments	(17,335)	(6,542)
Undistributed equity in earnings of affiliates	(2,453)	1,448
Distributions received on equity method investments	3,894	-
Increase in noncontrolling interest due to Saint Mary's acquisition	-	(2,500)
Restricted net assets acquired	-	(19,050)
Deferred retirement items—consolidated organizations	(11,136)	8,668
Impairment loss	6,143	-
Other adjustments	(656)	151
Changes in:		
Patient accounts receivable	(33,840)	(34,965)
Estimated payables from third-party payors	(1,381)	(2,231)
Other assets	(12,030)	(57,907)
Accounts payable and accrued expenses	(13,923)	(14,660)
Estimated receivables from third-party payors	6,989	(2,210)
Self-insurance reserves and other liabilities	9,771	(23,507)
Accrued pension and retiree health costs	(33,719)	18,647
Net cash provided by (used in) operating activities	29,377	(53,789)

(Continued)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousands)

	2017	2016
INVESTING ACTIVITIES:		
Net change in investments	$ 5,600	$ 53,693
Change in investment in Trinity Health pooled investment program	18,537	(26,912)
Purchases of property and equipment	(92,374)	(52,900)
Changes in assets limited as to use	2,994	(2,611)
Net change in investment in unconsolidated affiliates	1,079	6,316
Cash acquired from Saint Mary's acquisition	-	17,928
Cash provided for Riverbend acquisition	-	(16,810)
Net cash used in investing activities	(64,164)	(21,296)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	4,145	542
Proceeds from issuance of intercompany long-term debt	25,000	323,000
Repayments of intercompany long-term debt	(7,437)	(7,963)
Repayments of external debt	(4,207)	(272,254)
Transfers (to) from Trinity Health and affiliates	(19,481)	15,951
Proceeds from restricted contributions and restricted investment income	4	4
Net cash (used in) provided by financing activities	(1,976)	59,280
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,763)	(15,805)
CASH AND CASH EQUIVALENTS—Beginning of year	92,355	108,160
CASH AND CASH EQUIVALENTS—End of year	$ 55,592	$ 92,355
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 15,901	$ 13,193
Accruals for purchases of property and equipment and other long-term assets	$ 2,517	$ 1,414

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

(Concluded)

1. ORGANIZATION AND COMMUNITY BENEFIT MINISTRY

Trinity Health Of New England Corporation, Inc., Hartford, Connecticut (formerly known as Saint Francis *Care*, Inc.) (the "Corporation"), a Connecticut not-for-profit corporation, is an integrated health care delivery system and is the sole member of five hospitals, including Saint Francis Hospital and Medical Center and Mount Sinai Rehabilitation Hospital, Inc., in Hartford, Connecticut; Johnson Memorial Hospital, Inc., in Stafford Springs, Connecticut; Saint Mary's Hospital, Inc., in Waterbury, Connecticut; and The Mercy Hospital, Inc., located in Springfield, Massachusetts, that provide inpatient and outpatient services. The Corporation also owns and operates several subsidiaries that provide physician services, inpatient and outpatient rehabilitation services, behavioral health services, home health care, long-term care, and other healthcare services to the community. Effective October 1, 2015, the Corporation became a member of Trinity Health Corporation ("Trinity Health"), an Indiana nonprofit corporation, sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church. Trinity Health operates a comprehensive integrated network of health services, including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care, and rehabilitation services located in 22 states. There are significant related-party transactions with Trinity Health and the Corporation and its subsidiaries. The mission statement for the Corporation is as follows:

We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Effective October 1, 2015, Trinity Health became the sole corporate member of Saint Francis *Care*, and Saint Francis *Care* and its subsidiaries formed the new Trinity Health Regional Health Ministry in New England. Effective November 17, 2015, Saint Francis *Care*, Inc., changed its name to Trinity Health—New England, Inc. Effective July 21, 2017, Trinity Health—New England, Inc., changed its name to Trinity Health Of New England Corporation, Inc.

In connection with this transaction, Trinity Health applied push-down accounting on the Corporation's consolidated balance sheet, which resulted in a new basis of accounting in accordance with the acquisition method of accounting under Accounting Standards Codification Topic 805, *Business Combinations*.

In connection with this affiliation, the Corporation recorded an adjustment to net assets amounting to approximately $70.9 million on October 1, 2015, and this adjustment is included in beginning net assets on the consolidated statement of operations and changes in net assets for the year ended September 30, 2016. The transaction was accounted for as an acquisition with no consideration, and accordingly, the excess of the fair value of assets acquired over liabilities assumed was recognized as an inherent contribution received by Trinity Health.

Summarized consolidated opening balance sheet information as of October 1, 2015, for the Corporation is shown below (in thousands):

Cash, cash equivalents, and investments	$135,568
Patient accounts receivable—net	75,415
Other receivables	10,159
Inventories	9,701
Other current assets	16,418
Property and equipment	411,067
Assets limited or restricted as to use—noncurrent portion	145,992
Other assets	18,069
Total assets acquired	$822,389
Current portion of long-term debt	$ 7,298
Accounts payable and accrued expenses	98,922
Other current liabilities	17,381
Long-term debt	244,154
Accrued pension and retiree health costs	197,562
Other long-term liabilities	106,717
Total liabilities acquired	$672,034
Unrestricted net assets	$ 70,996
Temporarily restricted net assets	26,180
Permanently restricted net assets	53,179
Total net assets	$150,355

Effective December 23, 2015, the Corporation became the sole member of Sisters of Providence Health System, Inc., The Mercy Hospital, Inc. and their related subsidiaries. Effective December 30, 2016, Sisters of Providence Health System, Inc., merged into The Mercy Hospital, Inc. The results of operations for The Mercy Hospital, Inc., and their related subsidiaries for the 12-month period ended September 30, 2017, and September 30, 2016, are included in the consolidated financial statements of the Corporation.

Effective January 1, 2016, the Corporation acquired certain unrestricted assets and liabilities of Old JMMC, Inc., Old JMH, Inc., Old HCHS, Inc., and Old JHC, Inc. (collectively referred to as "Old Johnson") through an Asset Purchase Agreement approved by the Bankruptcy Court on May 14, 2015. On November 24, 2015, Trinity Health—New England, Inc., formed new corporations named JMMC Acquisition Corp., JMH Acquisition Corp., HCHS Acquisition Corp., and JHC Acquisition Corp. These corporations began to provide health care services as of January 1, 2016, and the names of the newly formed acquisition corporations were amended to Johnson Memorial Hospital, Inc., Johnson Memorial Medical Center, Inc., Johnson Healthcare, Inc., and Home and Community Health Services, Inc. (collectively referred to as "Johnson") effective as of January 4, 2016. See Business Acquisitions at Note 3. Effective January 19, 2017, Johnson Memorial Medical Center, Inc., and Johnson Healthcare, Inc., merged into Johnson Memorial Hospital.

Effective July 1, 2016, the Corporation, through its subsidiary, Sisters of Providence Health System, Inc., that merged into The Mercy Hospital on December 30, 2016, acquired substantially all of the operations and certain assets and liabilities of MWA, P.C. and Physician Practice Partners, L.L.C. and formed Riverbend Medical Group, Inc. ("Riverbend"), a physician practice located in Springfield, Massachusetts. See Business Acquisitions at Note 3.

On August 1, 2016, the Corporation became the sole corporate member of Saint Mary's Hospital, Inc. as part of a member substitution. Saint Mary's Hospital, Inc., and its subsidiaries are a regional health care system located in Waterbury, Connecticut. See Business Acquisitions at Note 3.

Community Benefit Ministry—Consistent with its mission, the Corporation provides medical care to all patients regardless of their ability to pay. In addition, the Corporation provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance or other payments, such as copays and deductibles because of inadequate resources and/or are uninsured or underinsured, and to improve the health status of the communities in which it operates. The following summary has been prepared in accordance with the Catholic Health Association of the United States', *A Guide for Planning and Reporting Community Benefit, 2015 Edition*.

The quantifiable costs of the Corporation's community benefit ministry for the years ended September 30, 2017 and 2016, are as follows (in thousands):

	2017	2016
Ministry for the poor and underserved:		
Charity care at cost	$ 8,014	$ 6,161
Unpaid cost of Medicaid and other public programs	167,632	93,154
Programs for the poor and underserved:		
Community health services	1,081	2,324
Subsidized health services	670	850
Financial contributions	82	4
Community building activities	252	-
Community benefit operations	983	13
Total programs for the poor and underserved	3,068	3,191
Ministry for the poor and underserved	178,714	102,506
Ministry for the broader community:		
Community health services	1,956	838
Health professions education	26,627	30,398
Subsidized health services	683	942
Research	119	89
Financial contributions	72	12
Community building activities	206	38
Community benefit operations	44	548
Ministry for the broader community	29,707	32,865
Community benefit ministry	$208,421	$135,371

The Corporation provides a significant amount of uncompensated care to its uninsured and underinsured patients, which is reported as bad debt at cost and not included in the amounts reported above. During the years ended September 30, 2017 and 2016, the Corporation reported bad debt at cost (determined using a cost-to-charge ratio applied to the provision for bad debts) of $13.3 million and $10 million, respectively.

Ministry for the poor and underserved represents the financial commitment to seek out and serve those who need help the most, especially the poor, the uninsured, and the indigent. This is done with the conviction that health care is a basic human right.

Ministry for the broader community represents the cost of services provided for the general benefit of the communities in which the Corporation operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not intended to be financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a charity patient in accordance with the Corporation’s established policies as further described in Note 4. The cost of charity care is calculated using a cost-to-charge ratio methodology.

Unpaid cost of Medicaid and other public programs represents the cost (determined using a cost-to-charge ratio) of providing services to beneficiaries of public programs, including state Medicaid, indigent care programs, and provider taxes, in excess of governmental and managed care contract payments.

Community health services are activities and services carried out to improve community health and well-being for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or funding. Some examples include community health education, community health screenings, free immunization services, free or low cost prescription medications, and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Health professions education includes the unreimbursed cost of training health professionals, such as medical residents, nursing students, technicians, and students in allied health professions.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services or the services would otherwise not be available in sufficient amount. Examples of services include freestanding community clinics, hospice care, mobile units, and behavioral health services.

Research includes unreimbursed clinical and community health research and studies on health care delivery, which is generalizable and shared with the public.

Financial contributions are made by the Corporation on behalf of the poor and underserved to community agencies and restricted to support community benefit activities. These amounts include special system-wide funds used to improve community health and well-being, as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and underserved. Amounts included here also represent certain in-kind donations.

Community building activities include programs that address the root causes of health problems and focus on policy, systems, and environmental changes. Examples include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, advocacy for community health improvements, develop leadership skills training, and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and/or asset assessments, and other costs associated with community benefit strategy and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements include the accounts of the Corporation, and all wholly owned, majority-owned, and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments that are not controlled by the Corporation are accounted for using the equity method of accounting. The equity share of income or losses from investments in unconsolidated affiliates is recorded in other revenue if the unconsolidated affiliate is operational and projected to make routine and regular cash distributions; otherwise, the equity share of income or losses from investments in unconsolidated affiliates is recorded in nonoperating items in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

The accompanying consolidated financial statements present the financial position, results of operations and changes in net assets, and cash flows for the Corporation and are not necessarily indicative of what the financial position, results of operations and changes in net assets, and cash flows would have been if the Corporation had been operated as an unaffiliated corporation during the periods presented.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management of the Corporation to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances, provisions for bad debts, and charity care; recorded values of investments; derivatives and goodwill; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension and retiree medical liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgment and estimates. Actual results could differ materially from those estimates.

Reclassifications—Certain prior-year amounts have been reclassified to conform to current-year presentation, including the reclassification of workers compensation receivable from self-insurance, benefit plans and other to prepaid expenses, and other current assets.

Cash and Cash Equivalents—For purposes of the consolidated statement of cash flows, cash and cash equivalents include certain investments in locally held highly liquid debt instruments with original maturities of three months or less.

Investments—Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, hedge funds, and other investments structured as limited liability corporations or partnerships. Commingled funds and hedge funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values, or based on net asset value, which is calculated using the most recent fund consolidated financial statements. Limited liability corporations and partnerships are accounted for under the equity method.

Investment Earnings—Investment earnings include interest, dividends, realized gains and losses, and unrealized gains and losses. Also included are equity earnings from investment funds accounted for using the equity method. Investment earnings from investments and board designated funds are included in nonoperating investment income unless the income or loss is restricted by donor or law.

Investment in Trinity Health Pooled Investment Program & Related Earnings—The Corporation invests certain of its funds in Trinity Health pooled investment programs. See Note 11 Fair Value Measurements for descriptions of the various types of financial instruments that are included in the pooled investment programs. Earnings, including interest and dividends, equity earnings, realized gains and losses, and unrealized gains and losses on investment in the pooled investment program, are allocated to the participants based upon each participant's weighted-average percentage of the pooled investment fund in which they are participating.

Derivative Financial Instruments—Trinity Health periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rate, equity downside risk, and other exposures. The Corporation's policies prohibit trading in derivative financial instruments on a speculative basis. The Corporation recognizes all derivative instruments in the consolidated balance sheets at fair value.

Assets Limited as to Use—Assets set aside by the board for future capital improvements, deferred compensation agreements, and other purposes over which the board retains control and may at its discretion subsequently use for other purposes, are included in assets limited as to use.

Donor-Restricted Gifts—Unconditional promises to give cash and other assets to the Corporation 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 expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statements of operations and changes in net assets.

Inventories—Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by first-in, first-out method.

Property and Equipment—Property and equipment, including internal-use software, are recorded at cost, if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes capital lease and internal-use software amortization. The useful lives of these assets range from 3 to 40 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit 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.

Goodwill—Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Intangible Assets—Intangible assets include tradename and medical records—both definite and indefinite-lived intangible assets. The definite-lived intangibles are medical records with finite lives amortized using the straight-line method over the estimated useful life of 10 years. Indefinite-lived intangible assets include trade names.

Other Assets—Other assets include reinsurance recovery receivables, deferred life insurance, prepaid charges for shared information services, and advances.

Asset Impairment:

Property and Equipment—The Corporation evaluates long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the assets, the impairment recognized is calculated as the carrying value of the long-lived assets in excess of the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets, or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the assets.

Goodwill—Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level.

Intangible Assets:

Definite-Lived—Impairment testing is performed if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. The Corporation estimates the fair value of its intangible assets using an undiscounted cash flow analysis.

Indefinite-Lived—Impairment testing is performed on an annual basis or more frequently if events or changes in circumstance indicate the asset may be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. The Corporation estimates the fair value of its intangible assets using a discounted cash flow analysis, including the use of net revenue associated with the trade names.

Prepaid Charges for Shared Information Services—The Corporation invests in information systems that are shared by other Regional Health Ministries of Trinity Health. Prepaid charges represent the prorated portion of the net book value of shared information systems and include hardware, software, and other capital expenses, net of accumulated depreciation on these assets. Shared information systems are recorded at cost and depreciated over the estimated useful life of the assets using the straight-line method. Useful lives range from 4 to 10 years. As the assets are depreciated, the Corporation records amortization expense as allocated by Trinity Health. Information services expenses are recorded in purchased services in the consolidated statements of operations. Infrastructure charges are recorded in other assets in the consolidated balance sheets in the amount of $15.1 million and $9.9 million at September 30, 2017 and 2016, respectively.

Intercompany Loan Program—The Corporation has the ability to borrow funds through the Trinity Health intercompany loan program. Loans under this program accrue interest at a variable rate that approximates external interest costs for the fiscal year which is assessed quarterly. Interest and principal are paid monthly to Trinity Health under provisions of the loan agreement.

Temporarily and Permanently Restricted Net Assets—Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payors, and Net Patient Service Revenue—The Corporation has agreements with third-party payors that provide for payments at amounts different from established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payors and other changes in estimates are included in net patient service revenue and estimated receivables from and payables to third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Estimated receivables from third-party payors include amounts receivable from Medicare and state Medicaid meaningful use programs.

State of Connecticut Hospital Tax—Pursuant to Connecticut General Statutes, the State of Connecticut imposes a tax on the net patient revenues of hospitals offset by supplemental Disproportionate Share Hospital (DSH) payments to hospitals. For the years ended September 30, 2017 and 2016, the Corporation incurred a tax of $55,643 and $44,199, respectively. Supplemental DSH payments received were $17,723 and $22,923 for the years ended September 30, 2017 and 2016, respectively. These transactions resulted in a combined negative impact on the Corporation’s income from operations of $37,920 and $21,276 for the years ended September 30, 2017 and 2016, respectively.

Self-Insured Employee Health Benefits—The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation’s employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation or other health care providers. Gross patient service revenue has been reduced by an allowance for self-insured employee health benefits which represents revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Allowance for Doubtful Accounts—The Corporation recognizes a significant amount of patient service revenue at the time the services are rendered even though the Corporation does not assess the patient's ability to pay at that time. As a result, the provision for bad debts is presented as a deduction from patient service revenue (net of contractual provisions and discounts). For uninsured and underinsured patients that do not qualify for charity care, the Corporation establishes an allowance to reduce the carrying value of such receivables to their estimated net realizable value. This allowance is established based on the aging of accounts receivable, and the historical collection experience, and for each type of payor. A significant portion of the Corporation's provision for doubtful accounts relates to self-pay patients, as well as co-payments and deductibles owed to Corporation by patients with insurance.

Other Long-Term Liabilities—Other long-term liabilities include deferred compensation and asset retirement obligations.

Capitation Revenue—The Corporation has entered into capitation arrangements whereby it has accepted the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation is financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the Corporation is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheets.

Income Taxes—The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. Certain of the taxable subsidiaries have entered into tax sharing agreements and file consolidated federal income tax returns with other corporate taxable subsidiaries. The Corporation includes penalties and interest, if any, with its provision for income taxes in other nonoperating items in the consolidated statements of operations and changes in net assets.

Excess of Revenue over Expenses—The consolidated statements of operations and changes in net assets includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets), net change in retirement and postretirement plan related items, discontinued operations, and cumulative effects of changes in accounting principles.

Adopted Accounting Pronouncements—On October 1, 2016, the Corporation adopted Accounting Standards Update (ASU) No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairment by eliminating Step 2 from the goodwill impairment test. Although the adoption of this guidance resulted in a policy change for the Corporation, it did not have a material impact on its consolidated financial statements.

Forthcoming Accounting Pronouncements—In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. In August 2015, the FASB amended the guidance to defer the effective date of this standard by one year. ASU No. 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU No. 2014-09 is that an entity should recognize 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. The Corporation is currently evaluating the requirements of the new standard to insure that we have processes, systems, and internal controls in place to collect the necessary information to implement the standard, which will be effective for the Corporation beginning October 1, 2018. While the adoption of ASU No. 2014-09 will have a material effect on the amounts presented in certain categories on the consolidated statements of operations, the Corporation does not expect it to materially impact the results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This guidance introduces a lessee model that brings substantially all leases on the consolidated balance sheet. The main difference between the guidance in ASU No. 2016-02 and current GAAP is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. Recognition of these lease assets and liabilities will have a material impact to the Corporation's consolidated balance sheet upon adoption. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients. This guidance is effective for the Corporation beginning October 1, 2019. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which amends the requirements related to the presentation of the components of net periodic benefit cost in the statement of operations for an entity's sponsored defined benefit pension and other postretirement plans. This guidance is effective for the Corporation beginning October 1, 2019. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This guidance simplifies and improves how not-for-profit entities classify net assets, as well as the information presented in consolidated financial statements and notes about liquidity, financial performance, and cash flows. Specifically, this guidance reduces the three classifications of net assets on the consolidated balance sheet to two classifications. This guidance is effective for the Corporation beginning October 1, 2018. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*, which adds and clarifies guidance on the presentation of changes in restricted cash on the statement of cash flows and requires restricted cash to be included with cash and cash equivalents in the statement of cash flows. The guidance does not provide a definition of restricted cash. This guidance is effective for the Corporation beginning October 1, 2019. The Corporation is still evaluating the impact this guidance may have on the consolidated statement of cash flows.

In January 2017, the FASB issued ASU No. 2017-02, *Clarifying When a Not-for-Profit Entity That is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*, which adds and clarifies consolidation guidance for not-forprofits from ASU No. 2015-02, *Amendments to the Consolidation Analysis*, issued in February 2015. This guidance significantly changes the consolidation analysis required under GAAP. This guidance is effective for the Corporation beginning October 1, 2017. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In August 2016 the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. This guidance adds and clarifies guidance on the classification of certain cash receipts and payments in the consolidated statements of cash flows. This guidance is effective for the Corporation beginning October 1, 2019. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

3. CONSOLIDATED AFFILIATES AND INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Investments in Unconsolidated Affiliates—The Corporation and certain of its subsidiaries have investments in entities that are recorded under the cost and equity methods of accounting. The Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 4.5% to 50% for both of the years ended September 30, 2017 and 2016. The Corporation's share of equity earnings from these entities accounted for under the equity method was $2.4 million and $0.4 million for the years ended September 30, 2017 and 2016, of which $2.4 million and $2.3 million for 2017 and 2016, respectively, is included in other revenue and losses of $(0.03) million and $(1.9) million for 2017 and 2016, respectively, is included in nonoperating items in the consolidated statements of operations and changes in net assets.

Unconsolidated affiliates include investments in joint ventures with an ambulatory surgery centers, home care, outpatient cancer treatment center, and physician hospital organizations. These unconsolidated affiliates maintain their own indebtedness, none of which is guaranteed by the Corporation. The unaudited summarized financial position and results of operations of entities accounted for under the equity method as of and for the years ended September 30, 2017 and 2016, are as follows (in thousands):

	2017				
	Outpatient and Diagnostic Services	**Ambulatory Surgery Centers**	**Physician Hospital Organizations**	**Other Investees**	**Total**
Total assets	$31,702	$1,188	$ 3,958	$ 5,106	$41,954
Total liabilities	1,930	-	4,373	2,367	8,670
Revenue—net	13,684	5,919	9,792	24,952	54,347
Excess of revenue over expenses	1,606	2,939	709	536	5,790

	2016				
	Outpatient and Diagnostic Services	**Ambulatory Surgery Centers**	**Physician Hospital Organizations**	**Other Investees**	**Total**
Total assets	$33,385	$2,937	$ 2,766	$ 4,348	$43,436
Total liabilities	2,187	513	3,450	2,109	8,259
Revenue—net	9,471	7,762	6,975	15,552	39,760
Excess (deficiency) of revenue over (under) expenses	1,430	1,424	(1,714)	618	1,758

Business Acquisitions:

Johnson Memorial Medical Center, Inc.—On January 1, 2016, the Corporation acquired certain assets and liabilities of Old Johnson as described in Note 1. As a result of the acquisition, the Corporation recognized an inherent contribution of $4 million in the consolidated statement of operations and changes in net assets.

Summarized consolidated balance sheet information for Johnson at January 1, 2016, is shown below (in thousands):

Patient accounts receivable—net	$ 9,330
Other receivables	777
Inventories	1,577
Other current assets	1,585
Property and equipment	26,010
Other assets	3,472
Total assets acquired	$42,751
Current portion of long-term debt	$ 801
Accounts payable and accrued expenses	11,765
Other current liabilities	2,682
Long-term debt	22,749
Other long-term liabilities	141
Total liabilities acquired	$38,138
Unrestricted net assets	$ 4,073
Temporarily restricted net assets	540
Total net assets	$ 4,613

For the year ended September 30, 2017, and the nine-month period ended September 30, 2016, Johnson reported revenue of $69 million and $49.3 million and deficiency of revenue over expenses of $(0.3) million and $(4) million, respectively, in the consolidated statements of operations.

Riverbend—On July 1, 2016, the Corporation, through its subsidiary, Sisters of Providence Health System, Inc. that merged into The Mercy Hospital on December 30, 2016, acquired substantially all of the operations and certain assets of MWA, P.C. and Physician Practice Partners, L.L.C. and formed Riverbend, a physician practice located in Springfield, Massachusetts. As a result of this transaction, the Corporation recognized goodwill of $6.1 million in the consolidated balance sheet. During the year ended September 30, 2017, this amount was determined to be impaired and written off. See Footnote 5. Summarized consolidated balance sheet information for Riverbend at July 1, 2016, is shown below (in thousands):

Cash, cash equivalents, and investments	$ 430
Patient accounts receivable—net	4,439
Other current assets	1,771
Property and equipment	10,757
Goodwill	6,144
Other assets	1,000
Total assets acquired	$24,541
Current portion of long term	$ 144
Accounts payable and accrued expenses	2,074
Salaries, wages, and related liabilities	3,911
Estimated payable to third parties	999
Long-term debt—net of current portion	172
Total liabilities acquired	$ 7,300
Unrestricted net assets	$17,241
Total net assets	$17,241

For the year ended September 30, 2017, Riverbend reported total operating revenue of $78 million and deficiency of revenue over expenses of $(19) million in the consolidated statements of operations.

For the three-month period ended September 30, 2016, Riverbend reported revenue of $16.7 million and deficiency of revenue over expenses of $(2.3) million in the consolidated statements of operations.

Saint Mary's Hospital, Inc. and Saint Mary's Health System, Inc. ("Saint Mary's")—On August 1, 2016, the Corporation became the sole corporate member of Saint Mary's Hospital, Inc. as part of a member substitution. Saint Mary's Hospital, Inc. and its subsidiaries are a regional health care system located in Waterbury, Connecticut. As a result of this transaction, the Corporation recognized an inherent contribution of $56 million for the two-months ended September 30, 2016, in the consolidated statement of operations and changes in net assets. Summarized consolidated balance sheet information for Saint Mary's Hospital, Inc. and its subsidiaries at August 1, 2016, is shown below (in thousands):

Cash, cash equivalents, and investments	$ 18,252
Patient accounts receivable—net	33,029
Other current assets	10,662
Assets limited or restricted as to use—current portion	3,465
Property and equipment	100,686
Assets limited or restricted as to use—noncurrent portion	62,150
Other assets	5,859
Total assets acquired	$234,103
Accounts payable and accrued expenses	$ 41,737
Accrued pension and retiree health costs	89,167
Other long-term liabilities	26,203
Total liabilities acquired	$157,107
Unrestricted net assets	$ 55,992
Unrestricted noncontrolling interest	2,500
Total unrestricted net assets	58,492
Temporarily restricted net assets	1,978
Permanently restricted net assets	16,526
Total net assets	$ 76,996

For the year ended September 30, 2017, and the two-months ended September 30, 2016, Saint Mary's Hospital, Inc. and its subsidiaries reported revenue of $317 million and $51.6 million and deficiency of revenue over expenses of $(3.1) million and $(0.2) million, respectively, in the consolidated statements of operations.

4. NET PATIENT SERVICE REVENUE

A summary of the payment arrangements with major third-party payors follows:

Medicare—Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid—Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules, and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other—Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments, and discounts from established charges.

The Corporation recorded changes in estimates and removed estimated receivables from and/or payables to third-party payors that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews, and investigations. These adjustments resulted in a decrease in net patient service revenue of $(0.7) million in 2017 and an increase in net patient service revenue of $9.7 million in 2016.

Final settlements have not been received from Medicare for 2015 through 2017, and from Blue Cross for 2017. The Hospital is appealing various elements of final settlements dating to 2002.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care—The Corporation provides services to all patients regardless of ability to pay. In accordance with the Corporation’s policy, a patient is classified as a charity patient based on income eligibility criteria as established by the Federal Poverty Guidelines. Charges for services to patients who meet the Corporation’s guidelines for charity care are not reflected in the accompanying consolidated financial statements.

Patient Service Revenues—Net of contractual and other allowances (but before the provision for bad debts), recognized during the years ended September 30, 2017 and 2016, are as follows (in thousands):

	2017	**2016**
Medicare	$ 674,955	$ 522,026
Blue Cross	284,241	206,427
Medicaid	316,769	241,920
Uninsured	18,949	27,797
Commercial and other	437,830	363,724
Total	$ 1,732,744	$ 1,361,894

A summary of net patient service revenue before provision for bad debts for the years ended September 30, 2017 and 2016, is as follows (in thousands):

	2017	2016
Gross charges:		
Acute inpatient	$ 2,065,747	$ 1,659,273
Outpatient, nonacute inpatient, and other	2,848,292	2,051,075
Gross patient service revenue	4,914,039	3,710,348
Less:		
Contractual and other allowances	3,153,310	2,331,043
Charity care charges	27,985	17,411
Net patient service revenue before provision for bad debts	$ 1,732,744	$ 1,361,894

5. LONG-LIVED ASSETS

Property and Equipment—A summary of property and equipment as of September 30, 2017 and 2016, is as follows (in thousands):

	2017	2016
Land	$ 15,716	$ 15,716
Buildings and improvements	618,762	574,854
Equipment	334,312	278,070
Capital leased assets	10,311	10,475
Total	979,101	879,115
Accumulated depreciation	(341,879)	(268,028)
Construction in progress	21,472	30,556
Property and equipment—net	$ 658,694	$ 641,643

At September 30, 2017, commitments to purchase property and equipment of approximately $6.7 million were outstanding. The Corporation had facilities, infrastructure, and electronic medical record projects in process on September 30, 2017, with costs of $21.5 million incurred and recorded in the accompanying consolidated balance sheets. The estimate to complete these projects approximated $8.7 million (which included the commitments above) at September 30, 2017.

Goodwill—The following table provides information regarding other intangible assets, including goodwill, which is included in the accompanying consolidated balance sheets of the Corporation as of September 30, 2017 and 2016 (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
As of September 30, 2017:			
Definite-lived intangible assets:			
Medical records	$ 1,000	$(125)	$ 875
Total definite-lived intangible assets	1,000	(125)	875
Indefinite-lived intangible assets:			
Goodwill	319	-	319
Tradenames	7,050	-	7,050
Total indefinite-lived intangible assets	7,369	-	7,369
Total intangible assets	$ 8,369	$(125)	$ 8,244

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
As of September 30, 2016:			
Definite-lived intangible assets:			
Medical records	$ 1,000	$ (25)	$ 975
Total definite-lived intangible assets	1,000	(25)	975
Indefinite-lived intangible assets:			
Goodwill	6,462	-	6,462
Tradenames	7,050	-	7,050
Total indefinite-lived intangible assets	13,512	-	13,512
Total intangible assets	$14,512	$ (25)	$14,487

The following is a schedule of estimated future amortization of definite-lived intangible assets as of September 30, 2017 (in thousands):

Years Ending September 30:	
2018	$100
2019	100
2020	100
2021	100
2022	100
Thereafter	375
Total	$875

Impairments—During the year ended September 30, 2017, the Corporation recorded impairment charges of $6.1 million in the consolidated statement of operations and changes in net assets. Material adverse trends in the most recent estimates of future discounted and undiscounted cash flows of certain locations indicated that the carrying value of goodwill at Riverbend Medical Group was not recoverable from estimated future cash flows. The Corporation believes factors contributing to the continuing adverse financial trends included lower volumes, reductions in third-party reimbursements, and higher labor costs than originally expected.

6. LONG-TERM DEBT

A summary of long-term debt as of September 30, 2017 and 2016, is as follows (in thousands):

	2017	**2016**
Notes payable to Trinity Health and affiliates:		
Notes payable to Trinity Health and affiliates, interest payable at a weighted-average interest rate of 3.54% during 2017 and 3.23% during 2016 payable in varying monthly installments, due through 2051—		
Total notes payable to Trinity Health and affiliates	$396,534	$378,971
Less current portion	(7,465)	(7,451)
Notes payable to Trinity Health and affiliates—net of current portion	$389,069	$371,520
Long-term debt:		
Note payable to banks. Interest payable fixed during 2017 and 2016 at an interest rate of 3.75%, payable in varying monthly installments through 2021	$ 301	$ 370
Capital lease obligations (excluding imputed interest of $0.1 million and $0.1 million at September 30, 2017 and 2016, respectively)	1,407	3,864
Health First Loans	2,364	395
Total long-term debt	4,072	4,629
Less current portion—net of current discounts	(2,239)	(2,965)
Long-term debt—net of current portion	$ 1,833	$ 1,664

Contractually obligated principal repayments on long-term debt are as follows (in thousands):

Years Ending September 30:	**Notes Payable to Trinity Health and Affiliates**	**Long-Term Debt**
2018	$ 7,465	$2,239
2019	7,745	1,543
2020	8,099	178
2021	8,590	112
2022	8,961	-
Thereafter	355,674	-
Total	$396,534	$4,072

A summary of interest costs on borrowed funds during the years ended September 30, 2017 and 2016, is as follows (in thousands):

	2017	**2016**
Interest expense included in operations	$15,901	$13,193

There was no capitalized interest at September 30, 2017 or 2016.

Obligated Group and Other Requirements—Trinity Health has debt outstanding under a master trust indenture dated October 3, 2013, as amended and supplemented thereto, the amended and restated master indenture (ARMI). The ARMI permits Trinity Health to issue obligations to finance certain activities. Obligations issued under the ARMI are joint and several obligations of the obligated group established thereunder (the "Obligated Group," which currently consists of Trinity Health). Proceeds from the tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition, and equipping of capital improvements. Proceeds from taxable bonds are to be used to finance corporate purposes. Certain Ministries of Trinity Health constitute designated affiliates and Trinity Health covenants to cause each designated affiliate to pay loan or otherwise transfer to the Obligated Group such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Corporation and certain of its subsidiaries are designated affiliates under the ARMI. The Corporation has granted a security interest in their pledged property to secure Obligations under the ARMI.

Pursuant to the ARMI, the Obligated Group agent (which is Trinity Health) has caused the designated affiliates representing, when combined with the Obligated Group members, at least 85% of the consolidated net revenues of the credit group to grant to the master trustee security interests in their pledged property, which security interests secure all obligations issued under the ARMI. The aggregate amount of obligations outstanding using the ARMI (other than obligations that have been advance refunded) are $5,657 million and $5,471 million at September 30, 2017 and 2016, respectively.

There are several conditions and covenants required by the ARMI with which Trinity Health must comply, including covenants that require Trinity Health to maintain a minimum historical debt service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of Trinity Health or any material designated affiliate (a designated affiliate whose total revenues for the most recent fiscal year exceed 5% of the combined total revenues of Trinity Health for the most recent fiscal year). Long-term debt outstanding as of September 30, 2017 and 2016, that has not been secured under the ARMI is generally collateralized by certain property and equipment.

Long-Term Debt Notes Payable to Trinity Health—During the year ended September 30, 2016, the Corporation borrowed $323 million under the Trinity Health intercompany loan program. The details of the borrowings are as follows:

On October 1, 2015, the Corporation defeased $246 million of State of Connecticut Health and Educational Facilities Authority Revenue Bonds (Series E through M) by borrowing $248 million under the Trinity Health Intercompany Loan Program (ICLP). Additionally, a Series F fixed pay London InterBank Offered Rate swap was novated to Trinity Health as part of the asset purchase agreement on October 1, 2015.

On December 1, 2015, the Corporation borrowed $20 million under the ICLP. The proceeds of this borrowing were used for renovations of a Cancer Center in Springfield, Massachusetts.

On January 1, 2016, the Corporation borrowed $18 million under the ICLP. The proceeds of this borrowing were used for the purchase of certain assets of Old Johnson in Stafford Springs, Connecticut (see Footnote 3).

On May 1, 2016, the Corporation borrowed $20 million under the ICLP. The proceeds of this borrowing were used for cash flow needs.

On July 1, 2016, the Corporation borrowed $17 million under the ICLP. The proceeds of this borrowing were used for the purchase of certain assets of MWA, P.C. and Physician Practice Partners, L.L.C. (see Footnote 3).

On July 1, 2017, the Corporation borrowed $25 million under the ICLP. The proceeds of this borrowing were used to fund the electronic medical records system at Saint Mary's Hospital.

Line of Credit—Saint Francis Hospital and Medical Center had a line of credit with a bank with a total line available of $5 million which expired in May 2017 and was not renewed.

Letters of Credit—The Corporation entered into various letters of credit arrangements totaling $0.7 million and $1.9 million as of September 30, 2017 and 2016, respectively. These letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs. There were no draws on the letters of credit during the years ended September 30, 2017 and 2016.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

Trinity Health operates a wholly owned insurance company, Trinity Assurance, Ltd (TAL). TAL qualifies as a captive insurance company and provides certain insurance coverage to Trinity's Health Ministries under a centralized program. Trinity Health is self-insured for certain levels of general and professional liability, workers' compensation, and certain other claims. Trinity Health has limited its liability by purchasing other coverages from unrelated third-party commercial insurers. TAL has also limited its liability through commercial reinsurance arrangements.

Effective October 1, 2015, TAL policies include the facilities and individuals that were previously insured with Saint Francis Indemnity Company, LLC (SFICL), a captive insurance company domiciled in the State of Vermont, whose sole member was Saint Francis Hospital and Medical Center. Policies issued and reinsurance purchased by SFICL prior to October 1, 2015, will remain in effect. SFICL did not, nor does it intend to, write or renew any insurance business after September 30, 2015. SFICL was merged into TAL on May 1, 2016, at which time all losses previous to October 1, 2015, for SFICL were assumed by TAL.

Effective August 1, 2016, TAL policies include the facilities and individuals that were previously insured with Saint Mary's Indemnity Company, LLC (SMICL), a captive insurance company domiciled in the State of Vermont, whose sole member is Saint Mary's Hospital. Policies issued and reinsurance purchased by SMICL prior to August 1, 2016, will remain in effect. SMICL did not, nor does it intend to, write or renew any insurance business after July 31, 2016, but will effectively run off its existing business. SMICL was merged into TAL on March 1, 2017, at which time all losses previous to August 1, 2016, for SMICL will be assumed by TAL.

Trinity Health's current self-insurance program includes $15 million per occurrence for the primary layers of professional and general liability, as well as $10 million per occurrence for general liability and $10 million per occurrence for hospital government liability, $5 million per occurrence for miscellaneous errors and omission liability, and $1 million per occurrence for management liability (directors', officers', and employment practices), network security and privacy liability, and certain other coverages. In addition, through TAL and its various commercial reinsurers, Trinity Health maintains integrated excess liability coverage with separate annual limits for professional/general liability, management liability, network security, and privacy liability. Trinity Health self-insures $750,000 per occurrence for workers' compensation, with commercial insurance providing coverage up to the statutory limits, and self-insures up to $500,000 per occurrence for first-party property damage with commercial insurance providing additional coverage.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses, which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation's expenses and available industry-wide data. The Corporation discounts the reserves to their present value using a discount rate of 3%. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary. The changes to the estimated self-insurance reserves were determined based upon the annual independent actuarial analyses.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents occurring through September 30, 2017, that may result in the assertion of additional claims, and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of legal counsel, believes that the excess liability, if any, should not materially affect the consolidated financial position, operations, or cash flows of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Deferred Compensation—The Corporation has nonqualified deferred compensation plans that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of September 30, 2017 and 2016, the assets under these plans totaled $7.8 million and $6.5 million and liabilities under these plans totaled $7.8 and $6.5 million, respectively, which are included in benefits plans and other long-term liabilities in the consolidated balance sheets.

Defined Contribution Benefits—The Corporation sponsors defined contribution plans covering substantially all of its employees. These programs are funded by employee voluntary contributions, subject to legal limitations. Employer contributions to the plans include nonelective contributions of 2% to 3% of eligible compensation, and varying levels of matching contributions based on employee service. The employees direct their voluntary contributions and employer contributions among a variety of investment options.

Contribution expense under the plans totaled $31.9 and $21.8 million during the years ended September 30, 2017 and 2016, respectively. In fiscal year 2017, forfeitures of $0.2 million were used to offset employer contributions to the plan.

Defined Benefit Pension Plan—A portion of the Corporation's employees at The Mercy Hospital and related subsidiaries participate in a qualified noncontributory single employer defined benefit pension plan sponsored by Trinity Health. The plan's assets are invested in equity securities, fixed-income securities, money market investments, hedge funds, commingled funds directly holding securities, long/short equity, and private equity funds. The plan is accounted for as a multiple employer plan for participating subsidiaries of Trinity Health and has church plan status as defined in the Employee Retirement Income Security Act of 1974 (ERISA). The Corporation has been allocated its share of pension costs, contributions, and liabilities based on actuarial valuation of the Corporations plan participants.

Noncontributory Defined Benefit Pension Plans—The Corporation maintains two frozen, nonqualified noncontributory defined benefit pension plans. The plans sponsored by the Corporation are intended to be "Church Plans," as defined in the Code Section 414(e) and Section 3(33) of the ERISA, as amended, which have not made an election under Section 410(d) of the code to be subject to ERISA. The Corporation's adopted funding policy for the majority of its qualified church plans, which is reviewed annually, is to fund the current normal cost or service cost based on the accumulated benefit obligations and amortization of any under or over funding.

Saint Francis Hospital Defined Benefit Plan—This plan has church plan status and had historically funded amounts equal to annual pension expense. In fiscal year 2017, the funding policy changed to the current normal cost or service cost based on the accumulated benefit obligations and amortization of any under or over funding. Benefits are based on years of service and the employee's compensation and include a cash balance account for each employee. Effective March 1, 2006, Saint Francis Hospital and Medical Center amended the plan to close the plans to new participants on September 30, 2006, and to freeze accruals as of October 1, 2006, for participants whose age plus years of service (minimum of 10 years) total less than 55. As of October 1, 2006, the Hospital and Medical Center established a defined contribution plan for all eligible nongrandfathered employees. The defined benefit plan became fully frozen effective October 1, 2009. The plan sponsor is Trinity Health.

Saint Mary's Hospital Defined Benefit Plan—As discussed in Note 3, the Corporation acquired Saint Mary's on August 1, 2016, to include all related benefit plans. Saint Mary's maintains a noncontributory, defined benefit pension plan for most employees which are historically funded with available cash flow. This plan has church plan status as determined by the Internal Revenue Service and is therefore exempt from a majority of ERISA regulations. The plan was frozen to new entrants in 1997. In 2004, the plan's benefits were curtailed to eliminate participants' earnings of additional benefits for future services.

Collaborative Laboratory Services Retirement—This plan is subject to the provisions of the ERISA. The Corporation makes contributions in amounts sufficient to meet ERISA's minimum funding requirements. Effective May 1, 2009, the plan was frozen for all grandfathered employees.

Plan Sponsor Change—Effective October 31, 2016, the Corporation's noncontributory defined benefit pension plan subject to the provisions of ERISA was merged along with three other Trinity Health entities defined benefit plans into one defined benefit pension plan, renamed Trinity Health ERISA Pension Plan (the "Plan"). This change did not affect participant pension benefits because the benefit provisions of these plans have been incorporated into the renamed pension plan. The Plan is a frozen, qualified noncontributory defined benefit pension plan sponsored by Trinity Health. The assets and liabilities of this plan were transferred to Trinity Health. The Plan is accounted for as a multiple employer plan and is subjected to the provisions of the ERISA. As a multiple employer plan, the Corporation has been allocated their share of pension costs (credits) and contributions based on an actuarial valuation of Corporation plan participants. The Plan's assets are invested in equity securities, fixed-income securities, money market investments, hedge funds, commingled funds, long/short equity, and private equity funds. For the year ended September 30, 2017, the Corporation recorded net periodic pension credit of $0.2 million and made no cash contributions to the Plan. The Plan's funding policy complies with the minimum funding requirements of ERISA.

Postretirement Health Care Benefit Plan ("Postretirement Plan")—The Corporation sponsors unfunded, noncontributory plans to provide health care benefits to certain of its retirees. The plan provides health insurance to retirees and spouses who have met certain eligibility and length of service requirements. The plan is closed to new participants. Medical benefits for these retirees are subject to deductibles and co-payment provisions. Effective September 30, 2014, a plan amendment permanently capped the subsidy for the grandfathered participants to the 2014 funding level.

The following table sets forth the changes in projected benefit obligations, changes in plan assets, and funded status of the plans for both the pension and Postretirement Plans for the years ended September 30, 2017 and 2016 (in thousands):

	Pension Plans		Postretirement Plans	
Change in Benefit Obligation	**2017**	**2016**	**2017**	**2016**
Benefit obligation—beginning of year	$ 652,783	$ 467,096	$ 7,084	$ 6,841
Acquisition valuation adjustment	-	(19,155)	-	277
Interest cost	25,977	22,849	241	295
Actuarial gain (loss)	1,004	47,471	(70)	526
Benefits paid	(28,504)	(20,488)	(767)	(855)
Transfer to plan sponsor	(17,628)	-	-	-
Plan acquisition	-	155,010	-	-
Benefit obligation—end of year	$ 633,632	$ 652,783	$ 6,488	$ 7,084
Change in Plan Assets				
Fair value of plan assets—beginning of year	$ 345,823	$ 257,496	$ -	$ -
Actual return on plan assets	35,702	29,414	-	-
Employer contributions	35,508	12,601	-	-
Transfer to plan sponsor	(13,437)	-	-	-
Plan acquisition	-	66,800	-	-
Benefits paid	(28,504)	(20,488)	-	-
Fair value of plan assets—end of year	375,092	345,823	-	-
Net amount recognized in accrued pension and retiree health costs	$(258,540)	$(306,960)	$(6,488)	$(7,084)

Actuarial gain (loss) during 2017 and 2016 are due primarily to changes in the discount rates used to measure plan liabilities.

The accumulated benefit obligation and fair value of plan assets for the nonqualified defined benefit pension plans for the years ended September 30, 2017 and 2016, are as follows (in thousands):

	Pension Plans	
	2017	**2016**
Accumulated benefit obligation	$ 633,632	$ 652,783
Fair value of plan assets	(375,092)	(345,823)
Funded status	$ 258,540	$ 306,960

Components of net periodic benefit cost for the years ended September 30 consisted of the following (in thousands):

	Pension Plans		Postretirement Plans	
	2017	**2016**	**2017**	**2016**
Interest cost	$ 25,977	$ 22,849	$241	$295
Expected return on assets	(23,631)	(18,549)	-	-
Net periodic benefit cost	$ 2,346	$ 4,300	$241	$295

The amounts in unrestricted net assets, including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows (in thousands):

	Pension Plans Net Loss (Gain)	**Postretirement Plans Net Loss (Gain)**	**All Plans Total**
Balance—October 1, 2015	$ 210,866	$(2,145)	$ 208,721
Acquisition valuation adjustment	(210,866)	2,145	(208,721)
Arising during the year	36,607	526	37,133
Balance—September 30, 2016	36,607	526	37,133
Transfer to plan sponsor	(1,663)	-	(1,663)
Arising during the year	(11,066)	(70)	(11,136)
Balance—September 30, 2017	$ 23,878	$ 456	$ 24,334

Assumptions used to determine benefit obligations and net periodic benefit cost for the years ended September 30, 2017 and 2016, were as follows (in thousands):

	Pension Plans		Postretirement Plans	
	2017	2016	2017	2016
Benefit obligations—				
Discount rate	4.15 %–4.25 %	4.1 %–4.25 %	3.75 %	3.60 %
Net periodic benefit cost:				
Discount rate	4.10 %–5.20 %	3.90 %–5.20 %	3.60 %	4.40 %
Expected long-term return on plan assets	7.00 %	7.00 %	NA	NA
Rate of compensation increase	NA	NA	NA	NA

The Corporation’s investment allocations as of September 30, 2017 and 2016, by investment category are as follows:

	Pension Plans	
	2017	2016
Investment category:		
Cash and cash equivalents	3 %	4 %
Debt securities:		
Government and government agency obligations	10	10
Corporate bonds	6	8
Asset-backed securities	5	4
Exchange-traded mutual funds:		
Equity funds	25	16
Fixed-income funds	17	28
Real estate investment funds	4	-
Other investments:		
Commingled funds	30	30
Total	100 %	100 %

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across United States and non-US stocks, as well as growth, value, and small and large capitalizations. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies. For the majority of the Corporation’s pension plan investments, the combined target investment allocation as of September 30, 2017, was global and traditional equity securities 52%; fixed-income obligations 40%; real estate 4%; commodities 2%; and cash 2%.

The following tables summarize the pension plans' assets measured at fair value as of September 30, 2017 and 2016 (in thousands):

	2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Pension plans:				
Cash and cash equivalents	$ 11,106	$ -	$ -	$ 11,106
Debt securities:				
Government and government agency obligations	-	37,315	-	37,315
Corporate bonds	-	23,313	-	23,313
Asset-backed securities	-	20,148	-	20,148
Exchange-traded/mutual funds:				
Equity funds	92,649	-	-	92,649
Fixed-income funds	63,485	-	-	63,485
Real estate investment funds	10,119	-	-	10,119
Other	(207)	-	-	(207)
Subtotal	$ 177,152	$ 80,776	$ -	257,928
Investment measured at net asset value:				
Commingled funds— Equity funds				117,164
Total pension plans' assets at fair value				$ 375,092

	2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Pension plans:				
Cash and cash equivalents	$ 13,644	$ -	$ -	$ 13,644
Equity securities	790			790
Debt securities:				
Government and government agency obligations	-	33,952	-	33,952
Corporate bonds	-	28,129	-	28,129
Asset-backed securities	-	12,997	-	12,997
Exchange-traded/mutual funds:				
Equity funds	56,715	-	-	56,715
Fixed-income funds	96,645	-	-	96,645
Other	538	-	-	538
Subtotal	$ 168,332	$ 75,078	$ -	243,410
Investment measured at net asset value:				
Commingled funds— Equity funds				102,413
Total pension plans' assets at fair value				$ 345,823

Expected Contributions—The Corporation expects to contribute $38 million to its pension plans and $0.08 million to its Postretirement Plans during the year ended September 30, 2018, under the Corporation's stated funding policies.

Expected Benefit Payments—The Corporation expects to pay the following pension benefits and expected postretirement benefits for the year ended (in thousands):

Years Ending September 30	Pension Plans	Postretirement Plans
2018	$ 31,884	$ 767
2019	33,871	722
2020	35,517	677
2021	36,836	634
2022	37,293	590
Years 2023–2027	195,952	2,338

9. COMMITMENTS AND CONTINGENCIES

Operating Leases—The Corporation leases various land, equipment, and facilities under operating leases. Total rental expense, which includes provisions for maintenance in some cases, was $29.6 million and $20.1 million for the years ended September 30, 2017 and 2016, respectively.

The following is a schedule of future minimum lease payments under operating leases as of September 30, 2017, that have initial or remaining lease terms in excess of one year (in thousands):

Years Ending September 30	
2018	$15,953
2019	14,316
2020	13,358
2021	12,922
2022	11,974
Thereafter	26,200
Total	$94,723

Asset Retirement Obligations—The Corporation has conditional asset retirement obligations for certain fixed assets mainly related to removal of asbestos contained within facilities. This liability is included in other long-term liabilities.

A reconciliation of asset retirement obligations at September 30, 2017 and 2016, is as follows (in thousands):

	2017	2016
Asset retirement obligation—beginning of period	$8,603	$6,677
Accretion	363	408
Liabilities assumed through acquisitions	-	1,564
Liabilities settled	-	(46)
Asset retirement obligation—end of period	$8,966	$8,603

Litigation—The Corporation is involved in litigation and regulatory investigations arising in the course of doing business. After consultation with legal counsel, management expects that these matters will be resolved without material adverse effect on the Corporation's consolidated financial position, results of operations, or cash flows.

On July 21, 2015, Saint Francis Hospital and Medical Center in Hartford, Connecticut, was notified that it was a defendant in a class action lawsuit filed in the US Court for the District of Connecticut challenging the church plan status of its employee pension plan. A final approval order was issued by the court on November 3, 2016, and became final on December 3, 2016. The settlement requires the Corporation to make a one-time contribution to the Plan of $17 million by February 1, 2017, and, for every year after, for nine years, make a $10 million contribution on an annual basis. These amounts are included in the accrued pension and retiree health costs as of September 30, 2017 and 2016.

Health Care Regulatory Environment—The health care industry is subject to numerous and complex laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters, such as licensure, accreditation, privacy, government health care program participation requirements and government reimbursement for patient services, fraud and abuse, and requirements for tax exemption for tax-exempt organizations. Compliance with such laws and regulations is complex and can be subject to future government interpretation, as well as regulatory enforcement actions, including fines, penalties, and exclusion from government health care programs, such as Medicare and Medicaid. The Corporation and its subsidiaries periodically receive notices from governmental agencies requesting information regarding billing, payment or other reimbursement matters, initiating investigations, or indicating the existence of whistleblower litigation. The health care industry in general is experiencing an increase in these activities as federal and state governments increase their enforcement activities and institute new programs designed to identify potential irregularities in reimbursement or quality of patient care. Based on the information received to date, management does not believe the ultimate resolution of these matters will have a material adverse effect on the Corporation's future consolidated financial position, results of operations, or cash flows.

10. RELATED-PARTY TRANSACTIONS

Trinity Health allocates the cost of centrally administered services to the Corporation. The Corporation also shares certain services with affiliates and other regional health ministries of Trinity Health. These services include information systems, benefits administration, treasury management, revenue management services, accounts payable, professional liability, workers' compensation, pension, administration, supply chain, internal audit and corporate compliance, external audit, decision support, and corporate service allocation.

The composition of the related-party transactions with Trinity Health and other regional health ministries for the years ended September 30, 2017 and 2016, is as follows (in thousands):

	2017	2016
Amounts recorded in the consolidated balance sheets:		
Investment in Trinity Health pooled investment program	$ 51,661	$ 60,125
Assets limited or restricted as to use (less current portion):		
By Board	29,638	26,661
By donors	3,328	2,734
Total investment in Trinity Health pooled investment program	$ 84,627	$ 89,520
Accounts and other receivables		
Prepaid charges for shared information systems	$ 15,105	$ 9,909
Benefit plans and other	7,764	6,533
Other assets	13,175	12,229
Accounts payable	7,252	4,095
Current portion of notes payable to Trinity Health and affiliates	7,465	7,451
Notes payable to Trinity Health and Affiliates—net of current portion	389,069	371,520
Amounts recorded in the consolidated statements of operations and changes in net assets:		
Other revenue	553	876
Operating expenses:		
Employee benefits	3,764	3,291
Contract labor	5,954	427
Purchased services:		
Information services	35,881	16,436
Management services	15,867	6,897
Revenue management services	2,213	880
Supply chain and accounts payable services	1,926	765
Repairs and maintenance included in occupancy	1,212	814
Amortization	2,644	1,111
Interest	13,503	11,244
Insurance, included in other expenses	24,509	16,422
Nonoperating earnings in Trinity Health corporate pooled investment program	11,681	2,939
Cash payments under interest	(1,413)	(1,341)
Trinity Health corporate pooled investment program fees	(126)	(16)
Equity transfers of funds	(15,462)	(1,070)
Equity transfers—push-down accounting	-	70,996

During the year ended September 30, 2016, the Corporation identified adjustments to the fair value of fixed assets, certain receivable, and third-party payor reserves as of the date of acquisition. These adjustments, totaling approximately $70.9 million, were recorded as a change to opening unrestricted net assets and are reflected in the table above as equity transfers to Trinity Health.

The Corporation entered into an agreement with various subsidiaries of Trinity Health to transfer certain assets related to continuing care services. Effective October 1, 2017, the assets of Home and Community Health Services, Mercy Hospice, Mercy Companions, and Providence Homecare were transferred to Trinity Home Health Services, Inc. The remaining assets will be transferred during the year ending September 30, 2018.

11. FAIR VALUE MEASUREMENTS

The Corporation's consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis on the Corporation's consolidated balance sheets include cash, cash equivalents, equity securities, debt securities, mutual funds, commingled funds, hedge funds, and interest rate swaps. Defined benefit retirement plan assets are measured at fair value on an annual basis, see Note 8 for further details. Liabilities measured at fair value on a recurring basis for disclosure only include debt.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of nonperformance risk.

To determine fair value, the Corporation uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Corporation assesses the inputs used to measure fair value using a three-level hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The fair value hierarchy is as follows:

Level 1—Quoted (unadjusted) prices for identical instruments in active markets

Level 2—Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar instruments in active markets
- Quoted prices for identical or similar instruments in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the instrument (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3—Unobservable inputs that cannot be corroborated by observable market data

Valuation Methodologies—Exchange-traded securities whose fair value is derived using quoted prices in active markets are classified as Level 1. In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures. The inputs to these models depends on the type of security being priced, but are typically benchmark yields, credit spreads, prepayment speeds, reported trades, and broker-dealer quotes, all with reasonable levels of transparency. Generally, significant changes in any of those inputs in insolation would result in a significantly different fair value measurement. The Corporation classifies these securities as Level 2 within the fair value hierarchy.

The Corporation maintains policies and procedures to value instruments using the best and most relevant data available. The Corporation has not adjusted the prices obtained. Third-party administrators do not provide access to their proprietary valuation models, inputs, and assumptions. Accordingly, the Corporation reviews the independent reports of internal controls for these service providers. In addition, on a quarterly basis, the Corporation performs reviews of investment consultant industry peer group benchmarking and supporting relevant market data. Finally, all of the fund managers have an annual independent audit performed by an accredited accounting firm. The Corporation reviews these audited financials for ongoing validation of pricing used. Based on the information available, the Corporation believes that the fair values provided by the third-party administrators and investment fund managers are representative of prices that would be received to sell the assets.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation’s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

Following is a description of the valuation methodologies the Corporation used for instruments recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents**—**The carrying amounts reported in the consolidated balance sheets approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheets. Included in this category is commercial paper. The fair value of commercial paper is based on amortized cost. Commercial paper is designated as Level 2 investments with significant observable inputs including security cost, maturity, and credit rating.

Equity Securities**—**Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded, or are estimated using quoted market prices for similar securities.

Debt Securities**—**Debt securities are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures.

Exchange-Traded / Mutual Funds**—**Exchange-traded funds are valued at the closing price reported on the applicable exchange on which the fund is traded, or estimated using quoted market prices for similar securities. Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned.

Investment in Pooled Investment Program:

Trinity Health invests in various investment vehicles of which the Corporation has included in investment in pooled investment program and assets limited or restricted as to use in the consolidated balance sheets including those described above. The following is a description of the other instruments included in the program along with the related valuation methodologies used:

Commingled Funds—Commingled funds are developed for investment by institutional investors only and therefore, do not require registration with the Securities and Exchange Commission. Commingled funds are recorded at fair value based on net asset value, which is calculated using the most recent fund consolidated financial statements.

Hedge Funds—Hedge funds utilize either a direct or a "fund-of-funds" approach resulting in diversified multistrategy, multimanager investments. Underlying investments in these funds may include equity securities, debt securities, commodities, currencies, and derivatives. These funds are valued at net asset value, which is calculated using the most recent fund consolidated financial statements.

Equity Method Investments—Certain other investments are accounted for using the equity method. These investments are structured as limited liability corporations and partnerships and are designed to produce stable investment returns regardless of market activity. These investments utilize a combination of "fund-of-funds" and direct fund investment resulting in a diversified multistrategy, multimanager investments approach. Some of these funds are developed by investment managers specifically for Trinity Health's use and are similar to mutual funds, but are not traded on a public exchange. Underlying investments in these funds may include other funds, equity securities, debt securities, commodities, currencies, and derivatives. Audited information is only available annually based on the limited liability corporations, partnerships, or funds' year-end. Management's estimates of the fair values of these investments are based on information provided by the third-party administrators and fund managers or the general partners. Management obtains and considers the audited consolidated financial statements of these investments when evaluating the overall reasonableness of the recorded value. In addition to a review of external information provided, management's internal procedures include such things as review of returns against benchmarks and discussions with fund managers on performance, changes in personnel or process, along with evaluations of current market conditions for these investments. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed.

The following table present information about the fair values of financial instruments measured at fair value on a recurring basis and recorded as of September 30, 2017 and 2016 (in thousands):

	2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Assets:				
Cash and cash equivalents	$ 68,048	$ -	$ -	$ 68,048
Equity securities	6,582	-	-	6,582
Debt securities:				
Government and government agency obligations	-	1,157	-	1,157
Corporate bonds	-	2,688	-	2,688
Asset-backed securities	-	81	-	81
Mutual funds:				
Equity mutual funds	75,265	-	-	75,265
Fixed-income mutual funds	17,062	-	-	17,062
Real estate investment funds	1,909	-	-	1,909
Other	1,616	-	-	1,616
Total assets at fair value	$ 170,482	$ 3,926	$ -	174,408
Investments measured at net asset value— Hedge funds				5,393
Equity method investments				2,307
Total assets				$ 182,108

	2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	$ 97,571	$ 1,068	$ -	$ 98,639
Equity securities	15,710	-	-	15,710
Debt securities:				
Government and government agency obligations	-	10,951	-	10,951
Corporate bonds	-	10,049	-	10,049
Asset-backed securities	-	2,082	-	2,082
Mutual funds:				
Equity mutual funds	61,188	-	-	61,188
Fixed-income mutual funds	14,362	-	-	14,362
Real estate investment funds	2,482	-	-	2,482
Other	1,677	-	-	1,677
Total assets at fair value	$ 192,990	$ 24,150	$ -	217,140
Investments measured at net asset value— Hedge funds				1,627
Equity method investments				2,000
Total assets				$ 220,767

The following table reconciles the information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis presented in the table above to amounts presented in the consolidated balance sheets (in thousands):

	2017	2016
Assets:		
Cash and cash equivalents	$ 55,592	$ 92,355
Investments	58,884	74,937
Assets limited or restricted as to use—current portion	1,911	6,853
Assets limited or restricted as to use—noncurrent portion:		
Benefit plans and other	7,764	6,533
By board	44,201	39,825
By donor	116,895	110,059
Total	285,247	330,562
Less items not recorded at fair value:		
Total unconditional promises to give—net	(10,749)	(13,743)
Investments in Trinity Health's pooled investment program	(84,627)	(89,520)
Centrally managed deferred compensation	(7,763)	(6,532)
Total assets	$182,108	$220,767

The Corporation's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from Levels 1 and 2 during the years ended September 30, 2017 and 2016.

Investments in Entities that Calculate Net Asset Value per Share—The Corporation holds shares or interests in investment companies at year-end, included in commingled funds and hedge funds, where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. There were no unfunded commitments as of September 30, 2017 and 2016. The fair value and redemption rules of these investments are as follows (in thousands):

	Investments held at September 30, 2017		
	Fair Value	**Redemption Frequency**	**Redemption Notice Period**
Hedge funds	$5,393	Monthly, quarterly, and semiannually	15–95 days
Total	$5,393		

	Investments held at September 30, 2016		
	Fair Value	**Redemption Frequency**	**Redemption Notice Period**
Hedge funds	$1,627	Monthly, quarterly, and semiannually	15–95 days
Total	$1,627		

The hedge fund category includes equity long/short hedge funds, multistrategy hedge funds, and relative value hedge funds. Equity long/short hedge funds invest both long and short, primarily in US common stocks. Management of the fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. Multistrategy hedge funds exploit structural and technical inefficiencies in the market by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial, or legal uncertainties.

The following table summarizes information about the fair value of the Corporation's financial assets in the investment in the Trinity Health's pooled investment program at September 30, 2017 and 2016, according to the asset category and the valuation techniques used to determine their fair values:

	2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Cash and cash equivalents	8 %	- %	- %	8 %
Equity securities	28	-	-	28
Debt securities:				
Government and government agency obligations	-	6	-	6
Corporate debt securities	-	11	-	11
Asset-backed securities	-	2	-	2
Bank loans	-	-	-	-
Other	-	-	-	-
Mutual funds:				
Equity mutual funds	5	-	-	5
Fixed-income mutual funds	-	-	-	-
Real estate investment funds	-	-	-	-
Other	-	-	-	-
Interest rate swaps	-	-	-	-
Total investments at fair value in Trinity Health corporate pooled investment program	41 %	19 %	- %	60
Investments measured at net asset value:				
Commingled funds				15
Hedge funds				8
Equity method investments				17
Total investments in Trinity Health pooled investment program				100 %

	2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Cash and cash equivalents	11 %	- %	- %	11 %
Equity securities	19	-	-	19
Debt securities:				
Government and government agency obligations	-	5	-	5
Corporate debt securities	-	9	-	9
Asset-backed securities	-	2	-	2
Bank loans	-	1	-	1
Other	-	-	-	-
Mutual funds:				
Equity mutual funds	4	-	-	4
Fixed-income mutual funds	1	-	-	1
Real estate investment funds	-	-	-	-
Other	-	-	-	-
Interest rate swaps	-	-	-	-
Total investments at fair value in Trinity Health corporate pooled investment program	35 %	17 %	- %	52
Investments measured at net asset value:				
Commingled funds				20
Hedge funds				22
Equity method investments				16
Total investments in Trinity Health pooled investment program				100 %

The composition of investment returns, including earnings on investments in the Trinity Health pooled investment program, included in the consolidated statements of operations and changes in net assets for the years ended September 30, 2017 and 2016, are as follows (in thousands):

	2017	2016
Dividend, interest income, and other	$ 5,699	$ 2,494
Realized gains—net	505	2,132
Realized equity gains and other investments	3,042	1,754
Change in net unrealized gains on investments	13,999	5,032
Total investment return	$23,245	$11,412
Included in:		
Operating loss	$ 1,386	$ 1,384
Nonoperating items	16,091	7,114
Changes in restricted net assets	5,768	2,914
Total investment return	$23,245	$11,412

In addition to investments, assets restricted as to use include receivables for unconditional promises to give cash and other assets net of allowances for uncollectible promises to give. Unconditional promises to give consist of the following at September 30, 2017 and 2016 (in thousands):

	2017	2016
Amounts expected to be collected in:		
Less than one year	$ 2,886	$ 4,413
One to five years	7,920	8,397
More than five years	3,107	3,390
	13,913	16,200
Discount to present value of future cash flows	(1,369)	(1,529)
Allowance for uncollectible amounts	(1,795)	(928)
Total unconditional promises to give—net	$10,749	$13,743

Patient Accounts Receivable, Estimated Receivables from Third-Party Payors, and Current Liabilities—The carrying amounts reported in the consolidated balance sheets approximate their fair value.

Long-Term Debt—The fair value of the Corporation's intercompany debt under the Trinity Health intercompany loan program is based on its proportionate share of Trinity Health's fair value for its tax-exempt fixed and variable rate bonds issued under its master indenture. The carrying amounts of Trinity Health's variable rate debt approximate its fair values. The fair value of Trinity Health's fixed-rate debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements. Under the fair value hierarchy, these financial instruments are valued primarily using Level 2 inputs. The fair value of the tax-exempt fixed-rate long-term revenue and refunding bonds was $396.5 million and $379 million for the years ended September 30, 2017 and 2016, respectively. The fair values of the remaining fixed-rate capital leases and notes payable to banks are not materially different from their carrying values.

12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets and permanently restricted net assets at September 30, 2017 and 2016, are available for the following purposes (in thousands):

Temporarily Restricted Net Assets	**2017**	**2016**
Education and research	$ 8,147	$ 3,494
Building and equipment	7,853	19,394
Patient care	2,452	2,376
Cancer Center/research	1,815	1,485
Services for elderly care	464	439
Other	17,456	11,974
Total	$38,187	$39,162
Permanently Restricted Net Assets		
Hospital operations	$81,103	$74,177

The Corporation's endowments consist of funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the board to function as endowments. Net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of endowment funds for a prudent level of risk. The Corporation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Corporation can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

The following tables summarize endowment net asset composition by type of fund at September 30, 2017 and 2016 (in thousands):

	2017			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$4,145	$81,103	$85,248
Board-designated endowment funds	12,945	-	-	12,945
Total donor-restricted endowment funds	$12,945	$4,145	$81,103	$98,193

	2016			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$3,789	$74,177	$77,966
Board-designated endowment funds	10,945	-	-	10,945
Total donor-restricted endowment funds	$10,945	$3,789	$74,177	$88,911

Changes in endowment net assets for the years ended September 30, 2017 and 2016, include (in thousands):

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment net assets—October 1, 2015	$ -	$ 3,200	$ 55,404	$ 58,604
Investment return:				
Investment gains	184	23	-	207
Change in net realized and unrealized gains	1,175	157	2,277	3,609
Total investment return	1,359	180	2,277	3,816
Acquisition of Saint Mary's	-	409	16,526	16,935
Equity transfer	9,586	-	-	9,586
Appropriation of endowment assets for expenditures	-	-	(30)	(30)
Endowment net assets—September 30, 2016	10,945	3,789	74,177	88,911
Investment return:				
Investment gains	657	83	-	740
Change in net realized and unrealized gains	1,343	260	5,000	6,603
Total investment return	2,000	343	5,000	7,343
Contributions	-	13	2,471	2,484
Appropriation of endowment assets for expenditures	-	-	(545)	(545)
Endowment net assets—September 30, 2017	$ 12,945	$ 4,145	$ 81,103	$ 98,193

The table below describes the restrictions for endowment amounts classified as temporarily restricted net assets and permanently restricted net assets as of September 30, 2017 and 2016 (in thousands):

Temporarily Restricted Net Assets	**2017**	**2016**
The portion of perpetual endowment funds subject to a purpose restriction:		
Total endowment funds classified as temporarily restricted net assets	$ 4,145	$ 3,789
Permanently Restricted Net Assets		
Investment to be held in perpetuity, the income from which is expendable to support health care services	$81,103	$74,177

Funds with Deficiencies—Periodically the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or law requires the Corporation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and/or continued appropriation for certain programs that was deemed prudent by the Corporation.

13. INCOME TAXES

At September 30, 2017 and 2016, the Corporation's taxable subsidiaries have unused net operating loss carryforwards for tax purposes of approximately $195 million and $159 million, respectively, available to offset future taxable income. These loss carryforwards begin to expire in 2018. The Corporation has recognized a valuation allowance for the entire amount of the deferred tax asset related to net operating loss carryforwards. Deferred tax liabilities are immaterial.

14. RESTRUCTURING CHARGES

During the year ended September 30, 2017, management authorized and committed the Corporation to undertake a comprehensive performance improvement plan to realign its cost structure. The Corporation had a workforce reduction as part of the plan. As a result of these actions, restructuring charges of $2 million were recorded in the consolidated statements of operations and changes in net assets. The restructuring charges are primarily for severance and termination benefits. As of September 30, 2017, $.4 million in benefits have been paid. There were no restructuring charges during the year ended September 30, 2016.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 16, 2018, the date the consolidated financial statements were issued.

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SUPPLEMENTAL CONSOLIDATING SCHEDULES

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2017
(In thousands)

ASSETS	Saint Francis Hospital and Medical Center, Inc.	Collaborative Laboratory Services	Medworks	Total Laundry Collaborative	Saint Francis Care Medical Group	Saint Francis Behavioral Health Group	Consolidated Saint Francis Hospital and Medical Center	Mount Sinai Rehabilitation Hospital, Inc.	Saint Francis Hospital and Medical Center Foundation, Inc.	Trinity Health Of New England PNO and Subsidiary	Asylum Hill Family Medicine Center, Inc.	Intercompany Eliminations	Saint Francis Consolidated
CURRENT ASSETS:													
Cash and cash equivalents	$ 16,067	$ 574	$ 543	$ 36	$ 277	$ 533	$ 18,030	$ 2,534	$ -	$ 4,397	$ 391	$ -	$ 25,352
Investments in Trinity Health pooled investment program	40,153	-	-	-	-	-	40,153	-	-	-	-	-	40,153
Investments	4,333	-	-	-	-	-	4,333	1,318	37	-	-	-	5,688
Assets limited or restricted as to use—current portion	-	-	-	-	-	-	-	-	2,065	-	-	-	2,065
Patient accounts receivable—net of allowance for doubtful accounts of $30.6 million as of September 30, 2017	64,796	1,191	137	-	466	217	66,807	2,505	-	6,879	209	-	76,400
Estimated receivables from third-party payors	6,245	-	-	-	-	-	6,245	-	-	-	-	-	6,245
Other receivables	6,004	74	54	10	-	12	6,154	38	-	1,323	292	-	7,807
Receivables from affiliates	90,696	1,326	(489)	(266)	(2,276)	(9,128)	79,863	24,111	(3,111)	(37,182)	(3,170)	-	60,511
Inventories	8,663	-	-	-	-	-	8,663	-	-	-	-	-	8,663
Prepaid expenses and other current assets	13,921	221	1	-	43	16	14,202	10	14	316	6	-	14,548
Total current assets	250,878	3,386	246	(220)	(1,490)	(8,350)	244,450	30,516	(995)	(24,267)	(2,272)	-	247,432
ASSETS LIMITED OR RESTRICTED AS TO USE—NONCURRENT PORTION:													
Self-insurance, benefit plans, and other	1,783	-	-	-	-	-	1,783	-	-	3,888	-	-	5,671
By board	25,630	-	-	-	-	-	25,630	-	-	-	-	-	25,630
By donors	82,077	-	-	-	-	-	82,077	-	8,718	-	-	-	90,795
Total assets limited or restricted as to use—noncurrent portion	109,490	-	-	-	-	-	109,490	-	8,718	3,888	-	-	122,096
PROPERTY AND EQUIPMENT—Net	375,607	1,120	42	-	231	14	377,014	928	10	2,167	73	-	380,192
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	11,737	-	-	-	-	-	11,737	-	-	-	-	(10,197)	1,540
INTANGIBLE ASSETS	7,050	-	-	-	-	-	7,050	-	-	-	-	-	7,050
OTHER ASSETS	47,824	5	-	-	-	-	47,829	8	-	53	-	-	47,890
TOTAL ASSETS	$ 802,586	$ 4,511	$ 288	$ (220)	$ (1,259)	$ (8,336)	$ 797,570	$ 31,452	$ 7,733	$ (18,159)	$ (2,199)	$ (10,197)	$ 806,200

(Continued)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2017
(In thousands)

ASSETS	Johnson Memorial Hospital	Johnson Home & Community Health Services	Johnson Consolidated	Saint Mary's Hospital	Diagnostic Imaging of Southbury	Naugatuck Valley MRI LLC	Saint Mary's Phys Partners	Franklin Medical Group PC	Saint Mary's Foundation	Intercompany Eliminations	Saint Mary's Consolidated	Trinity Health Of New England	Connecticut Eliminations	Connecticut Total	The Mercy Hospital, Inc. and Subsidiaries	Trinity Health Of NE—Eliminations	Trinity Health Of New England Consolidated
CURRENT ASSETS:																	
Cash and cash equivalents	$ 58	$ (22)	$ 36	$ 10,645	$ 733	$278	$ 513	$ 462	$ 764	$ -	$ 13,395	$ 659	$ -	$ 39,442	$ 16,150	$ -	$ 55,592
Investments in Trinity Health pooled investment program	1,807	356	2,163	1,388	-	-	-	124	-	-	1,512	-	-	43,828	7,833	-	51,661
Investments	-	-	-	1,535	-	-	-	-	-	-	1,535	-	-	7,223	-	-	7,223
Assets limited or restricted as to use—current portion	-	-	-	-	-	-	-	-	28	-	28	-	-	2,093	(182)	-	1,911
Patient accounts receivable—net of allowance for doubtful accounts of $30.6 million as of September 30, 2017	6,739	1,821	8,560	30,212	465	252	-	4,444	-	-	35,373	-	-	120,333	50,699	-	171,032
Estimated receivables from third-party payors	-	-	-	-	-	-	-	-	-	-	-	-	-	6,245	2,756	-	9,001
Other receivables	1,417	18	1,435	856	-	-	-	343	-	-	1,199	(1,006)	-	9,435	6,740	-	16,175
Receivables from affiliates	(8,078)	(3,577)	(11,655)	(8,978)	-	-	(581)	137	(69)	-	(9,491)	(20,214)	(4,309)	14,842	1,823	(14,842)	1,823
Inventories	2,061	-	2,061	3,981	-	-	-	-	-	-	3,981	-	-	14,705	5,723	-	20,428
Prepaid expenses and other current assets	942	23	965	5,688	27	147	-	82	10	-	5,954	371	-	21,838	7,600	-	29,438
Total current assets	4,946	(1,381)	3,565	45,327	1,225	677	(68)	5,592	733	-	53,486	(20,190)	(4,309)	279,984	99,142	(14,842)	364,284
ASSETS LIMITED OR RESTRICTED AS TO USE—NONCURRENT PORTION:																	
Self-insurance, benefit plans, and other	-	-	-	-	-	-	-	-	-	-	-	522	-	6,193	1,571	-	7,764
By board	-	-	-	11,972	-	-	-	-	2,108	-	14,080	-	-	39,710	4,491	-	44,201
By donors	-	-	-	19,628	-	-	-	-	3,291	(3,294)	19,625	-	-	110,420	6,475	-	116,895
Total assets limited or restricted as to use—noncurrent portion	-	-	-	31,600	-	-	-	-	5,399	(3,294)	33,705	522	-	156,323	12,537	-	168,860
PROPERTY AND EQUIPMENT—Net	25,578	-	25,578	127,379	1,406	313	-	2,122	-	-	131,220	7,440	-	544,430	114,264	-	658,694
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	3,001	-	3,001	9,074	-	-	-	-	-	(3,404)	5,670	14,847	(14,847)	10,211	642	-	10,853
INTANGIBLE ASSETS	-	-	-	-	-	-	-	-	-	-	-	-	-	7,050	1,194	-	8,244
OTHER ASSETS	680	-	680	14,218	-	-	-	-	-	-	14,218	47,626	(42,545)	67,869	31,712	-	99,581
TOTAL ASSETS	$34,205	$(1,381)	$ 32,824	$227,598	$2,631	$990	$ (68)	$7,714	$6,132	$(6,698)	$238,299	$ 50,245	$(61,701)	$1,065,867	$259,491	$(14,842)	$1,310,516

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TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2017
(In thousands)

LIABILITIES AND NET ASSETS	Saint Francis Hospital and Medical Center, Inc.	Collaborative Laboratory Services	Medworks	Total Laundry Collaborative	Saint Francis Care Medical Group	Saint Francis Behavioral Health Group	Intercompany Eliminations	Consolidated Saint Francis Hospital and Medical Center	Mount Sinai Rehabilitation Hospital, Inc.	Saint Francis Hospital and Medical Center Foundation, Inc.	Trinity Health Of New England PNO and Subsidiary	Asylum Hill Family Medicine Center, Inc.	Intercompany Eliminations	Saint Francis Consolidated
CURRENT LIABILITIES:														
Current portion of long-term debt	$ 5,761	$ 12	$ -	$ -	$ -	$ 1	$ -	$ 5,774	$ 15	$ -	$ 80	$ -	$ -	$ 5,869
Current portion of notes payable to Trinity Health and affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	28,635	1,170	255	-	264	1	(58)	30,267	109	64	1,093	509	-	32,042
Accounts payable to affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses	486	-	-	-	-	-	-	486	-	4	-	-	-	490
Salary, wages, and related liabilities	31,072	1,673	8	-	380	530	-	33,663	1,798	-	14,346	223	-	50,030
Current portion of self-insurance reserves	13,365	-	-	-	-	-	-	13,365	-	-	-	-	-	13,365
Estimated payables to third-party payors	8,727	-	-	-	-	-	-	8,727	793	-	2,800	-	-	12,320
Total current liabilities	88,046	2,855	263	-	644	532	(58)	92,282	2,715	68	18,319	732	-	114,116
LONG-TERM DEBT—Net of current portion	233,715	5	-	-	-	-	-	233,720	9	-	54	-	-	233,783
NOTES PAYABLE TO TRINITY HEALTH AND AFFILIATES—Net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SELF-INSURANCE RESERVES—Net of current portion	45,172	-	-	-	-	-	-	45,172	-	-	-	-	-	45,172
ACCRUED PENSION AND RETIREE HEALTH COSTS	192,262	-	-	-	-	-	-	192,262	-	-	-	-	-	192,262
OTHER LONG-TERM LIABILITIES	12,412	-	-	-	-	-	-	12,412	-	151	3,888	-	-	16,451
Total liabilities	571,607	2,860	263	-	644	532	(58)	575,848	2,724	219	22,261	732	-	601,784
NET ASSETS:														
Unrestricted net assets	140,435	1,651	25	(220)	(1,903)	(8,868)	58	131,178	27,054	(2,683)	(40,420)	(2,931)		112,198
Noncontrolling ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrestricted net assets	140,435	1,651	25	(220)	(1,903)	(8,868)	58	131,178	27,054	(2,683)	(40,420)	(2,931)	-	112,198
Temporarily restricted net assets	29,334	-	-	-	-	-	-	29,334	1,674	9,984	-	-	(9,984)	31,008
Permanently restricted net assets	61,210	-	-	-	-	-	-	61,210	-	213	-	-	(213)	61,210
Total net assets	230,979	1,651	25	(220)	(1,903)	(8,868)	58	221,722	28,728	7,514	(40,420)	(2,931)	(10,197)	204,416
TOTAL LIABILITIES AND NET ASSETS	$802,586	$4,511	$288	$(220)	$(1,259)	$(8,336)	$ -	$797,570	$31,452	$ 7,733	$(18,159)	$(2,199)	$(10,197)	$806,200

(Continued)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2017
(In thousands)

LIABILITIES AND NET ASSETS	Johnson Memorial Hospital	Johnson Home & Community Health Services	Johnson Consolidated	Saint Mary's Hospital	Diagnostic Imaging of Southbury	Naugatuck Valley MRI LLC	Saint Mary's Phys Partners	Franklin Medical Group PC	Saint Mary's Foundation	Intercompany Eliminations	Saint Mary's Consolidated	Trinity Health Of New England	Connecticut Eliminations	Connecticut Total	The Mercy Hospital, Inc. and Subsidiaries	Trinity Health Of NE—Eliminations	Trinity Health Of New England Consolidated
CURRENT LIABILITIES:																	
Current portion of long-term debt	$ 663	$ -	$ 663	$ 144	$ 83	$ 80	$ -	$ -	$ -	$ -	$ 307	$ (4,466)	$ (372)	$ 2,001	$ 238	$ -	$ 2,239
Current portion of notes payable to Trinity Health and affiliates	-	-	-	-	-	-	-	-	-	-	-	5,222	-	5,222	2,243	-	7,465
Accounts payable	2,835	331	3,166	16,791	522	410	471	511	5	-	18,710	2,002	-	55,920	28,816	(14,842)	69,894
Accounts payable to affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses	-	180	180	55	-	-	-	-	6	-	61	110	(379)	462	8,932	-	9,394
Salary, wages, and related liabilities	2,490	420	2,910	11,979	287	5	-	3,066	-	-	15,337	3,441	-	71,718	21,772	-	93,490
Current portion of self-insurance reserves	397	96	493	3,761	-	-	-	-	-	-	3,761	-	-	17,619	5,824	-	23,443
Estimated payables to third-party payors	2,052	30	2,082	4,600	-	-	-	829	-	-	5,429	-	-	19,831	7,793	-	27,624
Total current liabilities	8,437	1,057	9,494	37,330	892	495	471	4,406	11	-	43,605	6,309	(751)	172,773	75,618	(14,842)	233,549
LONG-TERM DEBT—Net of current portion	21,256	-	21,256	24,958	221	232	-	-	-	-	25,411	(232,667)	(46,103)	1,680	153	-	1,833
NOTES PAYABLE TO TRINITY HEALTH AND AFFILIATES—Net of current portion	-	-	-	-	-	-	-	-	-	-	-	274,456	-	274,456	114,613	-	389,069
SELF-INSURANCE RESERVES—Net of current portion	879	-	879	14,886	-	-	-	-	-	-	14,886	-	-	60,937	18,283	-	79,220
ACCRUED PENSION AND RETIREE HEALTH COSTS	-	-	-	72,766	-	-	-	-	-	-	72,766	-	-	265,028	-	-	265,028
OTHER LONG-TERM LIABILITIES	346	-	346	3,772	-	-	-	-	-	-	3,772	522	-	21,091	1,705	-	22,796
Total liabilities	30,918	1,057	31,975	153,712	1,113	727	471	4,406	11	-	160,440	48,620	(46,854)	795,965	210,372	(14,842)	991,495
NET ASSETS:																	
Unrestricted net assets	2,634	(2,491)	143	54,268	1,518	263	(539)	3,308	2,926	(6,069)	55,675	1,625	(14,847)	154,794	42,354	-	197,148
Noncontrolling ownership interest in subsidiaries	-	-	-	17	-	-	-	-	-	2,566	2,583	-	-	2,583	-	-	2,583
Total unrestricted net assets	2,634	(2,491)	143	54,285	1,518	263	(539)	3,308	2,926	(3,503)	58,258	1,625	(14,847)	157,377	42,354	-	199,731
Temporarily restricted net assets	653	53	706	2,216	-	-	-	-	2,145	(2,145)	2,216	-	-	33,930	4,257	-	38,187
Permanently restricted net assets	-	-	-	17,385	-	-	-	-	1,050	(1,050)	17,385	-	-	78,595	2,508	-	81,103
Total net assets	3,287	(2,438)	849	73,886	1,518	263	(539)	3,308	6,121	(6,698)	77,859	1,625	(14,847)	269,902	49,119	-	319,021
TOTAL LIABILITIES AND NET ASSETS	$34,205	$(1,381)	$32,824	$227,598	$2,631	$990	$ (68)	$7,714	$6,132	$(6,698)	$238,299	$ 50,245	$(61,701)	$1,065,867	$259,491	$(14,842)	$1,310,516

(Concluded)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In thousands)

	Saint Francis Hospital and Medical Center, Inc.	One Thousand Corporation	Collaborative Laboratory Services	Medworks	Total Laundry Collaborative	Saint Francis Care Medical Group	Saint Francis Behavioral Health Group	Intercompany Eliminations	Consolidated Saint Francis Hospital and Medical Center	Mount Sinai Rehabilitation Hospital, Inc.	Saint Francis Hospital and Medical Center Foundation, Inc.	Trinity Health Of New England PNO and Subsidiary	Asylum Hill Family Medicine Center, Inc.	Intercompany Eliminations	Saint Francis Consolidated
UNRESTRICTED REVENUE:															
Patient service revenue—net of contractual and other allowances	$780,718	$ -	$14,134	$ -	$ -	$ 4,223	$ 3,376	$ -	$802,451	$25,936	$ -	$ 76,473	$3,441	$ -	$908,301
Provision for bad debts	(11,262)	-	(834)	(72)	-	(669)	(78)	-	(12,915)	(226)	-	(2,504)	(129)	-	(15,774)
Net patient service revenue less provision for bad debts	769,456	-	13,300	(72)	-	3,554	3,298	-	789,536	25,710	-	73,969	3,312	-	892,527
Capitation revenue															
Net assets released from restrictions	3,869	-	-	-	-	-	-	-	3,869	233	501	-	-	-	4,603
Other revenue	43,979	1,644	24,368	1,116	2,637	961	3,058	(29,170)	48,593	5,713	283	50,629	1,326	(36,751)	69,793
Total unrestricted revenue	817,304	1,644	37,668	1,044	2,637	4,515	6,356	(29,170)	841,998	31,656	784	124,598	4,638	(36,751)	966,923
EXPENSES:															
Salaries and wages	245,787	-	15,147	28	-	3,719	5,752	-	270,433	17,415	-	109,758	2,339	-	399,945
Employee benefits	52,305	-	3,754	17	148	473	965	(3,122)	54,540	3,969		15,089	510	(83)	74,025
Contract labor	35,981	84	154	506	918	69	157	(9,649)	28,220	3,006	1,208	3,752	54	(5,686)	30,554
Total labor expenses	334,073	84	19,055	551	1,066	4,261	6,874	(12,771)	353,193	24,390	1,208	128,599	2,903	(5,769)	504,524
Supplies	140,126	-	6,391	41	449	29	7	-	147,043	663	91	2,700	305	-	150,802
Purchased services	20,470	2	7,301	65	440	406	58	(3,955)	24,787	312	684	3,676	111	(15)	29,555
Depreciation and amortization	38,485	286	188	13	6	42	8		39,028	239	1	246	20	-	39,534
Occupancy	31,021	84	3,375	110	673	884	280	(908)	35,519	530	-	4,008	511	(2,584)	37,984
Interest	9,206	-	3	-	-	-	-	-	9,209	4	-	21	-	-	9,234
Other	201,129	46	1,318	255	8	147	200	(11,530)	191,573	989	445	6,204	1,679	(28,383)	172,507
Total expenses	774,510	502	37,631	1,035	2,642	5,769	7,427	(29,164)	800,352	27,127	2,429	145,454	5,529	(36,751)	944,140
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	42,794	1,142	37	9	(5)	(1,254)	(1,071)	(6)	41,646	4,529	(1,645)	(20,856)	(891)	-	22,783
ASSET IMPAIRMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RESTRUCTURING COSTS	(601)	-	-	-	-	-	(17)	-	(618)	(126)	-	(410)	-	-	(1,154)
OPERATING INCOME (LOSS)	42,193	1,142	37	9	(5)	(1,254)	(1,088)	(6)	41,028	4,403	(1,645)	(21,266)	(891)	-	21,629
NONOPERATING ITEMS:															
Earnings in Trinity Health pooled investment program	9,984	-	-	-	-	-	-	-	9,984	-	-	-	-	-	9,984
Investment income	970	-	-	-	-	-	-	-	970	9	(4)	4	-	-	979
Gain on earnings of unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	(888)	-	-	-	-	-	-	-	(888)	-	-	-	-	-	(888)
Other	(39)	-	-	-	-	-	-	-	(39)	-	-	-	-	-	(39)
Total nonoperating items	10,027	-	-	-	-	-	-	-	10,027	9	(4)	4	-	-	10,036
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES—Deficiency of revenue over expenses attributable to noncontrolling interests	52,220	1,142	37	9	(5)	(1,254)	(1,088)	(6)	51,055	4,412	(1,649)	(21,262)	(891)	-	31,665
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES—Net	$ 52,220	$1,142	$ 37	$ 9	$ (5)	$(1,254)	$(1,088)	$ (6)	$ 51,055	$ 4,412	$(1,649)	$ (21,262)	$ (891)	$ -	$ 31,665

(Continued)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In thousands)

	Johnson Memorial Hospital	Johnson Home & Community Health Services	Johnson Memorial Medical Center	Johnson Health Care	Intercompany Elimination	Johnson Consolidated	Saint Mary's Hospital	Diagnostic Imaging of Southbury	Naugatuck Valley MRI LLC	Saint Mary's Phys Partners	Franklin Medical Group PC	Saint Mary's Foundation	Intercompany Eliminations	Saint Mary's Consolidated	Trinity Health Of New England	Connecticut Eliminations	Connecticut Total	The Mercy Hospital, Inc. and Subsidiaries	Trinity Health Of NE—Eliminations	Trinity Health Of New England Consolidated
UNRESTRICTED REVENUE:																				
Patient service revenue—net of contractual and other allowances	$64,953	$ 5,148	$ -	$124	$ -	$70,225	$272,165	$6,005	$1,798	$ -	$ 32,610	$ -	$ -	$312,578	$ -	$ -	$1,291,104	$441,640	$ -	$1,732,744
Provision for bad debts	(2,354)	(565)	-	(1)	-	(2,920)	(6,669)	-	-	-	(2,366)	(6)	-	(9,041)	-	-	(27,735)	(6,153)	-	(33,888)
Net patient service revenue less provision for bad debts	62,599	4,583	-	123	-	67,305	265,496	6,005	1,798	-	30,244	(6)	-	303,537	-	-	1,263,369	435,487	-	1,698,856
Capitation revenue	-	-	-	-	-	-	-	-	-	138	-	-	-	138	-	-	138	20,381	-	20,519
Net assets released from restrictions	23	-	-	-	-	23	548	-	-	-	-	37	-	585	-	-	5,211	303	-	5,514
Other revenue	1,794	9	300	-	(188)	1,915	10,980	11	1	329	3,867	680	(3,118)	12,750	111,984	(115,220)	81,222	38,643	(41,163)	78,702
Total unrestricted revenue	64,416	4,592	300	123	(188)	69,243	277,024	6,016	1,799	467	34,111	711	(3,118)	317,010	111,984	(115,220)	1,349,940	494,814	(41,163)	1,803,591
EXPENSES:																				
Salaries and wages	22,387	3,305	-	65	-	25,757	98,295	1,238	360	412	41,236	313	-	141,854	9,119	-	576,675	237,034	-	813,709
Employee benefits	4,724	547	-	5	-	5,276	17,221	247	60	-	5,508	88	-	23,124	4,608	31	107,064	53,412	-	160,476
Contract labor	1,030	45	4	26	(188)	917	11,097	162	590	246	3,506	217	-	15,818	26,998	(18,459)	55,828	6,585	(6,436)	55,977
Total labor expenses	28,141	3,897	4	96	(188)	31,950	126,613	1,647	1,010	658	50,250	618	-	180,796	40,725	(18,428)	739,567	297,031	(6,436)	1,030,162
Supplies	10,598	680	-	9	-	11,287	46,560	243	139	2	1,735	30	-	48,709	672	(6)	211,464	68,124	-	279,588
Purchased services	6,170	211	1	5	-	6,387	16,778	475	160	102	252	40	-	17,807	66,649	(2,820)	117,578	84,006	(33,879)	167,705
Depreciation and amortization	2,408	12	28	-	-	2,448	16,326	395	97	3	635	-	-	17,456	1,402	-	60,840	16,314	(848)	76,306
Occupancy	3,808	200	72	15	-	4,095	10,640	658	262	-	3,123	18	(98)	14,603	1,413	(210)	57,885	23,709	-	81,594
Interest	797	-	-	-	-	797	246	15	13	-	-	-	-	274	-	-	10,305	4,192	-	14,497
Other	11,545	638	10	24	-	12,217	37,413	1,886	106	478	3,263	152	(2,941)	40,357	2,364	(93,756)	133,689	30,843	-	164,532
Total expenses	63,467	5,638	115	149	(188)	69,181	254,576	5,319	1,787	1,243	59,258	858	(3,039)	320,002	113,225	(115,220)	1,331,328	524,219	(41,163)	1,814,384
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	949	(1,046)	185	(26)	-	62	22,448	697	12	(776)	(25,147)	(147)	(79)	(2,992)	(1,241)	-	18,612	(29,405)	-	(10,793)
ASSET IMPAIRMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,144)	-	(6,144)
RESTRUCTURING COSTS	(328)	-	-	-	-	(328)	(123)	-	-	-	-	-	-	(123)	-	-	(1,605)	(433)	-	(2,038)
OPERATING INCOME (LOSS)	621	(1,046)	185	(26)	-	(266)	22,325	697	12	(776)	(25,147)	(147)	(79)	(3,115)	(1,241)	-	17,007	(35,982)	-	(18,975)
NONOPERATING ITEMS:																				
Earnings in Trinity Health pooled investment program	333	50	-	-	-	383	1,186	-	-	-	-	-	-	1,186	-	-	11,553	-	-	11,553
Investment income	-	-	-	-	-	-	-	-	-	-	-	501	-	501	66	-	1,546	2,992	-	4,538
Gain on earnings of unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26	-	26
Interest	(56)	-	-	-	-	(56)	(22)	-	-	-	-	-	-	(22)	-	-	(966)	(438)	-	(1,404)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(39)	(26)	-	(65)
Total nonoperating items	277	50	-	-	-	327	1,164	-	-	-	-	501	-	1,665	66	-	12,094	2,554	-	14,648
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES—Deficiency of revenue over expenses attributable to noncontrolling interests	898	(996)	185	(26)	-	61	23,489	697	12	(776)	(25,147)	354	(79)	(1,450)	(1,175)	-	29,101	(33,428)	-	(4,327)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES—net	$ 898	$ (996)	$185	$(26)	$ -	$ 61	$ 23,489	$ 697	$ 12	$ (776)	$(25,147)	$ 354	$ (79)	$ (1,450)	$ (1,175)	$ -	$ 29,101	$ (33,428)	$ -	$ (4,327)

(Continued)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In thousands)

	Saint Francis Hospital and Medical Center, Inc.	One Thousand Corporation	Collaborative Laboratory Services	Medworks	Total Laundry Collaborative	Saint Francis Care Medical Group	Saint Francis Behavioral Health Group	Intercompany Eliminations	Consolidated Saint Francis Hospital and Medical Center	Mount Sinai Rehabilitation Hospital, Inc.	Saint Francis Hospital and Medical Center Foundation, Inc.	Trinity Health Of New England PNO and Subsidiary	Asylum Hill Family Medicine Center, Inc.	Intercompany Eliminations	Saint Francis Consolidated
UNRESTRICTED NET ASSETS:															
Unrestricted net assets attributable to the Corporation:															
Excess (deficiency) of revenue over expenses	$ 52,220	$ 1,142	$ 37	$ 9	$ (5)	$(1,254)	$(1,088)	$ (6)	$ 51,055	$ 4,412	$ (1,649)	$(21,262)	$ (891)	$ -	$ 31,665
Net assets released from restrictions for capital acquisitions	4,575	-	-	-	-	-	-	-	4,575	-	-	-	-	-	4,575
Transfers to Trinity Health and affiliates	26,733	(26,733)	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from Trinity Health	-	-	4,025	-	-	-	-	-	4,025	-	-	-	-	-	4,025
Net change in retirement plan-related items	7,812	-	-	-	-	-	-	-	7,812	-	-	-	-	-	7,812
Other	(128)	3	-	-	-	-	-	2	(123)	145	117	3	-	(1)	141
Increase (decrease) in unrestricted net assets	91,212	(25,588)	4,062	9	(5)	(1,254)	(1,088)	(4)	67,344	4,557	(1,532)	(21,259)	(891)	(1)	48,218
Excess of revenue over expenses attributable to noncontrolling interests:															
Net investment gain (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TEMPORARILY RESTRICTED NET ASSETS:															
Contributions	804	-	-	-	-	-	-	-	804	(41)	7,907	-	-	-	8,670
Net investment gain	254	-	-	-	-	-	-	-	254	-	285	-	-	-	539
Net assets released from restrictions for capital acquisitions	(4,575)	-	-	-	-	-	-	-	(4,575)	-	-	-	-	-	(4,575)
Net assets released from restrictions	(5,353)	-	-	-	-	-	-	-	(5,353)	(233)	(501)	-	-	1,484	(4,603)
Transfers to (from) affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	8,832	-	-	-	-	-	-	-	8,832	284	(9,174)	-	-	-	(58)
(Decrease) increase in temporarily restricted net assets	(38)	-	-	-	-	-	-	-	(38)	10	(1,483)	-	-	1,484	(27)
PERMANENTLY RESTRICTED NET ASSETS:															
Contributions	2,471	-	-	-	-	-	-	-	2,471	-	-	-	-	-	2,471
Net investment gain (loss)	3,429	-	-	-	-	-	-	-	3,429	-	-	-	-	-	3,429
Appropriation of endowment assets for expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in permanently restricted net assets	5,900	-	-	-	-	-	-	-	5,900	-	-	-	-	-	5,900
INCREASE (DECREASE) IN NET ASSETS	97,074	(25,588)	4,062	9	(5)	(1,254)	(1,088)	(4)	73,206	4,567	(3,015)	(21,259)	(891)	1,483	54,091
NET ASSETS—Beginning of year	133,905	25,588	(2,411)	16	(215)	(649)	(7,780)	62	148,516	24,161	10,529	(19,161)	(2,040)	(11,680)	150,325
NET ASSETS—End of year	$230,979	$ -	$ 1,651	$25	$(220)	$(1,903)	$(8,868)	$ 58	$221,722	$28,728	$ 7,514	$(40,420)	$(2,931)	$(10,197)	$204,416

(Continued)

TRINITY HEALTH OF NEW ENGLAND CORPORATION, INC.
HARTFORD, CONNECTICUT
(A Member of Trinity Health)

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In thousands)

	Johnson Memorial Hospital	Johnson Home & Community Health Services	Johnson Memorial Medical Center	Johnson Health Care	Intercompany Elimination	Johnson Consolidated	Saint Mary's Hospital	Saint Mary's Indemnity Co LLC	Naugatuck Valley MRI LLC	Saint Mary's Phys Partners	Franklin Medical Group PC	Saint Mary's Foundation	Intercompany Eliminations	Saint Mary's Consolidated	Trinity Health Of New England	Connecticut Eliminations	Connecticut Total	The Mercy Hospital, Inc. and Subsidiaries	Trinity Health Of New England Consolidated
UNRESTRICTED NET ASSETS:																			
Unrestricted net assets attributable to the Corporation:																			
Excess (deficiency) of revenue over expenses	$ 898	$ (996)	$ 185	$ (26)	$ -	$ 61	$ 23,489	$ -	$ 12	$(776)	$(25,147)	$ 354	$ (79)	$ (1,450)	$ (1,175)	$ -	$ 29,101	$(33,428)	$ (4,327)
Net assets released from restrictions for capital acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,575	1,524	6,099
Transfers to Trinity Health and affiliates	7,905	-	(7,819)	(86)	-	-	(13,244)	-	-	50	8,295	-	-	(4,899)	(9,877)	-	(14,776)	(4,662)	(19,438)
Transfers from Trinity Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,025	-	4,025
Net change in retirement plan-related items	-	-	-	-	-	-	3,324	-	-	-	-	-	-	3,324	-	-	11,136	-	11,136
Other	-	-	(1)	1	-	-	(21,461)	(18,371)	-	310	21,729	-	18,647	(46)	-	1	96	2	98
Increase (decrease) in unrestricted net assets	8,803	(996)	(7,635)	(111)	-	61	(7,892)	(18,371)	12	(416)	4,877	354	18,568	(3,071)	(11,052)	1	34,157	(36,564)	(2,407)
Excess of revenue over expenses attributable to noncontrolling interests:																			
Net investment gain (loss)	-	-	-	-	-	-	17	-	-	-	-	-	(22)	(5)	-	-	(5)	-	(5)
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets attributable to noncontrolling interests	-	-	-	-	-	-	17	-	-	-	-	-	(22)	(5)	-	-	(5)	-	(5)
TEMPORARILY RESTRICTED NET ASSETS:																			
Contributions	28	-	-	-	-	28	568	-	-	-	-	-	-	568	-	-	9,266	1,368	10,634
Net investment gain	-	-	-	-	-	-	-	-	-	-	-	496	(459)	37	-	-	576	192	768
Net assets released from restrictions for capital acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,575)	(1,524)	(6,099)
Net assets released from restrictions	(23)	-	-	-	-	(23)	(548)	-	-	-	-	(37)	-	(585)	-	-	(5,211)	(303)	(5,514)
Transfers to (from) affiliates	29	-	(29)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	76	(12)	-	-	-	64	225	-	-	-	-	(241)	241	225	-	-	231	(995)	(764)
(Decrease) increase in temporarily restricted net assets	110	(12)	(29)	-	-	69	245	-	-	-	-	218	(218)	245	-	-	287	(1,262)	(975)
PERMANENTLY RESTRICTED NET ASSETS:																			
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,471	-	2,471
Net investment gain (loss)	-	-	-	-	-	-	1,381	-	-	-	-	-	-	1,381	-	-	4,810	190	5,000
Appropriation of endowment assets for expenditures	-	-	-	-	-	-	(545)	-	-	-	-	-	-	(545)	-	-	(545)	-	(545)
Increase in permanently restricted net assets	-	-	-	-	-	-	836	-	-	-	-	-	-	836	-	-	6,736	190	6,926
INCREASE (DECREASE) IN NET ASSETS	8,913	(1,008)	(7,664)	(111)	-	130	(6,794)	(18,371)	12	(416)	4,877	572	18,328	(1,995)	(11,052)	1	41,175	(37,636)	3,539
NET ASSETS—Beginning of year	(5,626)	(1,430)	7,664	111	-	719	80,680	18,371	251	(123)	(1,569)	5,549	(25,026)	79,854	12,677	(14,848)	228,727	86,755	315,482
NET ASSETS—End of year	$ 3,287	$(2,438)	$ -	$ -	$ -	$849	$ 73,886	$ -	$263	$(539)	$ 3,308	$6,121	$ (6,698)	$77,859	$ 1,625	$(14,847)	$269,902	$ 49,119	$319,021

(Concluded)