BON SECOURS HEALTH SYSTEM, INC.

AND SUBSIDIARIES

Consolidated Financial Statements and Consolidating Schedules

August 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Bon Secours Health System, Inc. and its subsidiaries (the System), which comprise the consolidated balance sheets as of August 31, 2017 and 2016, and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bon Secours Health System, Inc. and its subsidiaries as of August 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

November 2, 2017

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

August 31, 2017 and 2016

(In thousands)

Assets		**2017**	**2016**
Current assets:			
Cash and cash equivalents	$	274,348	217,931
Accounts receivable, net:			
Patient and third-party payors		361,892	372,917
Other		32,546	42,113
Total accounts receivable, net		394,438	415,030
Assets limited or restricted as to use		66,984	91,030
Inventories		61,939	57,800
Prepaid expenses and other current assets		44,372	32,036
Total current assets		842,081	813,827
Assets limited or restricted as to use, less current portion		1,376,059	1,227,356
Property, plant, and equipment, net		979,057	1,013,195
Other long-term assets, net		368,926	372,036
Total assets	$	3,566,123	3,426,414
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	59,656	39,809
Accounts payable		207,280	173,021
Accrued salaries, wages, and benefits		175,068	165,315
Other accrued expenses		118,453	112,585
Total current liabilities		560,457	490,730
Long-term debt, less current portion		830,192	888,514
Other long-term liabilities and deferred credits		646,871	781,690
Total liabilities		2,037,520	2,160,934
Net assets:			
Unrestricted-controlling interest		1,182,153	944,928
Unrestricted-noncontrolling interest		294,791	264,706
Total unrestricted		1,476,944	1,209,634
Temporarily restricted		38,783	43,484
Permanently restricted		12,876	12,362
Total net assets		1,528,603	1,265,480
Total liabilities and net assets	$	3,566,123	3,426,414

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Unrestricted Net Assets

Years ended August 31, 2017 and 2016

(In thousands)

	2017	2016
Revenues:		
Net patient service revenue before bad debts	$ 3,344,000	3,308,143
Provision for patient bad debts	(179,304)	(199,503)
Net patient service revenue	3,164,696	3,108,640
Other revenue	180,754	144,897
Total revenues	3,345,450	3,253,537
Expenses:		
Salaries, wages, and benefits	1,727,750	1,687,599
Supplies	596,203	562,539
Purchased services and other	717,312	714,437
Depreciation and amortization	135,542	136,499
Interest	33,099	30,871
Total expenses	3,209,906	3,131,945
Operating Income	135,544	121,592
Nonoperating gains (losses), net:		
Nonoperating investment gains, net	101,701	12,668
Other nonoperating activities, net	(48,557)	(46,554)
Excess of revenues over expenses	188,688	87,706
Other changes in unrestricted net assets:		
Grants for capital	20	174
Net change in unrealized gains on other-than-trading securities	490	362
Net assets released from restrictions used for purchase of property, plant, and equipment	8,531	1,942
Net change in equity of joint ventures	(1,219)	1,194
Distributions to noncontrolling interest owners	(5,918)	(7,666)
Pension and other postretirement adjustments	82,866	(145,840)
Transfers to affiliates and other changes, net	(6,148)	(4,369)
Increase (decrease) in unrestricted net assets	267,310	(66,497)
Unrestricted net assets, beginning of year	1,209,634	1,276,131
Unrestricted net assets, end of year	$ 1,476,944	1,209,634

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended August 31, 2017 and 2016

(In thousands)

		Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at August 31, 2015	$	1,276,131	39,008	7,763	1,322,902
Excess of revenues over expenses		87,706	—	—	87,706
Grants and restricted contributions		—	14,658	505	15,163
Grants for capital		174	—	—	174
Net change in unrealized gains on other-than-trading securities		362	74	2	438
Investment income		—	240	—	240
Net assets released from restrictions used for purchase of property, plant, and equipment		1,942	(1,942)	—	—
Net assets released from restrictions used for operations		—	(8,479)	—	(8,479)
Net change in equity of joint ventures		1,194	—	—	1,194
Distributions to noncontrolling interest owners		(7,666)	—	—	(7,666)
Pension and other postretirement adjustments		(145,840)	—	—	(145,840)
Inherent contribution – restricted		—	—	4,092	4,092
Transfers to affiliates and other changes, net		(4,369)	(75)	—	(4,444)
(Decrease) increase in net assets		(66,497)	4,476	4,599	(57,422)
Balance at August 31, 2016		1,209,634	43,484	12,362	1,265,480
Excess of revenues over expenses		188,688	—	—	188,688
Grants and restricted contributions		—	10,976	217	11,193
Grants for capital		20	—	—	20
Net change in unrealized gains on other-than-trading securities		490	930	297	1,717
Investment income		—	460	—	460
Net assets released from restrictions used for purchase of property, plant, and equipment		8,531	(8,531)	—	—
Net assets released from restrictions used for operations		—	(8,536)	—	(8,536)
Net change in equity of joint ventures		(1,219)	—	—	(1,219)
Distributions to noncontrolling interest owners		(5,918)	—	—	(5,918)
Pension and other postretirement adjustments		82,866	—	—	82,866
Transfers to affiliates and other changes, net		(6,148)	—	—	(6,148)
Increase (decrease) in net assets		267,310	(4,701)	514	263,123
Balance at August 31, 2017	$	1,476,944	38,783	12,876	1,528,603

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended August 31, 2017 and 2016

(In thousands)

		2017	2016
Cash flows from operating activities:			
Increase (decrease) in net assets	$	263,123	(57,422)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Provision for bad debts		179,304	199,503
Depreciation and amortization, including $4,641 and $5,328 reported in nonoperating activities, net in 2017 and 2016, respectively		140,183	141,827
Amortization of deferred financing costs and bond premium/discount, net		(1,084)	(999)
Equity in income of joint ventures		(13,555)	(7,633)
Distributions received from investments in joint ventures		10,453	19,362
Inherent contribution		—	(4,484)
Net realized/unrealized gains on certain investments and derivative instruments		(102,560)	(9,856)
Gain on disposal of assets		—	(104)
Unrealized gains on investment in joint venture		(9,003)	(8,169)
Pension and other postretirement adjustments		(82,866)	145,840
Grants received for capital expenditures		(20)	(174)
Contributions restricted by donor		(11,193)	(15,163)
Cash distributions to noncontrolling interest owners and affiliates		12,267	13,928
Gain on asset divestiture		(28,159)	—
Changes in assets and liabilities:			
Increase in accounts receivable		(157,226)	(172,445)
Increase in inventories, prepaid expenses and other current assets		(16,735)	(7,877)
Decrease in other long-term assets, net		9,598	13,385
Increase in accounts payable and other current liabilities		41,173	16,901
Decrease in other long-term liabilities and deferred credits		(53,864)	(35,161)
Net cash provided by operating activities		179,836	231,259
Cash flows from investing activities:			
Purchase of land held for investment		(9,063)	—
Cash paid for acquisition		—	(8,660)
Sales (purchases) of securities, net		70,423	(56,148)
Purchases of alternative investments and fixed income commingled funds		(220,158)	(25,151)
Proceeds from sale of alternative investments and equity and fixed income commingled funds		129,275	60,151
Property, plant, and equipment additions, net of disposals		(125,918)	(121,996)
Cash received from asset divestiture		80,610	—
Payments related to interest rate swaps		(10,143)	(10,675)
Net cash used in investing activities		(84,974)	(162,479)
Cash flows from financing activities:			
Payments of long-term debt		(37,391)	(37,159)
Grants received for capital expenditures		20	174
Proceeds from contributions restricted by donors		11,193	15,163
Cash distributions to noncontrolling interest owners and affiliates		(12,267)	(13,928)
Net cash used in financing activities		(38,445)	(35,750)
Net increase in cash and cash equivalents		56,417	33,030
Cash and cash equivalents, beginning of year		217,931	184,901
Cash and cash equivalents, end of year	$	274,348	217,931

Supplemental disclosure:
(a) Cash paid for taxes was $1,150 and $520 for 2017 and 2016, respectively.

See accompanying notes to consolidated financial statements.

(1) Organization and Mission

(a) Organizational Structure

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

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

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

(b) Asset Divestitures

In July 2017, Bon Secours New York Health System, Inc. (BSNYHS) sold Frances Schervier Home and Hospital (dba Schervier Nursing Care Center) to a nonrelated entity. Total cash proceeds received as a result of sale of Schervier Nursing Care Center were approximately $80,600, and a net operating gain of approximately $28,200 was recognized in other operating revenue in the consolidated statements of operations and changes in unrestricted net assets for the year ended August 31, 2017. The proceeds were offset with activities resulting from the sale, including write-off of approximately $21,700 net property, plant and equipment, in addition to a liability for withdrawal from Archdiocese pension plan (note 9), a write down of goodwill (note 2(i)), and various other working capital items of approximately $20,600.

Effective as of the date of transaction, BSHSI excluded the operating results of Schervier Nursing Care Center in the consolidated statement of operations and changes in unrestricted net assets. Included in the consolidated operating revenue and the excess of revenues over expenses (excluding the gain on sale) of BSHSI for the year ended August 31, 2017 was $40,324 and $(2,962), respectively, for Schervier Nursing Care Center.

(c) Mission

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

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

(d) Community Benefits

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

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

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

(i) Charitable Services – Financially Disadvantaged Persons

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

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

(ii) Charitable Services – State Programs

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

(iii) Other Community Benefits

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

- Primary care access – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles;
- Health screenings and immunizations – provision of free health screenings and immunizations for a variety of health conditions for women, children, and senior residents;
- Child programs – providing oral healthcare, asthma and childhood obesity interventions;
- Caregiver and senior programs – focused on support, health screenings, and services to assist older adult populations;
- Education – providing medical and other health professional programs;
- Leadership activities – a full-time community health leader is provided in each community served who works to expand community capacity, identify community health needs and address social health conditions.

(In thousands)

The cost of charitable services and community benefits provided by the System is determined in accordance with the System's accounting policies. These costs are estimated by using the cost to charge ratio applied by Medicaid and other state programs as well as specific patient visits identified under the System's charity care policies. The estimated cost of these services is as follows for the years ended August 31, 2017 and 2016:

		2017	2016
Charitable services and other community benefits:			
Cost of services to financially disadvantaged persons	$	123,385	122,355
Unpaid cost of state programs (e.g., Medicaid) to financially disadvantaged persons		70,320	56,832
Cost of other community benefits		56,709	58,228
Total community benefits, at cost	$	250,414	237,415

(2) Significant Accounting Policies

(a) Principles of Consolidation

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

(b) Use of Estimates

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

In the years ended August 31, 2017 and 2016, the System recorded (loss) income of $(8,489) and $1,986, respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities.

(In thousands)

(c) Cash and Cash Equivalents

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

(d) Accounts Receivable, Net

Accounts receivable is presented net of allowances for uncollectible accounts. The System grants credits to patients and generally does not require collateral or other security. However, it routinely obtains assignment of patients' benefits under their health insurance policies. Most of the System's net patient service revenue is derived from third-party payment programs. Medicare, Medicaid, and managed care contracts comprise approximately 60% and 55% of the System's consolidated third-party payor revenue for the years ended August 31, 2017 and 2016, respectively.

The respective percentages of net amounts due from patients and third-party payors at August 31, 2017 and 2016 are as follows:

	2017	2016
Medicare	28 %	28 %
Medicaid	9	7
Managed care	21	26
Blue Cross	24	21
Other commercial payors	4	4
Self-pay	14	14
	100 %	100 %

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

(In thousands)

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

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

Unrealized gains or losses on trading securities are included in nonoperating investment gains, net. As of August 31, 2017 and 2016, all investments and assets limited or restricted as to use are designated as trading securities, except for certain foundation investments and trustee held funds, which are designated as other than trading securities.

Investment income on donor-restricted funds is recorded as an addition to donor-restricted net assets provided the income has been restricted by the donor. Investment income on trustee-held funds, professional/general liability, workers' compensation, and health benefit self-insurance funds is reported in other revenue for the years ended August 31, 2017 and 2016, respectively. All other investment income is reported within nonoperating investment gains, net.

(f) Inventories

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

(g) Property, Plant, and Equipment, Net

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

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

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

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

(h) Asset Impairment

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

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the System groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charges were recorded during the year ended August 31, 2017 or 2016.

(i) Other Long-Term Assets, Net

Goodwill is an asset representing the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. As of August 31, 2017 and 2016, the System had one reporting unit, which included all subsidiaries. Goodwill is evaluated for impairment annually using qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on this qualitative assessment, the System concluded that goodwill was not impaired as of August 31, 2017 and 2016. As the result of the sale of Schervier Nursing Care Center (note 1(b)), the System wrote off approximately $3,800 of goodwill.

(In thousands)

Other long-term assets, net consist of the following at August 31, 2017 and 2016:

		2017	2016
Investments in joint ventures (note 12)	$	205,105	202,229
Goodwill, net		94,578	98,345
Self insurance receivable		20,509	22,216
Pledges and notes receivable		31,943	28,241
Other assets		16,791	21,005
Total other long-term assets, net	$	368,926	372,036

(j) Deferred Financing Costs, Net

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included as a reduction of debt. These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization of long-term debt issuance costs amounted to $9,625 and $8,902 at August 31, 2017 and 2016, respectively.

(k) Leases

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

(l) Other Long-Term Liabilities and Deferred Credits

Other long-term liabilities and deferred credits consist of the following at August 31, 2017 and 2016:

		2017	2016
Accrued pension liability (note 9)	$	394,947	507,058
Self-insurance liabilities		134,072	140,829
Derivative instrument valuations (note 7)		46,843	64,413
Medical office building liabilities (note 13(e))		30,986	30,993
Environmental liabilities		10,318	11,281
Other long-term liabilities		29,705	27,116
Other long-term liabilities and deferred credits	$	646,871	781,690

(Continued)

(m) Donor-Restricted Gifts

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

(n) Net Assets

The System classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Temporarily restricted net assets of $38,783 and $43,484 at August 31, 2017 and 2016, respectively, primarily consisted of pledges and funds received for capital projects, various healthcare programs, and community outreach programs. Approximately 50% of the temporarily restricted net assets will be expended for capital with the remaining 50% for operating purposes. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes.

(o) Fair Values

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

(p) Net Patient Service Revenue

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

(Continued)

(q) Other Revenue

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

(r) Other Nonoperating Activities, Net

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

(s) Performance Indicator

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

(t) Income Taxes

The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The System accounts for uncertain tax positions in accordance with ASC Topic 740, *Income Taxes*. Their related income is exempt from federal income tax under Section 501(A). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of August 31, 2017 or 2016.

Accounting for uncertainty in income taxes, ASC Topic 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The System is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The System believes it is no longer subject to income tax examinations for years prior to 2013. As of August 31, 2017 and 2016, the System has no uncertain tax positions.

The System's taxable subsidiaries had approximately $106,393 and $89,895 of net operating loss carryforwards as of August 31, 2017 and 2016, respectively, which expire in varying periods through 2037 and are available to offset future taxable income. The System accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect during the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Interest and penalties related to income taxes are accounted for as income tax expense. The System's deferred tax assets are fully reserved at August 31, 2017 and 2016 as the System considers it more likely than not that these amounts will not be recognized.

(u) Derivative Instruments

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

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

(v) Self-Insurance

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

(w) Accounting Pronouncements

(i) Recently Adopted

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments whose fair values are measured at net asset value (NAV) under the practical expedient and also removes the requirement to make certain disclosures for these investments from the FASB's fair value measurement guidance. This change has been applied retrospectively to August 31, 2016, with a disclosure only impact (notes 5 and 9.)

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This guidance amends ASC Topic 715, *Compensation – Retirement Benefits*, to require employers that present a measure of operating income in their statements of operations to include only the service cost component of net periodic pension cost and net periodic postretirement benefit cost in operating expenses (together with other employee compensation costs). The other components of net benefit cost, including amortization of prior service cost/credit and settlement and curtailment effects, are to be included in nonoperating expenses. Employers are required to include all other components of net benefit cost in a separate line item(s). The line item(s) in which the components of net benefit cost other than the service cost are included need to be identified as such on the income statement or in the disclosures. The standard also stipulates that only the service cost component of net benefit cost is eligible for capitalization. This guidance is effective for the System as of September 1, 2019, with early adoption permitted. Early adoption was elected and the impact of the early adoption is presented in note 9.

(ii) Recently Issued

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, the standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB has since updated the new revenue standard by issuing clarifying implementation guidance, but the core principle of the new standard has not changed. ASU No. 2014-09 is effective for fiscal year 2019. The System expects to record a decrease in net patient service revenue and a corresponding decrease in the provision for patient bad debts upon adoption of the standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize the assets and liabilities arising from all leases on the consolidated balance sheets and to disclose key qualitative and quantitative information about the entity's leasing arrangements. This guidance is effective for the System as of September 1, 2019, including interim periods within the fiscal year, and a modified retrospective approach is required. Early adoption is permitted. The

(Continued)

(In thousands)

System is currently assessing the impact the adoption of this standard will have on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, to improve the current net asset classification requirements and information presented in financial statements and notes regarding a not-for-profit entity's liquidity, financial performance, and cash flows. This update requires not-for-profit entities to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions), rather than the three classes of net assets currently required, and other qualitative information regarding the entity's liquidity, financial performance and cash flows. The amendments in this update are effective for the System as of September 1, 2018 and for interim periods within the fiscal years beginning September 1, 2019. The System is in the process of assessing the impact the adoption of this standard will have on the consolidated financial statements.

(x) Management's Assessment and Plans

During the year ended August 31, 2017, the System adopted ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued, when applicable). Management determined that there were no conditions or events that raise substantial doubt about the System's ability to continue as a going concern and the System will continue to meet its obligations through November 3, 2018.

(3) Property, Plant, and Equipment, Net

Property, plant, and equipment, net consist of the following at August 31, 2017 and 2016:

	2017	2016
Land	$ 87,119	85,393
Land improvements	38,660	38,774
Buildings	973,453	967,839
Fixed equipment	85,465	86,603
Major movable equipment	1,410,166	1,348,157
Leasehold improvements	123,191	120,213
Construction in progress	41,964	41,100
	2,760,018	2,688,079
Less accumulated depreciation	1,780,961	1,674,884
	$ 979,057	1,013,195

Included in construction in progress at August 31, 2017 and 2016 are costs mainly associated with new facility construction, and other facility renovations and expansion. The System anticipates expending an

(Continued)

(In thousands)

additional $144,337 in future periods to complete strategic capital projects. Depreciation and amortization expense for the System was $138,340 and $139,352 for the years ended August 31, 2017 and 2016, respectively.

(4) Assets Limited or Restricted as to Use

The composition of assets limited or restricted as to use consists of the following at August 31, 2017 and 2016:

		2017	2016
Board-designated funds:			
Cash and cash equivalents	$	78,198	101,469
Equity mutual funds		79,442	67,051
Equity commingled funds		60,227	57,319
Common and preferred stocks		303,673	291,464
Fixed income mutual funds		95,238	110,176
Fixed income commingled funds		309,821	199,762
U.S. government and agency securities		12,678	12,891
Corporate obligations		17,388	16,225
Alternative investments		326,186	311,922
Land and other investments, at cost		9,208	62
		1,292,059	1,168,341
Donor-restricted funds:			
Cash and cash equivalents		10,359	19,185
Equity mutual funds		4,802	4,271
Equity commingled funds		695	674
Common and preferred stocks		5,374	5,018
Fixed income mutual funds		1,757	2,196
Fixed income commingled funds		3,574	2,348
U.S. government and agency securities		5,266	699
Corporate obligations		884	982
Alternative investments		3,763	3,666
		36,474	39,039

(In thousands)

		2017	2016
Funds held by indenture trustees:			
Cash and cash equivalents	$	13,101	11,846
Government and agency bonds		5,940	6,097
Corporate obligations		1,181	2,307
		20,222	20,250
Self-insurance funds:			
Cash and cash equivalents		12,193	6,523
Equity commingled funds		23,453	22,129
Common and preferred stocks		8,852	8,524
Fixed income commingled funds		40,101	44,558
Alternative investments		9,689	9,022
		94,288	90,756
Assets limited or restricted as to use		1,443,043	1,318,386
Available for current liabilities		(66,984)	(91,030)
Long-term assets limited or restricted as to use	$	1,376,059	1,227,356

The portion of the System’s assets limited or restricted as to use available for current liabilities consists of the following at August 31, 2017 and 2016:

		2017	2016
Self-insurance programs	$	45,414	63,855
Foundation programs		10,118	13,803
Board-designated		11,452	13,372
	$	66,984	91,030

(In thousands)

The System's consolidated total return on assets limited or restricted as to use consists of the following for the years ended August 31, 2017 and 2016:

		2017	2016
Dividends and interest	$	11,719	8,492
Net realized gains on securities		29,411	8,488
Net change in unrealized gains on securities		65,722	22,405
		106,852	39,385
Change in fair value of derivative instruments, net of payments		7,427	(21,037)
	$	114,279	18,348

Total return on assets limited or restricted as to use is classified in the accompanying consolidated financial statements as follows for the years ended August 31, 2017 and 2016:

		2017	2016
Nonoperating investment gains, net	$	101,701	12,668
Investment income, net on self insurance and trustee-held funds recorded as other revenue		10,401	5,002
Investment income and net change in unrealized gains on securities in restricted net assets		1,687	316
Net change in unrealized gains on other-than-trading securities		490	362
Total return on assets limited or restricted as to use	$	114,279	18,348

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

At August 31, 2017 and 2016, the System had invested $339,638 and $324,610, or 23.5% and 24.6%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds, real estate investment funds and long/short equity funds.

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

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

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

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

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

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

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

(5) Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

(In thousands)

The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2017:

		Fair value measurements at August 31, 2017 using		
	Fair value	Level 1	Level 2	Level 3
Assets limited or restricted as to use:				
Cash and cash equivalents	$ 113,851	113,851	—	—
Equity mutual funds	84,244	84,244	—	—
Equity commingled funds	84,375	—	84,375	—
Common and preferred stocks	317,899	317,899	—	—
Fixed income mutual funds	96,995	96,995	—	—
Fixed income commingled funds	353,496	—	353,496	—
Government and agency bonds	23,884	20,654	3,230	—
Corporate obligations	19,453	1,181	18,272	—
Assets limited or restricted as to use	$ 1,094,197	634,824	459,373	—
Liabilities:				
Interest rate swaps	$ 46,843	—	46,843	—
Total liabilities	$ 46,843	—	46,843	—

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

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

(In thousands)

As noted in note 2(w), the Plan adopted ASU 2015-07 for the year ended August 31, 2017. There were no changes to the fair value hierarchy table as a result of this adoption.

During the year ended August 31, 2017, the System also sold $5,572 of alternative investments, which are recorded under the equity method as described in note 2(e) and reinvested the proceeds in Level 1, common and preferred stocks, equity mutual funds, and Level 2, fixed income comingled funds in accordance with the System’s investment strategy. During the year ended August 31, 2017, the System sold $99,500 of Level 1, fixed income mutual funds and reinvested the proceeds in Level 2, fixed income comingled funds in accordance with the System’s investment policy. There were no other significant transfers of Level 1, 2 or 3 during the year ended August 31, 2017. During the year ended August 31, 2016, the System sold $60,151 of alternative investments, which are recorded under the equity method as described in note 2(e) and reinvested the proceeds in Level 1, common and preferred stocks, equity mutual funds, and Level 2, fixed income comingled funds in accordance with the System’s investment strategy. There were no other significant transfers of Level 1, 2 or 3 during the year ended August 31, 2016. The System had no activity in Level 3 assets during the years ended August 31, 2017 and 2016.

The System has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Directors, contains numerous standards designed to ensure adequate diversification by asset category and geography. The IPS also limits investments by manager and position size, and limits fixed-income positions based on credit ratings, which serves to further mitigate the risks associated with the investment program. At August 31, 2017 and 2016, management believes that its investment positions are in accordance with the guidelines in the IPS.

(6) Long-Term Debt

Long-term debt consists of the following at August 31, 2017 and 2016:

		2017	2016
Master Trust Notes and Hospital Revenue Bonds:			
Series 1992B and 1992C Virginia fixed rate term bonds payable in installments through August 2027; interest at 5.93%	$	54,043	54,043
Series 1995 Memorial Regional Medical Center fixed rate serial and term bonds payable in installments through August 2018; interest at 6.38% to 6.50%		4,390	8,520
Series 1996 Virginia fixed rate serial and term bonds payable in installments through August 2020; interest at 5.40% to 6.25%		5,020	6,500
Series 2002B Florida variable rate demand bond payable in installments beginning November 2017 through November 2026 subject to a seven day put provision; interest at 0.84% and 0.64% at August 31, 2017 and 2016, respectively, set at prevailing rates		4,175	4,250

(In thousands)

		2017	2016
Series 2002B Kentucky variable rate demand bond payable in installments through November 2026 subject to a seven day put provision; interest at 0.84% and 0.64% at August 31, 2017 and 2016, respectively, set at prevailing rates	$	9,650	10,450
Series 2008B-C Virginia fixed rate serial and term bond payable in installments through November 2042; interest at 4.50% to 5.25% at August 31, 2017 and 2016.		173,355	173,355
Series 2008A South Carolina variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042; interest at 0.79% and 0.65% at August 31, 2017 and 2016, respectively, set at prevailing rates		69,925	69,925
Series 2008D Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.76% to 0.80% at August 31, 2017 and 0.60% to 0.63% at August 31, 2016, set at prevailing rates		94,145	98,605
Series 2008D South Carolina variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.80% and 0.63% at August 31, 2017 and 2016, respectively, set at prevailing rates		17,345	18,980
Series 2013 Kentucky fixed rate serial and term bonds payable in installments beginning November 2015 through November 2026; interest at 4.0% to 5.0%		35,575	35,575
Series 2013 South Carolina fixed rate serial bonds payable in installments beginning November 2015 through November 2029; interest at 3.75% to 5.0%		180,170	180,170
Series 2013 Virginia fixed rate serial bonds payable in installments beginning November 2016 through November 2030; interest at 4.0% to 5.0%		69,245	78,245
Series 2013B variable rate direct placement bonds payable in installments through November 2043; interest at 1.87% to 2.00% at August 31, 2017 and 1.37% to 1.51% at August 31, 2016, set at prevailing rates		55,415	56,960
Series 2013 New York variable rate term loan payable in installments beginning November 2016 through November 2020; interest at 1.98% at August 31, 2017 and 1.34% at August 31, 2016		16,400	20,200

(In thousands)

		2017	2016
Series 2014 Virginia variable rate term loan payable in installments beginning November 2016 through November 2025; interest at 1.98% at August 31, 2017 and at 1.48% at August 31, 2016, set at prevailing rates	$	50,860	55,630
Total Master Trust Notes and Hospital Revenue Bonds		839,713	871,408
Other debt secured by certain property, plant, and equipment:			
3.27% mortgage note payable due April 2050		21,416	21,777
Capital leases obligations (interest at 5.00% to 6.00%)		2,596	4,947
Other debt (interest at 3.00% to 6.00%)		16,694	19,656
Total other debt		40,706	46,380
Total debt		880,419	917,788
Add bond premium, net of accumulated amortization		17,535	19,364
Less deferred financing costs, net of accumulated amortization		(8,106)	(8,829)
		889,848	928,323
Less current portion		(59,656)	(39,809)
Long-term debt, less current portion	$	830,192	888,514

Master Notes have been issued by BSHSI on behalf of itself and certain affiliates who collectively constitute the Members of an Obligated Group created by a Second Amended and Restated Master Trust Indenture dated as of March 12, 2014, as restated, supplemented, and amended. Master Notes secure payment of principal and interest on various series of serial and term indebtedness issued for the benefit of the Members of the Obligated Group by various governmental issuers as well as the performance of certain agreements entered into with credit enhancers, liquidity providers, swap counterparties and certain banks, which have purchased indebtedness issued for the benefit of the Obligated Group. Each Master Note is a joint and several obligation of each Member of the Obligated Group and is secured by a pledge of such Member’s unrestricted receivables. Approximately, 51.5% and 52.7% of the indebtedness secured by Master Notes was supported, as to payments of principal and interest, by bond insurance policies or letters of credit as of August 31, 2017 and 2016, respectively.

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

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

The Obligated Group has delivered letters of credit as additional security for the Series 2002 and 2008A Bonds. Pursuant to each letter of credit, the bank covenants to pay principal of and interest on the related series of Bonds. An existing bond insurance policy with respect to each series of such bonds will only pay principal of and interest on the related series of Bonds if the bank fails to pay pursuant to the letter of credit. The bank can, under certain circumstances, cause the cancellation of each bond insurance policy. The Obligated Group must repay the principal amount of the purchased Series 2002 Bonds and Series 2008A Bonds beginning on the 367th day after the purchase date in ten substantially equal semiannual installments (or if the bond insurance policy has been canceled, in six substantially equal semiannual installments). The Obligated Group must repay the principal amount of the purchased Series 2008D Bonds (x) pursuant to one of the letter of credit agreements, in eight substantially equal semiannual installments commencing on the first business day following the 367th day after the purchase date and (y) pursuant to two of the letter of credit agreements, in eight substantially equal quarterly installments commencing on the first March 31, June 30, September 30 or December 31 occurring at least eighteen months following the date the bank purchases the related bonds.

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

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

(In thousands)

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

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

2018	$	59,656
2019		37,139
2020		31,989
2021		40,290
2022		30,438
Thereafter		680,907
Total	$	880,419

BSHSI maintains a $100,000 revolving credit agreement with a five year term with a commercial bank (the Credit Agreement). Pursuant to the Credit Agreement, BSHSI, as Credit Group Representative, may either request loans or request that the bank issue letters of credit for the benefit of the Obligated Group. The proceeds of any such loan and any such letter of credit are available for general corporate purposes. As of August 31, 2017 or 2016, no loans have been made under the Credit Agreement. The obligations of the Obligated Group under the Credit Agreement are secured by a Master Note.

The System has entered into four leases maturing from 2019 to 2028 that are classified as capital leases for building and equipment. In addition, the System consolidates two limited liability corporations that own medical office buildings with notes payable outstanding of $16,597 and $19,309 as of August 31, 2017 and 2016, respectively. Such notes have interest rates of 7.50% and 7.75% and maturity dates in 2020 and 2022, respectively.

(Continued)

(In thousands)

Total interest expense was $33,099 and $30,871 for the years ended August 31, 2017 and 2016, respectively. Cash paid for interest was $33,828 and $33,188 for the years ended August 31, 2017 and 2016, respectively, and includes capitalized interest for construction projects of $280 and $394, net of investment income, for the years ended August 31, 2017 and 2016, respectively.

Presently, BSHSI is implementing the 2017 Plan of Finance and subsequent to August 31, 2017, the Total Master Notes and Hospital Revenue Bonds decreased as the result of the payoff of the Series 2013 New York variable rate term loan and the Series 2002B Florida and Kentucky variable rate demand bonds.

Effective November 1, 2017, the System refinanced approximately $250,000 of existing tax exempt debt with approximately $180,000 of taxable bank loans and approximately $70,000 of tax-exempt bank loans. In addition, four basis swaps were terminated, three floating to fixed pay swaps were restricted with existing counterparties and two floating to fixed pay swaps were entered into with new counterparties on October 30, 2017. As a result of the transaction the System recognized approximately $3,000 net gain from the termination of the basis swaps and approximately $6,000 mark to market liability for the restructured and new floating to fixed pay swaps.

(7) Interest Rate Risk Management

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

The following is a summary of the derivative instruments in place at August 31, 2017:

Description	Number	Outstanding notional amount	Pay rates	Maturity dates	Collateral posted	Counterparties	Mark to market	Collateral thresholds
Fixed payer	1	$ 30,280	3.448 %	Nov-2025	$ —	Goldman Sachs	$ (2,888)	15,000
Fixed payer	1	45,420	3.491	Nov-2025	—	Deutsche Bank	(4,414)	25,000
Fixed payer	2	89,675	4.460/3.420	2028	—	Merrill Lynch	(12,482)	*
Fixed payer	2	101,150	4.485/3.384	2026	—	JP Morgan	(13,223)	15,000
Fixed payer	1	69,925	3.454	Nov-2042	—	PNC	(19,935)	*
Total fixed payers	7	336,450			—		(52,942)	
Fixed basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	5,875	20,000
Variable basis	3	408,750	SIFMA	Nov-2029	—	Merrill Lynch	(1,573)	*
Total derivatives	11	$ 945,200			$ —		(48,640)	$ 75,000
					Valuation adjustments		1,797	
							$ (46,843)	

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

(In thousands)

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

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

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

The unrealized gains of $17,570 and losses of $10,362 for the years ended August 31, 2017 and 2016, respectively, relating to these nonqualifying derivative activities are recorded within nonoperating investment gains, net in the accompanying consolidated statements of operations and changes in unrestricted net assets.

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

(8) Unrestricted Net Assets

The System accounts for and presents noncontrolling interests in subsidiaries as a separate component of appropriate class of consolidated net assets. The income attributable to noncontrolling interests is included within the operating income of the consolidated statements of operations and changes in net assets. The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the System's controlling interest and noncontrolling interest, including amounts such as the performance indicator, change in pension and other postretirement adjustments and other changes in unrestricted net assets as of and for the years ended August 31, 2017 and 2016:

(In thousands)

		Bon Secours Health System, Inc.	Noncontrolling interests	Total unrestricted net assets
Balance as of August 31, 2015	$	1,016,540	259,591	1,276,131
Excess of revenues over expenses		74,925	12,781	87,706
Grants for capital		174	—	174
Net change in unrealized gains on other than trading securities		362	—	362
Net assets released from restrictions used for purchase of property, plant, and equipment		1,942	—	1,942
Net change in equity of joint ventures		1,194	—	1,194
Distributions to noncontrolling interest owners		—	(7,666)	(7,666)
Pension and other postretirement adjustments		(145,840)	—	(145,840)
Transfers to affiliates and other changes, net		(4,369)	—	(4,369)
(Decrease) increase in unrestricted net assets		(71,612)	5,115	(66,497)
Balance as of August 31, 2016		944,928	264,706	1,209,634
Excess of revenues over expenses		152,685	36,003	188,688
Grants for capital		20	—	20
Net change in unrealized gains on other than trading securities		490	—	490
Net assets released from restrictions used for purchase of property, plant, and equipment		8,531	—	8,531
Net change in equity of joint ventures		(1,219)	—	(1,219)
Distributions to noncontrolling interest owners		—	(5,918)	(5,918)
Pension and other postretirement adjustments		82,866	—	82,866
Transfers to affiliates and other changes, net		(6,148)	—	(6,148)
Increase in unrestricted net assets		237,225	30,085	267,310
Balance as of August 31, 2017	$	1,182,153	294,791	1,476,944

(In thousands)

(9) Pension Plans

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

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

The following are deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, as of August 31, 2017 and 2016. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected average remaining assumed service period for active employees.

		Amounts in unrestricted net assets to be recognized in fiscal year 2018	Amounts recognized in unrestricted net assets as of August 31, 2017	Amounts recognized in unrestricted net assets as of August 31, 2016
Net prior service cost	$	(19)	(19)	69
Net actuarial losses		22,616	348,237	431,015
Total	$	22,597	348,218	431,084

(In thousands)

The components of the funded status, net periodic benefit costs, and actuarial assumptions used in accounting for defined benefit pension plans as of and for the years ended August 31, 2017 and 2016 are as follows:

		2017	2016
Change in projected benefit obligation:			
Net projected benefit obligation at beginning of year	$	1,229,125	1,037,121
Service cost		19,656	19,106
Interest cost		37,250	39,188
Actuarial loss		(35,839)	170,116
Settlement/curtailments		(667)	—
Gross benefits paid		(37,840)	(36,406)
Projected benefit obligation at end of year		1,211,685	1,229,125
Change in plan assets:			
Fair value of plan assets at beginning of year		722,067	647,027
Actual return on plan assets		72,497	60,418
Employer contributions		60,014	51,028
Gross benefits paid		(37,840)	(36,406)
Fair value of plan assets at end of year		816,738	722,067
Net amount recognized at end of year	$	(394,947)	(507,058)

		2017	2016
Accumulated benefit obligation at end of year	$	1,164,721	1,178,040
Amounts recognized in the consolidated balance sheets consist of:			
Accrued benefit costs – long term	$	(394,947)	(507,058)
Components of net periodic benefit cost:			
Operating:			
Service cost	$	19,656	19,106
Nonoperating:			
Interest cost	$	37,250	39,188
Expected return on plan assets		(55,351)	(50,729)
Amortization of:			
Actuarial loss		29,126	14,598
Prior service cost		(18)	(16)
Total net nonoperating periodic benefit costs	$	11,007	3,041

(Continued)

(In thousands)

	2017	2016
Weighted average assumptions used to determine benefit obligations at August 31:		
Discount rate	3.77 %	3.55 %
Rate of compensation increase	3.00	3.00
Mortality table	RP-2014	RP-2014
Generational scale	BB-2D	BB-2D
Weighted average assumptions used to determine net periodic benefit cost at August 31:		
Discount rate	3.55 %	4.55 %
Expected return on plan assets	7.55	7.80
Rate of compensation increase	3.00	3.00
Mortality table	RP-2014	RP-2014
Generational scale	BB-2D	BB-2D

As described in note 2(w), the Plan adopted ASU 2017-07 as of August 31, 2017. As a result of the adoption of this ASU, the components of net benefit cost other than the service cost of $3,041 were recorded in other nonoperating activities, net in the consolidated statements of operations and changes in net assets for the year ended August 31, 2016. Service cost is included as a component of fringe benefits recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in unrestricted net assets.

The expected long-term rate of return of the pension plan assets used for determining pension expense was 7.55% and 7.80% for the years ended August 31, 2017 and August 31, 2016, respectively. The rate was determined based upon a review of the System's long-term rate of return experienced in the capital markets for the target asset allocation employed to invest pension assets.

The System's pension plan asset allocation is planned to include approximately 65% equities, 30% fixed income/cash, and 5% alternative investments. Equity investments are balanced between type and size of investment and investment managers are monitored against benchmarks. As of August 31, 2017 and 2016, the pension plan assets were allocated by asset category as follows:

	2017	2016
Asset category:		
Equity mutual and commingled funds and securities	63 %	62 %
Fixed income mutual funds and securities	28	26
Alternative investments	4	5
Cash	5	7
Total	100 %	100 %

(In thousands)

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2017:

		Fair value measurements			
	Fair value	Level 1	Level 2	Level 3	Reported at NAV[1]
Cash and cash equivalents	$ 44,208	44,208	—	—	—
Equity mutual funds	11,680	11,680	—	—	—
Equity commingled funds	121,754	—	121,754	—	—
Common and preferred stocks	381,995	381,184	811	—	—
Fixed income commingled funds	108,182	—	108,182	—	—
Government and agency bonds	5,283	2,768	2,515	—	—
Corporate obligations	112,033	—	112,033	—	—
Alternative investments	31,603	—	—	—	31,603
Total plan assets	$ 816,738	439,840	345,295	—	31,603

[1] Fund investments reported at NAV as practical expedient estimate (note 2(w))

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

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

[1] Fund investments reported at NAV as practical expedient estimate (note 2(w))

As noted in note 2(w), the Plan adopted ASU 2015-07 for the year ended August 31, 2017. As a result of this adoption, alternative investments in the amount of $37,827 were reclassified from Level 3 in the fair value hierarchy to investments reported at NAV at August 31, 2016.

During the year ended August 31, 2017, the System sold $8,277 of alternative investments reported at NAV and reinvested the proceeds in Level 2 fixed income commingled funds in accordance with the System's investment strategy. The System also sold $4,921 of Level 1 common and preferred stock and purchased Level 2 corporate bonds. During the year ended August 31, 2016, the System sold $20,484 of alternative investments reported at NAV and reinvested the proceeds in Level 1 common and preferred stocks and Level 2 fixed income commingled funds in accordance with the System's investment strategy. There were no other transfers of Level 1 or Level 2 during the years ended August 31, 2017 or 2016.

The following summarizes the redemption and commitment terms for the hedge fund-of-funds vehicles held in the pension plan assets as of August 31, 2017:

		Fund 1	Fund 2
Redemption timing:			
Redemption frequency		Quarterly	Quarterly
Required notice		70 days	95 days
Audit reserve:			
Percentage held back for audit reserve		10 %	10 %
Gates:			
Potential gate holdback		— %	— %
Potential gate release timeframe		n/a	n/a
Unfunded commitments	$	—	—

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

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

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

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

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

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

(In thousands)

The System expects to contribute approximately $60,000 to its pension plans during the year ending August 31, 2018.

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

2018	$	50,953
2019		53,165
2020		52,617
2021		53,840
2022		56,576
2023–2027		323,577

The System also has various contributory, tax-deferred annuity, and savings plans with participation available to certain employees. The System matches employee contributions up to 6% of compensation under certain defined contribution plans. The System contributed $41,490 and $38,387 towards these plans during the years ended August 31, 2017 and 2016, respectively. Total expense was $39,841 and $37,862 in 2017 and 2016, respectively.

Multi-Employer Plans

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

(a) Archdiocesan Plan

The Archdiocesan Pension Plan (APP) is a noncontributory, multi-employer defined benefit plan, which covers substantially all of the System’s full-time nonunion employees in the state of New York. The Employer Identification Number is 13-3089351. The APP is a Church plan approved by the Internal Revenue Service and is exempt from the provisions of the ERISA. Contributions to the APP were based on actuarial valuations. The contributions of all participating employers are pooled. The present value of the vested benefits has not been specifically calculated; however, the APP consultant indicated that as of January 1, 2016, the APP’s market value of assets was $1,175,257 and the present value of accrued plan benefits was $1,485,191 resulting in a funded status of 79.1%. Contributions to the APP were $354 and $498 for the years ended August 31, 2017 and 2016, respectively. As of the closing of the sale of Schervier Nursing Care Center, BSNYHS discontinued its participation in the APP, and therefore, employees of BSNYHS and its subsidiaries were no longer covered by the APP effective as of the closing date of the sale. This exit from participation in the APP triggered a withdrawal liability of approximately $6,300, which became due and was paid as of the closing (note 1(b)).

(10) Net Patient Service Revenue

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

(In thousands)

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

The activity in the allowance for uncollectible accounts is summarized as follows for the years ended August 31, 2017 and 2016:

		2017	2016
Beginning balance	$	141,852	131,483
Provision for bad debts		179,304	199,503
Write-offs		(174,955)	(189,134)
Ending balance	$	146,201	141,852

(11) Reimbursement Programs

The Medicare and Medicaid reimbursement programs represent a substantial portion of the System’s revenues. Payment rates for inpatient and outpatient services provided to program beneficiaries are governed by the applicable regulations and implementation provisions thereunder, based generally on prospectively determined rates. The system has certain portions of Medicare payments, which are outside of the PPS and fee for service payment rates and are based on historical costs. These include Allied Health, a Critical Access Hospital, and certain Medicaid capital reimbursements.

The Medicare program includes certain value based and pay for performance (PFP) incentives, such as reductions in readmission and specific quality of healthcare measurements. The measurements center on quality and efficiency measurements. The System fully participates in these programs and closely monitors performance criteria. Any significant shift in not meeting these criteria can result in reduced revenues. The Medicare program will be moving to implement more value based and PFP incentives over the foreseeable future.

The System facilities receive significant reimbursement from Disproportionate Share and Uncompensated Care Pool distributions. Both of these areas are subject to regulatory review and audit adjustments on a year by year basis.

The System has fully participated in the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act (the HITECH Act). While the incentive payments have fully expired the requirements to maintain the EHR continue and are subject to audit review.

CMS utilizes Recovery Audit Contractors (RACs) as part of the CMS's further efforts to assure accurate patient payments. The System participated in a CMS RAC settlement, which adjudicated all claims prior to October 1, 2013. While additional RAC assessments against the System are ongoing, the impact of such assessments is still unknown.

The System affiliates may from time to time be subject to other audits by state or federal agencies, including Medicaid programs. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

Section 603 of the Bipartisan Budget Act of 2015 significantly restricted the provider based reimbursements on a future basis. CMS continues to review provider based reimbursements and may reduce or restrict payments in the future.

The System has several facilities that qualify for 340B drug purchasing discounts. The qualifying criteria are strict and a facility may lose its 340B status if the qualifying criteria are not maintained. The 340B regulations are continually under review and may be subject to significant revisions in future time periods. Additionally, 340B facilities must comply with stringent requirements in reporting the 340B drug discounts received. Each of these programs can be subjected to audit and recoupment if these requirements are not met.

The health care environment continues to have a migration of services from inpatient to the outpatient setting. This can result in decreased revenues depending upon the service affected.

Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the System. Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the System.

(12) Investments in Joint Ventures

The System has invested in a number of joint ventures, limited liability corporations and other entities to provide specialty healthcare services or engage in other activities. These investments range from minority investments with no control to majority investments or investments with control. The most significant of these investments are presented below. The System accounts for its interest in these entities under the equity method of accounting and includes its interest in the excess of revenues over expenses of these entities in its consolidated statements of operations and changes in unrestricted net assets as other revenue. None of these entities are otherwise affiliated with BSHSI and are not members of the Obligated Group.

(In thousands)

(a) Roper St. Francis Healthcare – South Carolina

BSHSI, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are members of Care Alliance Health Services (d/b/a Roper St. Francis Healthcare). Roper St. Francis Healthcare is the sole member of and operates Bon Secours – St. Francis Xavier Hospital, Roper Hospital, a supporting foundation and physician practices located in Charleston, South Carolina. BSHSI is obligated to provide 27% of any capital contribution to Roper St. Francis Healthcare and is entitled to 27% of any surplus capital.

The System recorded operating losses of $311 and operating income of $452 related to its equity interest for the years ended August 31, 2017 and 2016, respectively. Included in these amounts were the System's allocated share of investment gains of $4,519 and $2,007 for the years ended August 31, 2017 and 2016, respectively. In addition, adjustments of $(1,219) and $3,000 were recorded as net change in equity of joint ventures for the years ended August 31, 2017 and 2016, respectively, to reflect the System's 27% interest in the net assets of this joint venture. The System received cash distributions of $0 and $5,400 related to its equity interest during the years ended August 31, 2017 and 2016, respectively. As of August 31, 2017 and 2016, the System's investment in the joint venture was $94,544 and $96,074, respectively.

The total assets, total liabilities, and net assets as of August 31, 2017 and 2016 and the total revenue, total expenses, investment gains (losses), net, and change in unrestricted net assets for the years then ended for Roper St. Francis Healthcare are as follows:

	2017	2016
Total assets	$ 1,109,384	973,155
Total liabilities	732,766	593,358
Unrestricted net assets	350,163	355,829
Restricted net assets	26,455	23,968
Total revenue	885,813	853,087
Total expenses	912,796	839,297
Investment gains (losses), net	25,831	(8,888)
Change in unrestricted net assets	(5,666)	(7,213)

(b) Sentara Princess Anne

BSHSI, DePaul Medical Center and Bon Secours Hampton Roads Health System (referred to as Bon Secours Hampton Roads) and Sentara Healthcare (Sentara) are members in a Virginia not-for-profit, nonstock, corporation that owns and operates Sentara Princess Anne Hospital located in Virginia Beach, Virginia. Sentara holds a 70% membership interest and DePaul Medical Center holds a 30% membership interest in the corporation. The joint venture is managed by Sentara and the agreements provide the members with rights to "put" and "call" the Bon Secours Hampton Roads' membership interest at fair market value terms upon the occurrence of certain events and dates.

(In thousands)

The System recorded income of $9,895 and $9,481 and received cash distributions of $8,123 and $11,337 related to its equity interest during the years ended August 31, 2017 and 2016, respectively. As of August 31, 2017 and 2016, the System's investment in the joint venture was $27,828 and $26,056, respectively.

The total assets, total liabilities, and net assets as of August 31, 2017 and 2016 and the total revenue, total expenses, and change in unrestricted net assets for the years then ended for Sentara Princess Anne Hospital are as follows:

		2017	2016
Total assets	$	245,415	256,502
Total liabilities		152,175	169,651
Unrestricted net assets		93,200	86,829
Restricted net assets		40	22
Total revenue		243,810	237,865
Total expenses		210,773	206,827
Change in unrestricted net assets		6,371	(6,236)

(c) Bon Secours Charity Health System, Inc.

BSHSI, the Sisters of Charity and Westchester Medical Center (Westchester), are members of Bon Secours Charity Health System (Charity). Westchester holds a 60% controlling interest and BSHSI holds the remaining 40% interest in Charity. The System recorded gains of $836 and $823 in operating revenue related to its equity interest in Charity for the years ended August 31, 2017 and 2016, respectively. As of August 31, 2017 and 2016, the System's investment in Charity was $53,000 and $52,164, respectively.

(In thousands)

The total assets, total liabilities, and net assets as of August 31, 2017 and 2016 and the total revenue, total expenses, and change in unrestricted net assets for the years then ended for Charity are as follows:

		2017	2016
Total assets	$	288,927	279,419
Total liabilities		242,497	234,861
Unrestricted net assets		41,541	40,158
Restricted net assets		4,889	4,401
Total revenue		528,633	515,485
Total expenses		527,026	512,283
Change in unrestricted net assets		1,383	(10,528)

(13) Other Commitments and Contingent Liabilities

(a) General and Professional Liability Insurance

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

The provision for claims and related funding levels for the HPL/GL Program is established annually based upon the recommendations of consulting actuaries. BSAC has accrued claims including liabilities for incidents incurred but not reported of approximately $97,045 and $105,977 at August 31, 2017 and 2016, respectively. The current portion of such accruals, $18,696 at August 31, 2017 and $19,665 at August 31, 2016, is included in other accrued expenses, and the remainder, $78,349 at August 31, 2017 and $86,312 at August 31, 2016, is included within other long-term liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

(b) Workers' Compensation Insurance

The System's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer. Mary Immaculate Hospital, which is also a participant of the System's workers' compensation program, is insured under a large deductible policy. Accrued workers' compensation claims of $64,873 and $63,817, of which the current portion, $9,150 and $9,300 at August 31, 2017 and 2016, respectively, is reported as other accrued expenses and the remainder, $55,723 and $54,517 at August 31, 2017 and 2016, respectively, is reported within other long-term liabilities in the accompanying consolidated balance sheets, include estimates for incidents incurred but not reported at August 31, 2017 and 2016, respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial central estimate.

(c) Employee Health Insurance

Employee health benefits of the System are principally provided through the System's self-insurance program. Accrued claims associated with this program, which are reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately $20,135 and $19,578, include estimates for claims incurred but not reported, at August 31, 2017 and 2016, respectively.

(d) Litigation

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

BSHSI believes that certain of its sponsored pension plans are "church plans" under the ERISA. "Church plans" are employee benefit plans established and maintained by a church or by nonprofit organizations controlled by or associated with a church, and are exempt from ERISA's coverage. Catholic and other religious based health systems across the country have been the target of class action lawsuits, focusing on whether pension plans sponsored by the health systems qualify under the ERISA church plan exemption, primarily relating to the issue of whether only a "church" may establish and maintain a church plan. A defined benefit pension plan covered under ERISA would be subject to minimum funding rules, certain vesting rules, notice requirements, additional Internal Revenue Code requirements, and would be required to pay premiums to the Pension Benefit Guaranty Corporation. Two such class action "church plan" lawsuits were filed against Bon Secours Health System and individual defendants in the Federal District Court for the District of Maryland. These cases have been consolidated into one class action lawsuit. Bon Secours and plaintiffs, through counsel, met on April 11, 2017 and reached agreement on terms of a settlement of the consolidated case. The BSHSI Board has approved this settlement, which will go before the federal district court for review and approval in November 2017. On June 5, 2017, the Supreme Court issued a decision holding that pension plans maintained by religious based health systems may qualify for the church plan exemption under ERISA.

(e) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rental expense was $69,522 and $68,215 in 2017 and

(In thousands)

2016, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2018	$	47,735
2019		40,833
2020		34,988
2021		25,024
2022		14,598
Thereafter		24,492

Certain local systems entered into agreements to lease space in medical office buildings (MOBs) under construction by external development companies. Based on the provisions of ASC Topic 840-40-05-5, *Lessee Involvement with Construction*, local systems were considered the owner of the MOBs during construction. These transactions do not qualify for sale-leaseback accounting and as such are treated as financing transactions. Accordingly, the associated financing obligations, along with their related construction in progress or building assets of approximately $31,000 at August 31, 2017 and 2016 are included in other long-term liabilities and construction in progress or buildings and equipment in the accompanying consolidated balance sheets. The financing obligations associated with these transactions will not result in cash payments in excess of amounts paid under the related operating lease payments. All future cash obligations related to leased space within these MOBs are included as future minimum lease payments in the amounts reported above.

(f) Guaranty Agreements

Affiliates of the System entered into eleven limited partnership agreements during the period from 1997 through 2017. The limited partnerships are involved in housing projects in the System's Baltimore market. System affiliates have entered into guaranty agreements with the limited partnerships during 1997 through 2017, whereby they have agreed to advance funds to the partnerships under specified conditions. The termination of each guaranty agreement is predicated on the occurrence of certain events. Seven such guaranty agreements are still in effect as of August 31, 2017. System affiliates have not been obligated to make any guarantee payments under the guaranty agreements to date through August 31, 2017. The maximum potential amount of future payments the System affiliates are obligated to make was $20,822 and $18,896 as of August 31, 2017 and 2016, respectively.

(14) Net Assets

The System's endowments consist of approximately 78 individual funds established for a variety of purposes as of August 31, 2017 and 2016. Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor or board-imposed restrictions and the nature of the restrictions, if any.

The System's endowment net assets are comprised of permanently restricted funds, which were $12,876 and $12,362 at August 31, 2017 and 2016, respectively. The System does not hold any board-designated endowment funds within unrestricted net assets or temporarily restricted net assets.

(In thousands)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act requires the System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at August 31, 2017 or 2016.

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

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

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

(15) Functional Expenses

The functional breakdown of expenses incurred by the System in fulfilling its mission for the years ended August 31, 2017 and 2016 is as follows:

		2017	2016
Healthcare services	$	2,976,694	2,891,861
General and administrative		230,234	237,422
Fundraising		2,978	2,662
Total expenses	$	3,209,906	3,131,945

(16) Subsequent Events

Management evaluated all events and transactions that occurred after August 31, 2017 and through November 2, 2017. The System did not have any material recognizable subsequent events during this period other than disclosed in the above notes (note 6).

**BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES**

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

Independent Auditors' Report on Supplementary Information

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

We have audited the consolidated financial statements of Bon Secours Health System, Inc. and its subsidiaries as of and for the years ended August 31, 2017 and 2016, and have issued our report thereon dated November 2, 2017 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

November 2, 2017

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

		Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Health System	Bon Secours Richmond Health Corporation	Bon Secours St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours St. Petersburg Health System	Bon Secours Associates, LLC	Shannon MOB Partnership
Assets										
Current assets:										
Cash and cash equivalents	$	364	3,744	727,747	169,225	1,459	20,461	5,779	-	694
Accounts receivable, net:										
Patient and third-party payors		10,660	69,591	167,192	87,547	21,574	1,679	3,648	-	-
Other		1,367	1,762	7,234	2,702	593	98	(50)	-	615
Total accounts receivable, net		12,027	71,353	174,426	90,249	22,167	1,777	3,598	-	615
Assets limited or restricted as to use		1,761	7,130	3,128	726	-	8,133	435	-	-
Inventories		1,028	16,857	22,492	17,009	4,424	-	128	-	-
Assets held for sale		-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets		615	7,101	15,819	14,833	3,363	155	224	-	-
Total current assets		15,795	106,185	943,612	292,042	31,413	30,526	10,164	-	1,309
Assets limited as to use and restricted, less current portion		21,298	179,529	467,070	34,372	13,737	6,849	-	-	-
Property, plant and equipment, net		30,638	159,593	372,798	180,436	49,027	7,018	10,504	-	4,177
Other long-term assets, net		10,485	63,985	48,705	102,656	7,627	1,540	3,450	1,721	18,117
Total assets	$	78,216	509,292	1,832,185	609,506	101,804	45,933	24,118	1,721	23,603
Liabilities and Net Assets										
Current liabilities:										
Current portion of long-term debt	$	556	1,196	7,506	-	-	16,773	-	-	1,608
Accounts payable		8,060	38,151	64,256	30,834	10,408	23,668	1,708	-	315
Accrued salaries, wages and benefits		5,442	24,245	58,158	30,108	6,734	236	1,236	-	-
Other accrued expenses		9,965	8,203	16,107	7,006	2,478	1,760	478	-	-
Due to (from) affiliate		(804)	(606)	(1,453)	(1,076)	(323)	-	234	-	-
Total current liabilities		23,219	71,189	144,574	66,872	19,297	42,437	3,656	-	1,923
Long-term debt, less current portion		442	22,410	32,624	-	-	20,200	-	-	8,240
Other long-term liabilities and deferred credits		35,269	54,265	292,795	27,488	68,057	2,622	4,198	-	-
Due to (from) affiliate, less current portion		102,551	63,044	318,719	266,896	49,002	73	14,179	-	6,578
Total liabilities		161,481	210,908	788,712	361,256	136,356	65,332	22,033	-	16,741
Net assets:										
Unrestricted-controlling		(85,998)	172,674	841,420	243,613	(37,692)	(19,399)	1,645	1,721	6,862
Unrestricted-noncontrolling		-	117,728	175,723	861	-	-	-	-	-
Total unrestricted		(85,998)	290,402	1,017,143	244,474	(37,692)	(19,399)	1,645	1,721	6,862
Temporarily restricted		2,733	6,187	17,213	3,185	1,766	-	440	-	-
Permanently restricted		-	1,795	9,117	591	1,374	-	-	-	-
Total net assets		(83,265)	298,384	1,043,473	248,250	(34,552)	(19,399)	2,085	1,721	6,862
Total liabilities and net assets	$	78,216	509,292	1,832,185	609,506	101,804	45,933	24,118	1,721	23,603

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	BSB Health MOB Partnership 2	Bon Secours Good HelpCare LLC	Good Help Connections, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2017 Consolidated	2016 Consolidated
Assets								
Current assets:								
Cash and cash equivalents	421	(4,082)	(5,973)	-	38,418	(683,909)	274,348	217,931
Accounts receivable, net:								
Patient and third-party payors	-	-	-	-	-	1	361,892	372,917
Other	54	337	3,240	-	14,639	(45)	32,546	42,113
Total accounts receivable, net	54	337	3,240	-	14,639	(44)	394,438	415,030
Assets limited or restricted as to use	259	-	-	18,696	26,718	(2)	66,984	91,030
Inventories	-	-	-	-	-	1	61,939	57,800
Assets held for sale	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	-	11	312	-	16,833	(14,894)	44,372	32,036
Total current assets	734	(3,734)	(2,421)	18,696	96,608	(698,848)	842,081	813,827
Assets limited as to use and restricted, less current portion	-	-	-	75,592	221,553	356,059	1,376,059	1,227,356
Property, plant and equipment, net	1,565	-	-	-	154,931	8,370	979,057	1,013,195
Other long-term assets, net	10,995	-	-	6,005	293,860	(200,220)	368,926	372,036
Total assets	13,294	(3,734)	(2,421)	100,293	766,952	(534,639)	3,566,123	3,426,414
Liabilities and Net Assets								
Current liabilities:								
Current portion of long-term debt	826	-	-	-	31,190	1	59,656	39,809
Accounts payable	393	303	1,156	-	28,058	(30)	207,280	173,021
Accrued salaries, wages and benefits	-	446	254	-	48,209	-	175,068	165,315
Other accrued expenses	-	-	659	18,696	67,999	(14,898)	118,453	112,585
Due to (from) affiliate	-	-	-	-	4,028	-	-	-
Total current liabilities	1,219	749	2,069	18,696	179,484	(14,927)	560,457	490,730
Long-term debt, less current portion	5,923	-	-	-	740,354	(1)	830,192	888,514
Other long-term liabilities and deferred credits	2,616	-	-	81,597	250,763	(172,799)	646,871	781,690
Due to (from) affiliate, less current portion	2,598	-	-	-	(500,323)	(323,317)	-	-
Total liabilities	12,356	749	2,069	100,293	670,278	(511,044)	2,037,520	2,160,934
Net assets:								
Unrestricted-controlling	460	(4,483)	(4,490)	-	89,414	(23,594)	1,182,153	944,928
Unrestricted-noncontrolling	478	-	-	-	-	1	294,791	264,706
Total unrestricted	938	(4,483)	(4,490)	-	89,414	(23,593)	1,476,944	1,209,634
Temporarily restricted	-	-	-	-	7,260	(1)	38,783	43,484
Permanently restricted	-	-	-	-	-	(1)	12,876	12,362
Total net assets	938	(4,483)	(4,490)	-	96,674	(23,595)	1,528,603	1,265,480
Total liabilities and net assets	13,294	(3,734)	(2,421)	100,293	766,952	(534,639)	3,566,123	3,426,414

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours Baltimore Health Corporation					
	Bon Secours Hospital Baltimore	Bon Secours of Maryland Foundation	Bon Secours Baltimore Health System Foundation	Consolidating Eliminations	2017 Consolidated	2016 Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ (76,142)	3,109	(2,964)	76,361	364	364
Accounts receivable, net:						
Patient and third-party payors	10,660	-	-	-	10,660	10,587
Other	854	519	40	(46)	1,367	3,041
Total accounts receivable, net	11,514	519	40	(46)	12,027	13,628
Assets limited or restricted as to use	-	1,761	-	-	1,761	170
Inventories	1,028	-	-	-	1,028	1,027
Prepaid expenses and other current assets	615	3,611	-	(3,611)	615	663
Total current assets	(62,985)	9,000	(2,924)	72,704	15,795	15,852
Assets limited as to use and restricted, less current portion	13,646	39	7,613	-	21,298	19,733
Property, plant and equipment, net	27,861	35,467	-	(32,690)	30,638	31,298
Other long-term assets, net	9,359	406	1	719	10,485	7,712
Total assets	$ (12,119)	44,912	4,690	40,733	78,216	74,595
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	$ 556	64	-	(64)	556	524
Accounts payable	7,930	526	7	(403)	8,060	5,381
Accrued salaries, wages and benefits	5,442	32	-	(32)	5,442	5,526
Other accrued expenses	9,965	5,339	-	(5,339)	9,965	9,189
Due to (from) affiliate	(3,728)	2,923	-	1	(804)	(305)
Total current liabilities	20,165	8,884	7	(5,837)	23,219	20,315
Long-term debt, less current portion	340	16,048	-	(15,946)	442	998
Other long-term liabilities and deferred credits	35,269	-	-	-	35,269	41,521
Due to (from) affiliate, less current portion	17,485	8,560	-	76,506	102,551	98,734
Total liabilities	73,259	33,492	7	54,723	161,481	161,568
Net assets:						
Unrestricted-controlling	(85,601)	(4,049)	3,933	(281)	(85,998)	(87,992)
Unrestricted-noncontrolling	-	13,708	-	(13,708)	-	-
Total unrestricted	(85,601)	9,659	3,933	(13,989)	(85,998)	(87,992)
Temporarily restricted	223	1,761	750	(1)	2,733	1,019
Permanently restricted	-	-	-	-	-	-
Total net assets	(85,378)	11,420	4,683	(13,990)	(83,265)	(86,973)
Total liabilities and net assets	$ (12,119)	44,912	4,690	40,733	78,216	74,595

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours Hampton Roads Health System										
	Maryview Medical Center	**Bon Secours Maryview Nursing Care Center**	**Professional Health Care Mgmt Services**	**Bon Secours DePaul Medical Center, Inc.**	**Tidewater Diversified, Inc.**	**Mary Immaculate Hospital, Inc.**	**St. Francis Nursing Care Center, Inc.**	**Other Corporations**	**Consolidating Eliminations**	**2017 Consolidated**	**2016 Consolidated**
Assets											
Current assets:											
Cash and cash equivalents	$ (28,286)	15,340	(9,949)	(162,526)	1,327	155,137	5,451	2,164	25,086	3,744	7,690
Accounts receivable, net:											
Patient and third-party payors	32,107	1,264	72	18,306	-	16,725	1,117	-	-	69,591	80,929
Other	595	41	(1)	79	168	266	-	613	1	1,762	2,872
Total accounts receivable, net	32,702	1,305	71	18,385	168	16,991	1,117	613	1	71,353	83,801
Assets limited or restricted as to use	76	-	-	66	-	1,420	-	5,568	-	7,130	6,775
Inventories	8,323	-	-	4,324	352	3,760	-	98	-	16,857	15,389
Prepaid expenses and other current assets	4,130	16	16	1,358	200	877	41	464	(1)	7,101	7,076
Total current assets	16,945	16,661	(9,862)	(138,393)	2,047	178,185	6,609	8,907	25,086	106,185	120,731
Assets limited as to use and restricted, less current portion	124,775	201	-	16,137	-	35,776	-	2,640	-	179,529	159,090
Property, plant and equipment, net	72,164	1,439	6,526	42,730	45	35,042	971	675	1	159,593	153,711
Other long-term assets, net	19,306	372	294	40,443	325	5,527	412	1,468	(4,162)	63,985	62,010
Total assets	$ 233,190	18,673	(3,042)	(39,083)	2,417	254,530	7,992	13,690	20,925	509,292	495,542
Liabilities and Net Assets											
Current liabilities:											
Current portion of long-term debt	$ 1,000	200	(4)	-	-	-	-	-	-	1,196	1,196
Accounts payable	15,171	565	311	8,325	32	9,599	375	3,775	(2)	38,151	34,903
Accrued salaries, wages and benefits	18,405	172	137	2,503	14	1,579	121	1,314	-	24,245	24,827
Other accrued expenses	5,796	62	21	1,289	5	996	25	8	1	8,203	5,759
Due to (from) affiliate	501	24	(1,594)	532	4	284	17	(375)	1	(606)	(2,945)
Total current liabilities	40,873	1,023	(1,129)	12,649	55	12,458	538	4,722	-	71,189	63,740
Long-term debt, less current portion	19,346	3,064	-	-	-	-	-	-	-	22,410	22,406
Other long-term liabilities and deferred credits	29,440	371	3,688	9,724	42	7,375	413	3,213	(1)	54,265	61,599
Due to (from) affiliate, less current portion	(11,934)	-	154	46,739	-	(2,691)	3,498	2,194	25,084	63,044	43,946
Total liabilities	77,725	4,458	2,713	69,112	97	17,142	4,449	10,129	25,083	210,908	191,691
Net assets:											
Unrestricted-controlling	155,326	14,215	(5,755)	(108,188)	2,320	236,421	3,524	(121,033)	(4,156)	172,674	184,568
Unrestricted-noncontrolling	-	-	-	-	-	-	-	117,729	(1)	117,728	111,254
Total unrestricted	155,326	14,215	(5,755)	(108,188)	2,320	236,421	3,524	(3,304)	(4,157)	290,402	295,822
Temporarily restricted	139	-	-	(7)	-	913	19	5,123	-	6,187	6,240
Permanently restricted	-	-	-	-	-	54	-	1,742	(1)	1,795	1,789
Total net assets	155,465	14,215	(5,755)	(108,195)	2,320	237,388	3,543	3,561	(4,158)	298,384	303,851
Total liabilities and net assets	$ 233,190	18,673	(3,042)	(39,083)	2,417	254,530	7,992	13,690	20,925	509,292	495,542

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours Richmond Health Corporation									
	St. Mary's Hospital of Richmond, Inc.	**Richmond Community Hospital**	**St. Francis Medical Center**	**Memorial Regional Medical Center**	**Rappahannock General Hospital**	**Bon Secours Healthsource Company Group**	**Other Corporations**	**Consolidating Eliminations**	**2017 Consolidated**	**2016 Consolidated**
Assets										
Current assets:										
Cash and cash equivalents	$ 392,994	106,602	38,581	191,743	(24,336)	(79,895)	(54,688)	156,746	727,747	639,653
Accounts receivable, net:										
Patient and third-party payors	69,039	18,865	29,188	33,272	8,429	4,015	4,381	3	167,192	170,632
Other	786	19	456	2,792	-	477	2,702	2	7,234	12,056
Total accounts receivable, net	69,825	18,884	29,644	36,064	8,429	4,492	7,083	5	174,426	182,688
Assets limited or restricted as to use	-	-	-	-	182	-	2,703	243	3,128	8,826
Inventories	7,957	2,090	3,105	5,346	980	735	1,967	312	22,492	20,821
Prepaid expenses and other current assets	2,326	2,453	1,383	2,090	405	5,732	1,432	(2)	15,819	13,484
Total current assets	473,102	130,029	72,713	235,243	(14,340)	(68,936)	(41,503)	157,304	943,612	865,472
Assets limited as to use and restricted, less current portion	419,871	-	-	15,875	-	-	27,087	4,237	467,070	427,971
Property, plant and equipment, net	135,815	13,099	98,774	78,966	14,448	9,485	22,205	6	372,798	371,500
Other long-term assets, net	14,188	1,569	8,424	8,993	651	11,825	3,508	(453)	48,705	44,264
Total assets	$ 1,042,976	144,697	179,911	339,077	759	(47,626)	11,297	161,094	1,832,185	1,709,207
Liabilities and Net Assets										
Current liabilities:										
Current portion of long-term debt	$ 3,075	-	-	4,390	-	-	41	-	7,506	7,169
Accounts payable	26,430	1,703	10,635	14,513	1,655	1,712	7,316	292	64,256	52,544
Accrued salaries, wages and benefits	55,390	(16)	987	1,307	-	405	85	-	58,158	57,653
Other accrued expenses	4,808	748	2,612	5,469	583	1,149	737	1	16,107	13,852
Due to (from) affiliate	(522)	(41)	(208)	(442)	17	(380)	124	(1)	(1,453)	(5,171)
Total current liabilities	89,181	2,394	14,026	25,237	2,255	2,886	8,303	292	144,574	126,047
Long-term debt, less current portion	31,959	-	-	(78)	-	-	743	-	32,624	38,516
Other long-term liabilities and deferred credits	187,424	2,310	12,816	81,528	443	6,042	2,232	-	292,795	333,683
Due to (from) affiliate, less current portion	37,689	2,584	80,000	41,880	22	-	(22)	156,566	318,719	296,724
Total liabilities	346,253	7,288	106,842	148,567	2,720	8,928	11,256	156,858	788,712	794,970
Net assets:										
Unrestricted-controlling	696,723	137,409	73,069	190,390	(2,143)	(60,944)	(192,840)	(244)	841,420	729,688
Unrestricted-noncontrolling	-	-	-	-	-	4,390	171,334	(1)	175,723	152,028
Total unrestricted	696,723	137,409	73,069	190,390	(2,143)	(56,554)	(21,506)	(245)	1,017,143	881,716
Temporarily restricted	-	-	-	-	182	-	16,788	243	17,213	23,880
Permanently restricted	-	-	-	120	-	-	4,759	4,238	9,117	8,641
Total net assets	696,723	137,409	73,069	190,510	(1,961)	(56,554)	41	4,236	1,043,473	914,237
Total liabilities and net assets	$ 1,042,976	144,697	179,911	339,077	759	(47,626)	11,297	161,094	1,832,185	1,709,207

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours St. Francis Health System, Inc.										
	St. Francis - Downtown	**St. Francis - Eastside**	**St Francis - Millennium**	**St. Franics Home Care**	**Bon Secours St. Francis Caner Center**	**St. Francis Physician Services**	**Upstate Surgery Center**	**St. Francis Foundation**	**Consolidating Eliminations**	**2017 Consolidated**	**2016 Consolidated**
Assets											
Current assets:											
Cash and cash equivalents	$ (19,993)	217,891	(12,333)	(4,179)	(14,216)	52	924	825	254	169,225	147,402
Accounts receivable, net:											
Patient and third-party payors	41,562	17,345	1,742	2,276	10,980	12,830	538	-	274	87,547	79,498
Other	151	241	-	11	-	1,869	-	427	3	2,702	3,231
Total accounts receivable, net	41,713	17,586	1,742	2,287	10,980	14,699	538	427	277	90,249	82,729
Assets limited or restricted as to use	-	-	-	-	-	-	-	726	-	726	503
Inventories	13,369	2,455	-	-	1,089	-	97	-	(1)	17,009	15,948
Prepaid expenses and other current assets	5,120	303	187	27	6	9,044	16	97	33	14,833	10,322
Total current assets	40,209	238,235	(10,404)	(1,865)	(2,141)	23,795	1,575	2,075	563	292,042	256,904
Assets limited as to use and restricted, less current portion	28,684	-	-	-	-	-	-	5,688	-	34,372	27,980
Property, plant and equipment, net	95,361	58,816	334	-	22,822	1,888	170	-	1,045	180,436	185,940
Other long-term assets, net	81,082	(3)			-	14,123	290	2,081	5,083	102,656	101,970
Total assets	$ 245,336	297,048	(10,070)	(1,865)	20,681	39,806	2,035	9,844	6,691	609,506	572,794
Liabilities and Net Assets											
Current liabilities:											
Current portion of long-term debt	$ -	-	-	-	-	-	-	-	-	-	-
Accounts payable	17,452	6,794	308	451	1,161	4,297	289	-	82	30,834	23,588
Accrued salaries, wages and benefits	19,384	1,991	290	405	382	7,474	52	-	130	30,108	27,994
Other accrued expenses	2,595	774	228	484	219	2,653	36	-	17	7,006	5,256
Due to (from) affiliate	(1,216)	333	57	-	-	(271)	9	-	12	(1,076)	(4,524)
Total current liabilities	38,215	9,892	883	1,340	1,762	14,153	386	-	241	66,872	52,314
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities and deferred credits	5,307	7,931	149	76	-	14,020	-	-	5	27,488	19,862
Due to (from) affiliate, less current portion	259,300	-	-	-	-	-	-	-	7,596	266,896	265,851
Total liabilities	302,822	17,823	1,032	1,416	1,762	28,173	386	-	7,842	361,256	338,027
Net assets:											
Unrestricted-controlling	(57,486)	279,225	(11,102)	(3,281)	18,919	11,633	788	6,068	(1,151)	243,613	230,717
Unrestricted-noncontrolling	-	-	-	-	-	-	861	-	-	861	904
Total unrestricted	(57,486)	279,225	(11,102)	(3,281)	18,919	11,633	1,649	6,068	(1,151)	244,474	231,621
Temporarily restricted	-	-	-	-	-	-	-	3,185	-	3,185	2,558
Permanently restricted	-	-	-	-	-	-	-	591	-	591	588
Total net assets	(57,486)	279,225	(11,102)	(3,281)	18,919	11,633	1,649	9,844	(1,151)	248,250	234,767
Total liabilities and net assets	$ 245,336	297,048	(10,070)	(1,865)	20,681	39,806	2,035	9,844	6,691	609,506	572,794

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

		Bon Secours Kentucky Health System, Inc.					
		Our Lady of Bellefonte Hospital, Inc.	OLBH Foundation	Bellefonte Physician Services	Consolidating Eliminations	2017 Consolidated	2016 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$	59,572	986	(108,101)	49,002	1,459	1,191
Accounts receivable, net:							
Patient and third-party payors		20,161	-	1,413	-	21,574	21,363
Other		574	19	1	(1)	593	400
Total accounts receivable, net		20,735	19	1,414	(1)	22,167	21,763
Assets limited or restricted as to use		-	-	-	-	-	-
Inventories		4,151	-	273	-	4,424	4,408
Prepaid expenses and other current assets		1,645	-	1,718	-	3,363	3,133
Total current assets		86,103	1,005	(104,696)	49,001	31,413	30,495
Assets limited as to use and restricted, less current portion		10,610	3,127	-	-	13,737	12,736
Property, plant and equipment, net		47,865	-	1,162	-	49,027	46,151
Other long-term assets, net		7,634	(7)	-	-	7,627	7,429
Total assets	$	152,212	4,125	(103,534)	49,001	101,804	96,811
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$	-	-	-	-	-	-
Accounts payable		9,754	-	654	-	10,408	8,039
Accrued salaries, wages and benefits		6,462	-	272	-	6,734	6,221
Other accrued expenses		2,473	-	6	(1)	2,478	1,896
Due to (from) affiliate		(653)	-	330	-	(323)	(622)
Total current liabilities		18,036	-	1,262	(1)	19,297	15,534
Long-term debt, less current portion		-	-	-	-	-	-
Other long-term liabilities and deferred credits		68,041	-	16	-	68,057	72,080
Due to (from) affiliate, less current portion		-	-	-	49,002	49,002	27,432
Total liabilities		86,077	-	1,278	49,001	136,356	115,046
Net assets:							
Unrestricted-controlling		66,134	986	(104,812)	-	(37,692)	(21,274)
Unrestricted-noncontrolling		-	-	-	-	-	-
Total unrestricted		66,134	986	(104,812)	-	(37,692)	(21,274)
Temporarily restricted		1	1,765	-	-	1,766	1,695
Permanently restricted		-	1,374	-	-	1,374	1,344
Total net assets		66,135	4,125	(104,812)	-	(34,552)	(18,235)
Total liabilities and net assets	$	152,212	4,125	(103,534)	49,001	101,804	96,811

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

		Bon Secours New York Health System, Inc.					
		Frances Schervier Home and Hospital	Bon Secours New York Parent Corp.	Schervier Apartments, LLC	Consolidating Eliminations	2017 Consolidated	2016 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$	16,462	298	3,702	(1)	20,461	8,024
Accounts receivable, net:							
Patient and third-party payors		1,679	-	-	-	1,679	6,499
Other		-	-	98	-	98	433
Total accounts receivable, net		1,679	-	98	-	1,777	6,932
Assets limited or restricted as to use		3,000	-	5,133	-	8,133	9,909
Inventories		-	-	-	-	-	108
Prepaid expenses and other current assets		1	-	154	-	155	356
Total current assets		21,142	298	9,087	(1)	30,526	25,329
Assets limited as to use and restricted, less current portion		6,000	-	849	-	6,849	1,251
Property, plant and equipment, net		-	-	7,018	-	7,018	24,843
Other long-term assets, net		1,487	(1)	50	4	1,540	7,255
Total assets	$	28,629	297	17,004	3	45,933	58,678
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$	16,400	-	373	-	16,773	4,161
Accounts payable		23,399	-	107	162	23,668	2,657
Accrued salaries, wages and benefits		164	64	7	1	236	2,802
Other accrued expenses		1,573	-	187	-	1,760	1,838
Due to (from) affiliate		-	-	-	-	-	(116)
Total current liabilities		41,536	64	674	163	42,437	11,342
Long-term debt, less current portion		(110)	-	20,310	-	20,200	36,916
Other long-term liabilities and deferred credits		2,556	-	46	20	2,622	12,768
Due to (from) affiliate, less current portion		73	-	-	-	73	21,309
Total liabilities		44,055	64	21,030	183	65,332	82,335
Net assets:							
Unrestricted-controlling		(15,426)	233	(4,026)	(180)	(19,399)	(24,124)
Unrestricted-noncontrolling		-	-	-	-	-	-
Total unrestricted		(15,426)	233	(4,026)	(180)	(19,399)	(24,124)
Temporarily restricted		-	-	-	-	-	467
Permanently restricted		-	-	-	-	-	-
Total net assets		(15,426)	233	(4,026)	(180)	(19,399)	(23,657)
Total liabilities and net assets	$	28,629	297	17,004	3	45,933	58,678

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 1.8

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours St. Petersburg Health System						
	Maria Manor Nursing Care Center, Inc.	Bon Secours Place at St. Petersburg	Maria Manor Health Resources	St. Petersburg Home Care Services, Inc.	Consolidating Eliminations	2017 Consolidated	2016 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ 5,731	1,206	-	(1,158)	-	5,779	5,106
Accounts receivable, net:							
Patient and third-party payors	2,517	170	-	962	(1)	3,648	3,408
Other	-	4	-	(55)	1	(50)	(14)
Total accounts receivable, net	2,517	174	-	907	-	3,598	3,394
Assets limited or restricted as to use	435	-	-	-	-	435	361
Inventories	128	-	-	-	-	128	100
Prepaid expenses and other current assets	130	85	-	8	1	224	222
Total current assets	8,941	1,465	-	(243)	1	10,164	9,183
Assets limited as to use and restricted, less current portion	-	-	-	-	-	-	-
Property, plant and equipment, net	4,638	5,812	-	55	(1)	10,504	10,849
Other long-term assets, net	2,938	510	1,000	1	(999)	3,450	3,531
Total assets	$ 16,517	7,787	1,000	(187)	(999)	24,118	23,563
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$ -	-	-	-	-	-	-
Accounts payable	1,462	129	-	124	(7)	1,708	1,304
Accrued salaries, wages and benefits	1,059	90	-	87	-	1,236	1,233
Other accrued expenses	171	215	-	92	-	478	355
Due to (from) affiliate	(932)	323	(40)	875	8	234	81
Total current liabilities	1,760	757	(40)	1,178	1	3,656	2,973
Long-term debt, less current portion	-	-	-	-	-	-	-
Other long-term liabilities and deferred credits	3,686	511	-	-	1	4,198	4,615
Due to (from) affiliate, less current portion	10,700	3,479	-	-	-	14,179	14,505
Total liabilities	16,146	4,747	(40)	1,178	2	22,033	22,093
Net assets:							
Unrestricted-controlling	(69)	3,040	1,040	(1,365)	(1,001)	1,645	1,104
Unrestricted-noncontrolling	-	-	-	-	-	-	-
Total unrestricted	(69)	3,040	1,040	(1,365)	(1,001)	1,645	1,104
Temporarily restricted	440	-	-	-	-	440	366
Permanently restricted	-	-	-	-	-	-	-
Total net assets	371	3,040	1,040	(1,365)	(1,001)	2,085	1,470
Total liabilities and net assets	$ 16,517	7,787	1,000	(187)	(999)	24,118	23,563

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 1.9

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

		Bon Secours Associates, LLC		Shannon MOB Partnership		BSB Health MOB Partnership 2		Bon Secours GoodHelpCare LLC	
Assets		2017	2016	2017	2016	2017	2016	2017	2016
Current assets:									
Cash and cash equivalents	$	-	-	694	1,203	421	468	(4,082)	3,028
Accounts receivable, net:									
Patient and third-party payors		-	-	-	-	-	-	-	-
Other		-	-	615	465	54	25	337	205
Total accounts receivable, net		-	-	615	465	54	25	337	205
Assets limited or restricted as to use		-	-	-	-	259	581	-	-
Inventories		-	-	-	-	-	-	-	-
Prepaid expenses and other current assets		-	-	-	-	-	-	11	-
Total current assets		-	-	1,309	1,668	734	1,074	(3,734)	3,233
Assets limited as to use and restricted, less current portion		-	-	-	-	-	-	-	-
Property, plant and equipment, net		-	-	4,177	3,682	1,565	1,455	-	-
Other long-term assets, net		1,721	1,721	18,117	18,632	10,995	11,307	-	-
Total assets	$	1,721	1,721	23,603	23,982	13,294	13,836	(3,734)	3,233
Liabilities and Net Assets									
Current liabilities:									
Current portion of long-term debt	$	-	-	1,608	1,608	826	826	-	-
Accounts payable		-	-	315	576	393	139	303	2,903
Accrued salaries, wages and benefits		-	-	-	-	-	-	446	333
Other accrued expenses		-	-	-	-	-	-	-	-
Due to (from) affiliate		-	-	-	-	-	-	-	-
Total current liabilities		-	-	1,923	2,184	1,219	965	749	3,236
Long-term debt, less current portion		-	-	8,240	10,031	5,923	6,844	-	-
Other long-term liabilities and deferred credits		-	-	-	-	2,616	2,409	-	-
Due to (from) affiliate, less current portion		-	-	6,578	5,229	2,598	2,598	-	-
Total liabilities		-	-	16,741	17,444	12,356	12,816	749	3,236
Net assets:									
Unrestricted-controlling		1,721	1,721	6,862	6,538	460	500	(4,483)	(3)
Unrestricted-noncontrolling		-	-	-	-	478	520	-	-
Total unrestricted		1,721	1,721	6,862	6,538	938	1,020	(4,483)	(3)
Temporarily restricted		-	-	-	-	-	-	-	-
Permanently restricted		-	-	-	-	-	-	-	-
Total net assets		1,721	1,721	6,862	6,538	938	1,020	(4,483)	(3)
Total liabilities and net assets	$	1,721	1,721	23,603	23,982	13,294	13,836	(3,734)	3,233

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

		Good Help Connections, LLC		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office	
Assets		2017	2016	2017	2016	2017	2016
Current assets:							
Cash and cash equivalents	$	(5,973)	6,624	-	-	38,418	31,680
Accounts receivable, net:							
Patient and third-party payors		-	-	-	-	-	-
Other		3,240	5,535	-	-	14,639	13,087
Total accounts receivable, net		3,240	5,535	-	-	14,639	13,087
Assets limited or restricted as to use		-	-	18,696	19,381	26,718	44,524
Inventories		-	-	-	-	-	-
Prepaid expenses and other current assets		312	152	-	-	16,833	11,196
Total current assets		(2,421)	12,311	18,696	19,381	96,608	100,487
Assets limited as to use and restricted, less current portion		-	-	75,592	71,376	221,553	152,039
Property, plant and equipment, net		-	-	-	-	154,931	177,498
Other long-term assets, net		-	-	6,005	7,354	293,860	295,393
Total assets	$	(2,421)	12,311	100,293	98,111	766,952	725,417
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$	-	-	-	-	31,190	24,324
Accounts payable		1,156	1,430	-	-	28,058	39,950
Accrued salaries, wages and benefits		254	191	-	-	48,209	38,537
Other accrued expenses		659	17,247	18,696	19,381	67,999	52,380
Due to (from) affiliate		-	-	-	-	4,028	13,603
Total current liabilities		2,069	18,868	18,696	19,381	179,484	168,794
Long-term debt, less current portion		-	-	-	-	740,354	772,804
Other long-term liabilities and deferred credits		-	-	81,597	78,730	250,763	323,528
Due to (from) affiliate, less current portion		-	-	-	-	(500,323)	(499,905)
Total liabilities		2,069	18,868	100,293	98,111	670,278	765,221
Net assets:							
Unrestricted-controlling		(4,490)	(6,557)	-	-	89,414	(47,064)
Unrestricted-noncontrolling		-	-	-	-	-	-
Total unrestricted		(4,490)	(6,557)	-	-	89,414	(47,064)
Temporarily restricted		-	-	-	-	7,260	7,260
Permanently restricted		-	-	-	-	-	-
Total net assets		(4,490)	(6,557)	-	-	96,674	(39,804)
Total liabilities and net assets	$	(2,421)	12,311	100,293	98,111	766,952	725,417

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

		Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Health System	Bon Secours Richmond Health Corporation	Bon Secours St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours St. Petersburg Health System	Bon Secours Associates, LLC	Shannon MOB Partnership	BSB Health MOB Partnership 2
Revenues:											
Net patient service revenue before bad debts	$	110,485	719,891	1,474,572	777,247	193,756	37,919	30,131	-	-	-
Provision for patient bad debts, net		(3,297)	(49,268)	(79,870)	(37,872)	(8,857)	(114)	(27)	-	-	-
Net patient service revenue		107,188	670,623	1,394,702	739,375	184,899	37,805	30,104	-	-	-
Other revenue		7,173	36,430	24,580	11,316	4,510	30,753	5,272	-	-	-
Total revenues		114,361	707,053	1,419,282	750,691	189,409	68,558	35,376	-	-	-
Expenses:											
Salaries, wages and benefits		54,547	339,476	644,946	374,884	98,899	26,238	19,525	-	-	-
Supplies		8,730	145,898	259,698	155,363	32,216	2,185	3,128	-	-	-
Purchased services and other		45,130	196,202	343,803	170,398	60,284	13,751	10,227	1	-	-
Depreciation and amortization		6,383	37,453	53,534	21,039	9,288	1,469	827	-	-	-
Interest		1,457	6,445	17,234	8,490	2,112	307	634	-	-	-
Total expenses		116,247	725,474	1,319,215	730,174	202,799	43,950	34,341	1	-	-
Operating income (loss)		(1,886)	(18,421)	100,067	20,517	(13,390)	24,608	1,035	(1)	-	-
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net		1,723	13,437	37,879	2,510	790	(50)	(44)	-	-	-
Loss on early retirement of debt		-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net		-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net		(2,535)	(714)	(36,378)	574	(6,243)	(915)	19	-	324	(82)
Excess (deficit) of revenues over expenses		(2,698)	(5,698)	101,568	23,601	(18,843)	23,643	1,010	(1)	324	(82)
Other changes in unrestricted net assets:											
Grants for capital		20	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities		-	54	(5)	144	71	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment		56	780	7,739	86	152	-	-	-	-	-
Net change in equity of joint ventures		-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners		-	-	(5,723)	(196)	-	-	-	-	-	(1)
Pension and other post retirement adjustments		5,546	3,720	43,048	-	3,383	2,215	-	-	-	-
Transfers to affiliates and other changes, net		(930)	(4,276)	(11,248)	(10,782)	(1,181)	(21,133)	(469)	-	-	-
Increase (decrease) in unrestricted net assets	$	1,994	(5,420)	135,379	12,853	(16,418)	4,725	541	(1)	324	(83)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours Good HelpCare LLC	Good Help Connections, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2017 Consolidated	2016 Consolidated
Revenues:							
Net patient service revenue before bad debts	$ -	-	-	-	(1)	3,344,000	3,308,143
Provision for patient bad debts, net	-	-	-	-	1	(179,304)	(199,503)
Net patient service revenue	-	-	-	-	-	3,164,696	3,108,640
Other revenue	533	15,679	17,600	304,328	(277,420)	180,754	144,897
Total revenues	533	15,679	17,600	304,328	(277,420)	3,345,450	3,253,537
Expenses:							
Salaries, wages and benefits	3,866	5,296	-	160,647	(574)	1,727,750	1,687,599
Supplies	6	186	-	(11,344)	137	596,203	562,539
Purchased services and other	1,132	6,578	17,600	95,463	(243,257)	717,312	714,437
Depreciation and amortization	-	1,533	-	40,248	(36,232)	135,542	136,499
Interest	-	52	-	(3,443)	(189)	33,099	30,871
Total expenses	5,004	13,645	17,600	281,571	(280,115)	3,209,906	3,131,945
Operating income (loss)	(4,471)	2,034	-	22,757	2,695	135,544	121,592
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	(9)	33	-	45,452	(20)	101,701	12,668
Loss on early retirement of debt	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-
Other nonoperating activities, net	-	-	-	718	(3,325)	(48,557)	(46,554)
Excess (deficit) of revenues over expenses	(4,480)	2,067	-	68,927	(650)	188,688	87,706
Other changes in unrestricted net assets:							
Grants for capital	-	-	-	-	-	20	174
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	227	(1)	490	362
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	(282)	8,531	1,942
Net change in equity of joint ventures	-	-	-	(1,219)	-	(1,219)	1,194
Distributions to noncontrolling interest owners	-	-	-	-	2	(5,918)	(7,666)
Pension and other post retirement adjustments	-	-	-	24,877	77	82,866	(145,840)
Transfers to affiliates and other changes, net	-	-	-	43,666	205	(6,148)	(4,369)
Increase (decrease) in unrestricted net assets	$ (4,480)	2,067	-	136,478	(649)	267,310	(66,497)

See accompanying independent auditors' report on supplementary inform

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

		Bon Secours Baltimore Health Corporation					
		Bon Secours Hospital Baltimore	**Bon Secours of Maryland Foundation**	**Bon Secours Baltimore Health System Foundation**	**Consolidating Eliminations**	**2017 Consolidated**	**2016 Consolidated**
Revenues:							
Net patient service revenue before bad debts	$	110,485	-	-	-	110,485	114,730
Provision for patient bad debts, net		(3,297)	-	-	-	(3,297)	(6,755)
Net patient service revenue		107,188	-	-	-	107,188	107,975
Other revenue		3,820	6,654	-	(3,301)	7,173	7,875
Total revenues		111,008	6,654	0	(3,301)	114,361	115,850
Expenses:							
Salaries, wages and benefits		52,447	2,100	-	-	54,547	56,987
Supplies		8,504	256	-	(30)	8,730	8,486
Purchased services and other		44,339	3,591	-	(2,800)	45,130	44,413
Depreciation and amortization		6,319	1,499	-	(1,435)	6,383	5,929
Interest		1,457	715	-	(715)	1,457	1,609
Total expenses		113,066	8,161	-	(4,980)	116,247	117,424
Operating income (loss)		(2,058)	(1,507)	-	1,679	(1,886)	(1,574)
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net		1,075	-	647	1	1,723	510
Loss on early retirement of debt		-	-	-	-	-	-
Gain (loss) on sale of asset, net							
Other nonoperating activities, net		(1,427)	(160)	(948)	-	(2,535)	(1,018)
Excess (deficit) of revenues over expenses		(2,410)	(1,667)	(301)	1,680	(2,698)	(2,082)
Other changes in unrestricted net assets:							
Grants for capital		20	-	-	-	20	100
Net change in unrealized gains (losses) on other-than-trading securities		-	-	-	-	-	-
Net assets released from restrictions used for the purchase		-	-	-	-	-	-
of property, plant, and equipment		-	-	56	-	56	35
Net change in equity of joint ventures		-	-	-	-	-	-
Distributions to noncontrolling interest owners		-	-	-	-	-	-
Pension and other post retirement adjustments		5,546	-	-	-	5,546	(8,070)
Transfers to affiliates and other changes, net		(930)	(13)	-	13	(930)	(821)
Increase (decrease) in unrestricted net assets	$	2,226	(1,680)	(245)	1,693	1,994	(10,838)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours Hampton Roads Health System										
	Maryview Medical Center	**Bon Secours Maryview Nursing Care Center**	**Professional Health Care Mgmt Services**	**Bon Secours DePaul Medical Center, Inc.**	**Tidewater Diversified, Inc.**	**Mary Immaculate Hospital, Inc.**	**St. Francis Nursing Care Center, Inc.**	**Other Corporations**	**Consolidating Eliminations**	**2017 Consolidated**	**2016 Consolidated**
Revenues:											
Net patient service revenue before bad debts	$ 342,073	10,096	9	183,535	-	175,964	8,216	-	(2)	719,891	748,245
Provision for patient bad debts, net	(24,252)	(406)	-	(14,550)	-	(9,760)	(301)	-	1	(49,268)	(55,172)
Net patient service revenue	317,821	9,690	9	168,985	-	166,204	7,915	-	(1)	670,623	693,073
Other revenue	13,678	20	4,926	12,455	2,966	2,248	13	97,862	(97,738)	36,430	34,613
Total revenues	331,499	9,710	4,935	181,440	2,966	168,452	7,928	97,862	(97,739)	707,053	727,686
Expenses:											
Salaries, wages and benefits	152,354	5,939	4,106	84,781	417	54,675	4,539	32,666	(1)	339,476	340,646
Supplies	64,838	1,115	398	29,633	2,428	43,035	786	3,665	-	145,898	146,853
Purchased services and other	111,259	3,322	1,387	67,349	93	47,965	3,366	59,200	(97,739)	196,202	196,414
Depreciation and amortization	15,430	155	396	12,082	16	6,905	136	2,332	1	37,453	34,751
Interest	2,456	57	48	2,233	-	1,605	46	-	-	6,445	7,089
Total expenses	346,337	10,588	6,335	196,078	2,954	154,185	8,873	97,863	(97,739)	725,474	725,753
Operating income (loss)	(14,838)	(878)	(1,400)	(14,638)	12	14,267	(945)	(1)	-	(18,421)	1,933
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	9,302	81	1	412	5	3,634	29	(28)	1	13,437	3,986
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net											
Other nonoperating activities, net	1,718	(11)	(361)	594	(10)	(718)	(7)	(1,918)	(1)	(714)	(3,314)
Excess (deficit) of revenues over expenses	(3,818)	(808)	(1,760)	(13,632)	7	17,183	(923)	(1,947)	-	(5,698)	2,605
Other changes in unrestricted net assets:											
Grants for capital	-	-	-	-	-	-	-	-	-	-	74
Net change in unrealized gains (losses) on other-than-trading securities	(92)	-	-	-	-	43	-	103	-	54	85
Net assets released from restrictions used for the purchase	-					-		-	-	-	-
of property, plant, and equipment	285	-	-	-	-	55	-	603	(163)	780	388
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	2	(2)	-	-
Pension and other post retirement adjustments	3,720	-	-	-	-	-	-	-	-	3,720	(4,436)
Transfers to affiliates and other changes, net	2,708	(51)	92	(2,154)	(13)	(1,269)	(43)	(403)	(3,143)	(4,276)	(5,025)
Increase (decrease) in unrestricted net assets	$ 2,803	(859)	(1,668)	(15,786)	(6)	16,012	(966)	(1,642)	(3,308)	(5,420)	(6,309)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours Richmond Health Corporation									
	St. Mary's Hospital of Richmond, Inc.	**Richmond Community Hospital**	**St. Francis Medical Center**	**Memorial Regional Medical Center**	**Bon Secours Healthsource Company Group**	**Rappahannock General Hospital**	**Other Corporations**	**Consolidating Eliminations**	**2017 Consolidated**	**2016 Consolidated**
Revenues:										
Net patient service revenue before bad debts	$ 571,612	151,373	267,549	379,287	51,134	35,283	23,991	(5,657)	1,474,572	1,456,332
Provision for patient bad debts, net	(22,760)	(10,778)	(16,609)	(24,070)	(2,046)	(2,501)	(1,105)	(1)	(79,870)	(87,578)
Net patient service revenue	548,852	140,595	250,940	355,217	49,088	32,782	22,886	(5,658)	1,394,702	1,368,754
Other revenue	6,572	201	2,544	2,589	8,221	277	221,281	(217,105)	24,580	20,369
Total revenues	555,424	140,796	253,484	357,806	57,309	33,059	244,167	(222,763)	1,419,282	1,389,123
Expenses:										
Salaries, wages and benefits	210,604	35,991	99,547	132,432	37,825	17,001	111,318	228	644,946	630,580
Supplies	96,098	32,134	38,393	59,823	6,872	7,670	18,375	333	259,698	245,020
Purchased services and other	176,946	29,010	93,522	134,896	14,565	8,574	109,489	(223,199)	343,803	336,443
Depreciation and amortization	14,451	1,762	7,314	8,353	3,391	1,101	17,152	10	53,534	56,570
Interest	6,912	-	5,121	4,439	-	687	74	1	17,234	18,455
Total expenses	505,011	98,897	243,897	339,943	62,653	35,033	256,408	(222,627)	1,319,215	1,287,068
Operating income (loss)	50,413	41,899	9,587	17,863	(5,344)	(1,974)	(12,241)	(136)	100,067	102,055
Nonoperating gains (losses), net:										
Nonoperating investment gains (losses), net	35,555	385	75	1,768	(451)	(137)	689	(5)	37,879	12,085
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net										
Other nonoperating activities, net	(10,710)	387	(2,977)	(13,057)	(1,630)	792	(9,188)	5	(36,378)	(26,881)
Excess (deficit) of revenues over expenses	75,258	42,671	6,685	6,574	(7,425)	(1,319)	(20,740)	(136)	101,568	87,259
Other changes in unrestricted net assets:										
Grants for capital	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	(3)	-	-	(2)	-	-	-	-	(5)	(4)
Net assets released from restrictions used for the purchase	-	-	-	-	-	-	-	-	-	-
of property, plant, and equipment	-	-	-	-	-	-	7,739	-	7,739	1,220
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	(5,723)	-	1	(1)	(5,723)	(7,526)
Pension and other post retirement adjustments	28,942	-	-	14,106	-	-	-	-	43,048	(71,089)
Transfers to affiliates and other changes, net	(8,694)	-	(4,784)	(2,772)	862	(425)	4,564	1	(11,248)	(11,383)
Increase (decrease) in unrestricted net assets	$ 95,503	42,671	1,901	17,906	(12,286)	(1,744)	(8,436)	(136)	135,379	(1,523)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours St. Francis Health System, Inc.										
	St. Francis - Downtown	**St. Francis - Eastside**	**St Francis - Millennium**	**St. Francis Home Care**	**Bon Secours St. Francis Cancer Center**	**St. Francis Physician Services**	**Upstate Surgery Center**	**St. Francis Foundation**	**Consolidating Eliminations**	**2017 Consolidated**	**2016 Consolidated**
Revenues:											
Net patient service revenue before bad debts	$ 373,354	150,599	11,844	15,557	61,259	154,344	4,278	-	6,012	777,247	715,154
Provision for patient bad debts, net	(21,315)	(10,663)	(780)	5	(242)	(4,652)	(225)	-	-	(37,872)	(38,043)
Net patient service revenue	352,039	139,936	11,064	15,562	61,017	149,692	4,053	-	6,012	739,375	677,111
Other revenue	151	233	301	32	1,349	9,227	1	-	22	11,316	12,431
Total revenues	352,190	140,169	11,365	15,594	62,366	158,919	4,054	0	6,034	750,691	689,542
Expenses:											
Salaries, wages and benefits	118,012	52,099	7,501	11,492	9,192	171,330	1,423	-	3,835	374,884	345,986
Supplies	78,970	24,532	943	955	33,277	14,746	1,343	-	597	155,363	134,034
Purchased services and other	84,485	30,602	4,145	2,582	6,631	39,083	834	-	2,036	170,398	163,166
Depreciation and amortization	11,902	3,703	69	-	2,486	2,454	59	-	366	21,039	23,051
Interest	5,278	3,089	-	123	-	-	-	-	-	8,490	8,390
Total expenses	298,647	114,025	12,658	15,152	51,586	227,613	3,659	-	6,834	730,174	674,627
Operating income (loss)	53,543	26,144	(1,293)	442	10,780	(68,694)	395	-	(800)	20,517	14,915
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	3,868	(356)	(190)	(27)	(623)	(201)	(3)	136	(94)	2,510	925
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net											
Other nonoperating activities, net	(334)	431	(6)	38	32	-	(17)	429	1	574	802
Excess (deficit) of revenues over expenses	57,077	26,219	(1,489)	453	10,189	(68,895)	375	565	(893)	23,601	16,642
Other changes in unrestricted net assets:											
Grants for capital	-	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-	144	-	144	88
Net assets released from restrictions used for the purchase	-	-	-	-	-	-	-	-	-	-	-
of property, plant, and equipment	1,535	624	5	-	-	-	-	(2,078)	-	86	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	(196)	-	-	(196)	(140)
Pension and other post retirement adjustments	-	-	-	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	(8,443)	(71,548)	-	-	-	68,866	(315)	847	(189)	(10,782)	(4,974)
Increase (decrease) in unrestricted net assets	$ 50,169	(44,705)	(1,484)	453	10,189	(29)	(136)	(522)	(1,082)	12,853	11,616

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.6

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours Kentucky Health System, Inc.					
	Our Lady of Bellefonte Hospital, Inc.	**OLBH Foundation**	**Bellefonte Physician Services**	**Consolidating Eliminations**	**2017 Consolidated**	**2016 Consolidated**
Revenues:						
Net patient service revenue before bad debts	$ 168,524	-	25,230	2	193,756	196,797
Provision for patient bad debts, net	(7,650)	-	(1,206)	(1)	(8,857)	(10,113)
Net patient service revenue	160,874	-	24,024	1	184,899	186,684
Other revenue	3,525	-	984	1	4,510	3,699
Total revenues	164,399	0	25,008	2	189,409	190,383
Expenses:						
Salaries, wages and benefits	68,102	-	30,797	-	98,899	93,774
Supplies	29,947	1	2,268	-	32,216	31,687
Purchased services and other	51,820	1	8,463	-	60,284	56,209
Depreciation and amortization	8,592	-	695	1	9,288	8,985
Interest	2,112	-	-	-	2,112	2,643
Total expenses	160,573	2	42,223	1	202,799	193,298
Operating income (loss)	3,826	(2)	(17,215)	1	(13,390)	(2,915)
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	924	33	(167)	-	790	315
Loss on early retirement of debt	-	-	-	-	-	-
Gain (loss) on sale of asset, net						
Other nonoperating activities, net	(5,401)	(692)	(150)	-	(6,243)	(2,874)
Excess (deficit) of revenues over expenses	(651)	(661)	(17,532)	1	(18,843)	(5,474)
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	71	-	-	71	71
Net assets released from restrictions used for the purchase	-	-	-	-	-	-
of property, plant, and equipment	-	152	-	-	152	127
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	3,383	-	-	-	3,383	(18,719)
Transfers to affiliates and other changes, net	(1,759)	579	-	(1)	(1,181)	(1,737)
Increase (decrease) in unrestricted net assets	$ 973	141	(17,532)	-	(16,418)	(25,732)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours New York Health System, Inc.					
	Frances Schervier Home and Hospital	**Bon Secours New York Parent Corp.**	**Schervier Apartments, LLC**	**Consolidating Eliminations**	**2017 Consolidated**	**2016 Consolidated**
Revenues:						
Net patient service revenue before bad debts	$ 37,898	-	-	21	37,919	47,238
Provision for patient bad debts, net	(114)	-	-	-	(114)	(1,623)
Net patient service revenue	37,784	-	-	21	37,805	45,615
Other revenue	30,699	1,663	2,948	(4,557)	30,753	4,528
Total revenues	68,483	1,663	2,948	(4,536)	68,558	50,143
Expenses:						
Salaries, wages and benefits	25,711	526	299	(298)	26,238	31,214
Supplies	2,183	2	22	(22)	2,185	2,774
Purchased services and other	13,360	1,135	649	(1,393)	13,751	15,373
Depreciation and amortization	1,463	-	386	(380)	1,469	1,668
Interest	307	-	728	(728)	307	280
Total expenses	43,024	1,663	2,084	(2,821)	43,950	51,309
Operating income (loss)	25,459	-	864	(1,715)	24,608	(1,166)
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	(55)	-	5	-	(50)	(75)
Loss on early retirement of debt	-	-	-	-	-	-
Gain (loss) on sale of asset, net						
Other nonoperating activities, net	(207)	(1)	(1,572)	865	(915)	22
Excess (deficit) of revenues over expenses	25,197	(1)	(703)	(850)	23,643	(1,219)
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-
Net assets released from restrictions used for the purchase	-	-	-	-	-	-
of property, plant, and equipment	-	-	-	-	-	147
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	2,215	-	-	-	2,215	(466)
Transfers to affiliates and other changes, net	(19,860)	981	237	(2,491)	(21,133)	1,576
Increase (decrease) in unrestricted net assets	$ 7,552	980	(466)	(3,341)	4,725	38

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours St. Petersburg Health System						
	Maria Manor Nursing Care Center, Inc.	Bon Secours Place at St. Petersburg	Maria Manor Health Resources	St. Petersburg Home Care Services, Inc.	Consolidating Eliminations	2017 Consolidated	2016 Consolidated
Revenues:							
Net patient service revenue before bad debts	$ 26,287	-	-	3,843	1	30,131	29,647
Provision for patient bad debts, net	239	(17)	-	(248)	(1)	(27)	(219)
Net patient service revenue	26,526	(17)	-	3,595	-	30,104	29,428
Other revenue	951	4,320	-	-	1	5,272	5,347
Total revenues	27,477	4,303	0	3,595	1	35,376	34,775
Expenses:							
Salaries, wages and benefits	14,132	2,593	-	2,800	-	19,525	19,442
Supplies	2,638	392	-	98	-	3,128	3,138
Purchased services and other	8,001	1,176	(173)	1,222	1	10,227	9,247
Depreciation and amortization	531	276	-	20	-	827	783
Interest	494	140	-	-	-	634	705
Total expenses	25,796	4,577	(173)	4,140	1	34,341	33,315
Operating income (loss)	1,681	(274)	173	(545)	-	1,035	1,460
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	(37)	8	-	(15)	-	(44)	(26)
Loss on early retirement of debt	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net							
Other nonoperating activities, net	19	-	-	-	-	19	72
Excess (deficit) of revenues over expenses	1,663	(266)	173	(560)	-	1,010	1,506
Other changes in unrestricted net assets:							
Grants for capital	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-
Net assets released from restrictions used for the purchase	-	-	-	-	-	-	-
of property, plant, and equipment	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-
Pension and other post retirement adjustments	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	(469)	-	-	-	-	(469)	(394)
Increase (decrease) in unrestricted net assets	$ 1,194	(266)	173	(560)	-	541	1,112

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Bon Secours Associates, LLC		Shannon MOB Partnership		BSB Health MOB Partnership 2		Bon Secours Good HelpCare LLC	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues:								
Net patient service revenue before bad debts	$ -	-	-	-	-	-	-	-
Provision for patient bad debts, net	-	-	-	-	-	-	-	-
Net patient service revenue	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	533	288
Total revenues	-	-	-	-	-	-	533	288
Expenses:								
Salaries, wages and benefits	-	-	-	-	-	-	3,866	3,653
Supplies	-	-	-	-	-	-	6	9
Purchased services and other	1	-	-	-	-	-	1,132	2,085
Depreciation and amortization	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenses	1	-	-	-	-	-	5,004	5,747
Operating income (loss) from continuing operations	(1)	-	-	-	-	-	(4,471)	(5,459)
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	-	-	-	-	-	-	(9)	(30)
Loss on early retirement of debt	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net								
Other nonoperating activities, net	-	-	324	799	(82)	294	-	-
Excess (deficit) of revenues over expenses	(1)	-	324	799	(82)	294	(4,480)	(5,489)
Other changes in unrestricted net assets:								
Grants for capital	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-		(1)		-
Pension and other post retirement adjustments	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	-	-	-	-	-	1	-	15,315
Increase (decrease) in unrestricted net assets	$ (1)	-	324	799	(82)	294	(4,480)	9,826

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2017
(with comparative totals for 2016)

	Good Help Connections, LLC		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Revenues:						
Net patient service revenue before bad debts	$ -	-	-	-	-	-
Provision for patient bad debts, net	-	-	-	-	-	-
Net patient service revenue	-	-	-	-	-	-
Other revenue	15,679	16,374	17,600	7,407	304,328	293,167
Total revenues	15,679	16,374	17,600	7,407	304,328	293,167
Expenses:						
Salaries, wages and benefits	5,296	7,405	-	-	160,647	163,782
Supplies	186	162	-	-	(11,344)	(9,653)
Purchased services and other	6,578	8,003	17,600	7,407	95,463	101,728
Depreciation and amortization	1,533	688	-	-	40,248	40,650
Interest	52	100	-	-	(3,443)	(8,218)
Total expenses	13,645	16,358	17,600	7,407	281,571	288,289
Operating income (loss) from continuing operations	2,034	16	-	-	22,757	4,878
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	33	24	-	-	45,452	(5,038)
Loss on early retirement of debt	-	-	-	-	-	-
Gain (loss) on sale of asset, net						
Other nonoperating activities, net	-	-	-	-	718	(6,568)
Excess (deficit) of revenues over expenses	2,067	40	-	-	68,927	(6,728)
Other changes in unrestricted net assets:						
Grants for capital	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	227	123
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	(1,219)	1,194
Distributions to noncontrolling interest owners	-	-	-	-		-
Pension and other post retirement adjustments	-	-	-	-	24,877	(43,059)
Transfers to affiliates and other changes, net	-	-	-	-	43,666	3,098
Increase (decrease) in unrestricted net assets	$ 2,067	40	-	-	136,478	(45,372)

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