BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Schedules

August 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

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, 2018 and 2017, 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, 2018 and 2017, 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

October 31, 2018

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

August 31, 2018 and 2017

(In thousands)

Assets		2018	2017
Current assets:			
Cash and cash equivalents	$	148,481	274,348
Accounts receivable, net:			
Patient and third-party payors		380,907	361,892
Other		44,434	32,546
Total accounts receivable, net		425,341	394,438
Assets limited or restricted as to use		75,451	66,984
Inventories		63,190	61,939
Prepaid expenses and other current assets		42,176	44,372
Total current assets		754,639	842,081
Assets limited or restricted as to use, less current portion		1,472,347	1,376,059
Property, plant, and equipment, net		961,764	979,057
Other long-term assets, net		389,337	368,926
Total assets	$	3,578,087	3,566,123
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	18,659	59,656
Accounts payable		191,601	207,280
Accrued salaries, wages, and benefits		187,488	175,068
Other accrued expenses		112,895	118,453
Total current liabilities		510,643	560,457
Long-term debt, less current portion		802,752	830,192
Other long-term liabilities and deferred credits		462,557	646,871
Total liabilities		1,775,952	2,037,520
Net assets:			
Unrestricted-controlling interest		1,417,384	1,182,153
Unrestricted-noncontrolling interest		336,435	294,791
Total unrestricted		1,753,819	1,476,944
Temporarily restricted		35,050	38,783
Permanently restricted		13,266	12,876
Total net assets		1,802,135	1,528,603
Total liabilities and net assets	$	3,578,087	3,566,123

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, 2018 and 2017

(In thousands)

		2018	2017
Revenues:			
Net patient service revenue before bad debts	$	3,220,699	3,233,514
Provision for patient bad debts		(136,399)	(176,007)
Net patient service revenue		3,084,300	3,057,507
Other revenue		178,609	148,777
Total recurring revenues		3,262,909	3,206,284
Expenses:			
Salaries, wages, and benefits		1,700,097	1,675,303
Supplies		604,611	587,699
Purchased services and other		692,186	681,603
Depreciation and amortization		123,488	129,216
Interest		30,336	31,642
Total recurring expenses		3,150,718	3,105,463
Recurring operating income		112,191	100,821
Nonrecurring (losses) gains, net		(24,335)	28,159
Operating Income		87,856	128,980
Nonoperating gains (losses), net:			
Nonoperating investment gains, net		102,359	101,701
Loss on early retirement of debt		(2,397)	—
Gain on sale/disposal of assets, net		13,288	—
Other nonoperating activities, net		(38,514)	(48,557)
Excess of revenues over expenses		162,592	182,124
Other changes in unrestricted net assets:			
(Loss) gain from discontinued operations		(21,764)	6,564
Net change in unrealized gains on other-than-trading securities		682	490
Net assets released from restrictions used for purchase of property, plant, and equipment		5,865	8,531
Net change in equity of joint ventures		6,034	(1,219)
Distributions to noncontrolling interest owners		(5,644)	(5,918)
Pension and other postretirement adjustments		132,562	82,866
Transfers to affiliates and other changes, net		(3,452)	(6,128)
Increase in unrestricted net assets		276,875	267,310
Unrestricted net assets, beginning of year		1,476,944	1,209,634
Unrestricted net assets, end of year	$	1,753,819	1,476,944

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, 2018 and 2017

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at August 31, 2016	$ 1,209,634	43,484	12,362	1,265,480
Excess of revenues over expenses	182,124	—	—	182,124
Gain from discontinued operations	6,564	—	—	6,564
Grants and restricted contributions	—	10,976	217	11,193
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	(6,128)	—	—	(6,128)
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
Excess of revenues over expenses	162,592	—	—	162,592
Loss from discontinued operations	(21,764)	—	—	(21,764)
Grants and restricted contributions	—	13,904	390	14,294
Net change in unrealized gains on other-than-trading securities	682	407	—	1,089
Investment income	—	1,006	—	1,006
Net assets released from restrictions used for purchase of property, plant, and equipment	5,865	(5,865)	—	—
Net assets released from restrictions used for operations	—	(13,185)	—	(13,185)
Net change in equity of joint ventures	6,034	—	—	6,034
Distributions to noncontrolling interest owners	(5,644)	—	—	(5,644)
Pension and other postretirement adjustments	132,562	—	—	132,562
Transfers to affiliates and other changes, net	(3,452)	—	—	(3,452)
Increase (decrease) in net assets	276,875	(3,733)	390	273,532
Balance at August 31, 2018	$ 1,753,819	35,050	13,266	1,802,135

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended August 31, 2018 and 2017

(In thousands)

	2018	2017
Cash flows from operating activities:		
Increase in net assets	$ 273,532	263,123
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for bad debts	136,399	176,007
Depreciation and amortization, including $4,585 and $4,641 reported in nonoperating activities, net in 2018 and 2017, respectively	128,073	133,857
Impairment of long-lived assets held for sale	30,181	—
Amortization of deferred financing costs and bond premium/discount, net	(1,127)	(1,084)
Equity in income of joint ventures	(23,276)	(13,555)
Distributions received from investments in joint ventures	10,296	10,453
Net realized/unrealized gains on certain investments and derivative instruments	(109,602)	(102,560)
Unrealized gains on investment in joint venture	(11,939)	(9,003)
Loss on early retirement of debt	2,397	—
Pension and other postretirement adjustments	(132,562)	(82,866)
Contributions restricted by donor	(14,294)	(11,193)
Cash distributions to noncontrolling interest owners and affiliates	10,108	12,267
Gain on asset divestiture	(13,288)	(28,159)
Changes in assets and liabilities:		
Increase in accounts receivable	(167,302)	(153,929)
Decrease (increase) in inventories, prepaid expenses and other current assets	758	(16,735)
Decrease in other long-term assets, net	7,742	9,598
(Decrease) increase in accounts payable and other current liabilities	(9,831)	41,173
Decrease in other long-term liabilities and deferred credits	(34,451)	(53,864)
Net cash provided by operating activities	81,814	173,530
Cash flows from investing activities:		
Purchase of land held for investment	(1,171)	(9,063)
Investment in joint venture	(5,144)	—
Sales of securities, net	87,643	70,423
Purchases of alternative investments and equity and fixed income commingled funds	(122,807)	(220,158)
Proceeds from sale of alternative investments and equity and fixed income commingled funds	28,670	129,275
Purchase of property, plant, and equipment additions, net of disposals	(146,056)	(119,592)
Cash received from asset divestiture	1,353	80,610
Payments related to interest rate swaps	(5,706)	(10,143)
Net cash used in investing activities	(163,218)	(78,648)
Cash flows from financing activities:		
Payments of long-term debt	(20,271)	(37,391)
Proceeds from issuance of long-term debt	249,925	—
Retirement of long-term debt	(277,175)	—
Payment of deferred financing fees	(1,128)	—
Proceeds from contributions restricted by donors	14,294	11,193
Cash distributions to noncontrolling interest owners and affiliates	(10,108)	(12,267)
Net cash used in financing activities	(44,463)	(38,465)
Net (decrease) increase in cash and cash equivalents	(125,867)	56,417
Cash and cash equivalents, beginning of year	274,348	217,931
Cash and cash equivalents, end of year	$ 148,481	274,348

Supplemental disclosures:

(a) Cash paid for taxes was $756 and $1,150 for 2018 and 2017, respectively.

(b) Cash received from asset divestiture does not include debt assumed by the buyer as a result of sale of Schervier Apartments, LLC of $21,200 (note 1(b))

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.

On February 21, 2018, BSHSI and Mercy Health (Mercy), a nonprofit corporation and Catholic health ministry which operates health systems serving Ohio and Kentucky, announced their intent to merge their ministries, creating one Catholic health system. On September 1, 2018, the merger between BSHSI and Mercy became effective and the new ministry was renamed Bon Secours Mercy Health (BSMH). This transaction was accounted for as a merger and thus BSHSI’s balance sheet continues to be recorded at its historical basis under the carryover method as a result of the transaction. Transition and integration costs are approximately $24,335 during the year ended August 31, 2018, which are recorded in nonrecurring (losses) gains, net in the consolidated statement of operations and changes in unrestricted net assets. These consolidated financial statements reflect the results of operations and financial position of BSHSI only prior to merger.

(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 the sale of Schervier Nursing Care Center were approximately $80,600, and a net operating gain of approximately $28,200 was recognized in nonrecurring (losses) gains, net (note 2(z)) 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 removal of approximately $21,700 net property, plant and equipment, in addition to a liability for withdrawal from Archdiocese pension plan, removal of goodwill and various other working capital items of approximately $20,600.

Effective as of the date of transaction, the System 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 total recurring revenue and the excess of revenues over expenses (excluding the gain on sale) of the System for the year ended August 31, 2017 was $40,324 and (2,962), respectively, for Schervier Nursing Care Center.

In March 2018, BSNYHS sold Schervier Apartments, LLC (LLC) to a nonrelated entity. Total consideration received as a result of sale of the LLC was approximately $23,000, and a net gain on disposal of assets of approximately $13,300 was recognized in nonoperating gains (losses), net in the consolidated statements of operations and changes in unrestricted net assets for the year ended August 31, 2018, consistent with historical reporting of operations. The proceeds were offset with activities resulting from the sale, including but not limited to, assumption of approximately $21,200 of debt by the buyer, a loss on defeasance of debt of approximately $700 and a removal of $7,000 net property, plant and equipment. Effective as of the date of transaction, the System excluded the operating results of the LLC in the consolidated statement of operations and changes in unrestricted net assets.

During the year ended August 31, 2018, the System undertook actions to sell or transfer ownership of certain assets and liabilities. The sale or transfer is expected to be completed within the next twelve months. Based on the criteria in Financial Accounting Standard Board (FASB) Accounting Standard Codification (ASC) 360, *Impairment or Disposal of Long-Lived Assets*, management determined that certain assets and liabilities should be reflected and disclosed in the consolidated financial statements of the System as held for sale at August 31, 2018. Based on the criteria in ASC 205, *Discontinued Operations*, it was determined that the pending sale met the criteria for discontinued operations treatment. Assets and liabilities held for sale were $1,666 and $1,778 respectively as of August 31, 2018. As required by ASC 360, the System has adjusted the carrying amount of the entity’s assets and liabilities included in the assets or liabilities held for sale to their fair value less cost to sell (net realizable value) at August 31, 2018, resulting in an impairment loss of $30,181, which is reflected within changes in net assets as a loss on discontinued operations for the year ended August 31, 2018 (note 2(z)). Operating revenues for discontinued operations were approximately $110,000 of the System’s recurring revenues for the years ended August 31, 2018 and 2017. Operating expenses for discontinued operations were approximately $100,000 of the System’s recurring expenses for the years ended August 31, 2018 and 2017. The loss on discontinued operations excluded general corporate overhead allocations.

(Continued)

The consolidated statements of cash flows for the years ended August 31, 2018 and 2017, include $(21,969) and $3,054 respectively, of cash (used in) provided by operating activities and $20,939 and ($5,836) respectively, of cash provided by (used in) investing activities from discontinued operations.

(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.

(In thousands)

(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.

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, 2018 and 2017:

		2018	2017
Charitable services and other community benefits:			
Cost of services to financially disadvantaged persons	$	145,157	123,385
Unpaid cost of state programs (e.g., Medicaid) to financially disadvantaged persons		76,782	70,320
Cost of other community benefits		64,525	56,709
Total community benefits, at cost	$	286,464	250,414

(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, 2018 and 2017, the System recorded income (loss) of $6,326 and $(8,489), respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities.

(c) Cash and Cash Equivalents

For purposes of the consolidated financial statements, cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less, excluding 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 61% and 60% of the System's consolidated third-party payor revenue for the years ended August 31, 2018 and 2017, respectively.

(In thousands)

The respective percentages of net amounts due from patients and third-party payors at August 31, 2018 and 2017 are as follows:

	2018	2017
Medicare	26 %	28 %
Medicaid	9	9
Managed care	26	21
Blue Cross	26	24
Other commercial payors	4	4
Self-pay	9	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. 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.

(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, 2018 and 2017, 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, 2018 and 2017, respectively. All other investment income is reported within nonoperating investment gains, net.

(Continued)

(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 thousands)

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. Impairment charges of $30,181, which are included in discontinued operations (note 1 (b)) were recorded during the year ended August 31, 2018. No impairment charges were recorded during the year ended August 31, 2017.

(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, 2018 and 2017, 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, 2018 and 2017.

Other long-term assets, net consist of the following at August 31, 2018 and 2017:

		2018	2017
Investments in joint ventures (note 12)	$	225,825	205,105
Goodwill, net		93,609	94,578
Self insured reinsurance receivable		23,254	20,509
Pledges and notes receivable		36,542	31,943
Other assets		10,107	16,791
Total other long-term assets, net	$	389,337	368,926

(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 $6,225 and $9,625 at August 31, 2018 and 2017, respectively.

(k) Leases

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

(In thousands)

(l) Other Long-Term Liabilities and Deferred Credits

Other long-term liabilities and deferred credits consist of the following at August 31, 2018 and 2017:

		2018	2017
Accrued pension liability (note 9)	$	224,185	394,947
Self-insurance liabilities		139,971	134,072
Derivative instrument valuations (note 7)		32,971	46,843
Medical office building liabilities (note 13(e))		30,986	30,986
Environmental liabilities		10,705	10,318
Other long-term liabilities		23,739	29,705
Other long-term liabilities and deferred credits	$	462,557	646,871

(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 $35,050 and $38,783 at August 31, 2018 and 2017, 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.

(p) Net Patient Service Revenue

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

(q) Other Revenue

Other revenue includes income from equity investments in joint ventures (note 12), grant revenues, assisted living, capitated payments from insurance companies, revenues from corporate services provided to Bon Secours Charity Health System, which BSHSI, the Sisters of Charity and Westchester Medical Center (Westchester) are members of, (Charity), earnings on funds held by bond trustees and cafeteria and meal sales.

(r) Recurring Operating Income

Recurring operating income includes the financial results of operating entities, but excludes certain non-recurring activities such as restructuring, asset impairments, gains/losses on operating asset sales/disposals and merger related expenses.

(s) 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, pension expense excluding service cost and fund-raising activities.

(t) 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, (losses) gains from discontinued operations, 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).

(u) 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 significant unrecognized tax benefits or liabilities exist as of August 31, 2018 or 2017.

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, 2018 and 2017, the System has no uncertain tax positions.

The System’s taxable subsidiaries had approximately $97,815 and $106,393 of net operating loss carryforwards as of August 31, 2018 and 2017, 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, 2018 and 2017 as the System considers it more likely than not that these amounts will not be recognized.

On December 22, 2017, the President signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The Act significantly revises the U.S. corporate income tax by, lowering the statutory corporate tax rate from 35% to 21% and eliminating certain deductions. The new law also includes several provisions that result in substantial changes to the tax treatment of tax-exempt organizations and their donors. The System has reviewed these provisions and the potential impact and concluded the enactment of H.R. 1 will not have a material effect on the operations of the organization.

(Continued)

(v) 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.

(w) 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. The System shares certain insurance risks it has underwritten through the use of reinsurance contracts. Amounts that can be claimed from the System's reinsurers are valued by an independent actuary and are included in other long-term assets. Should the System's reinsurers be unable to reimburse the System for recoverable claims, the System would still be liable to pay the claims; however, the System contracts with various highly rated insurance carriers to mitigate this risk.

(x) Recently Issued Accounting Pronouncements

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 was effective for the System's fiscal year ending August 31, 2019. With the merger and change from a fiscal year to a calendar year, the effective date for BSMH is September 1, 2018. The System recorded a decrease in net patient service revenue and a corresponding decrease in the provision for patient bad debts upon adoption of the standard. The System is currently assessing any additional impact the adoption of this standard will have on the consolidated financial statements.

(Continued)

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 was 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. With the merger and change from a fiscal year to a calendar year, the effective date for BSMH is January 1, 2019. The 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 were effective for the System as of September 1, 2018 and for interim periods within the fiscal years beginning September 1, 2019. With the merger and change from a fiscal year to a calendar year, the effective date for BSMH is September 1, 2018. The System is in the process of assessing the impact the adoption of this standard will have on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (A consensus of the FASB Emerging Issues Task Force), to address the diversity in the clarification and presentation of changes in restricted cash in the statement of cash flows. This update requires that a statement of cash flows include explanations for changes in total cash including restricted cash and restricted cash equivalents. The guidance was effective for the System's fiscal year ending August 31, 2019. With the merger and change from a fiscal year to a calendar year, the effective date for BSMH is September 1, 2018. The System is in the process of assessing the impact the adoption of this standard will have on the consolidated financial statements.

(y) Management's Assessment and Plans

Management is required 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 1, 2019.

(In thousands)

(z) Reclassifications

In order to improve consistency in reporting of the System's operational performance, the System elected to separately disclose the activities of nonrecurring (losses) gains in the consolidated statement of operations and changes in unrestricted net assets. Due to this reporting election in 2018, the operating gain related to the asset divestiture of Schervier Nursing Care Center in 2017, that is described in note 1(b), was reclassified from other revenue to nonrecurring (losses) gains, net in the consolidated statement of operations and changes in unrestricted net assets.

In addition, conforming changes were made to present certain operations which were classified as discontinued operations (note 1(b)).

(3) Property, Plant, and Equipment, Net

Property, plant, and equipment, net consist of the following at August 31, 2018 and 2017:

		2018	2017
Land	$	87,697	87,119
Land improvements		38,954	38,660
Buildings		980,396	973,453
Fixed equipment		88,176	85,465
Major movable equipment		1,515,330	1,410,166
Leasehold improvements		134,662	123,191
Construction in progress		49,532	41,964
		2,894,747	2,760,018
Less accumulated depreciation		1,932,983	1,780,961
	$	961,764	979,057

Included in construction in progress at August 31, 2018 and 2017 are costs mainly associated with new facility construction, and other facility renovations and expansion. The System anticipates expending an additional $181,989 in future periods to complete strategic capital projects. Depreciation and amortization expense for the System was $126,212 and $138,340 for the years ended August 31, 2018 and 2017, respectively.

(In thousands)

(4) Assets Limited or Restricted as to Use

The composition of assets limited or restricted as to use consists of the following at August 31, 2018 and 2017:

	2018	2017
Board-designated funds:		
Cash and cash equivalents	$ 84,063	78,198
Equity mutual funds	70,792	79,442
Equity commingled funds	185,920	60,227
Common and preferred stocks	297,578	303,673
Fixed income mutual funds	94,625	95,238
Fixed income commingled funds	310,554	309,821
U.S. government and agency securities	—	12,678
Corporate obligations	1,591	17,388
Alternative investments	352,633	326,186
Land and other investments	10,308	9,208
	1,408,064	1,292,059
Donor-restricted funds:		
Cash and cash equivalents	13,391	10,359
Equity mutual funds	4,464	4,802
Equity commingled funds	1,689	695
Common and preferred stocks	8,999	5,374
Fixed income mutual funds	1,638	1,757
Fixed income commingled funds	2,822	3,574
U.S. government and agency securities	696	5,266
Corporate obligations	787	884
Alternative investments	3,295	3,763
	37,781	36,474

(In thousands)

		2018	2017
Funds held by indenture trustees:			
Cash and cash equivalents	$	3,138	13,101
Government and agency bonds		1,887	5,940
Corporate obligations		—	1,181
		5,025	20,222
Self-insurance funds:			
Cash and cash equivalents		4,159	12,193
Equity commingled funds		25,949	23,453
Common and preferred stocks		11,110	8,852
Fixed income commingled funds		45,324	40,101
Alternative investments		10,386	9,689
		96,928	94,288
Assets limited or restricted as to use		1,547,798	1,443,043
Available for current liabilities		(75,451)	(66,984)
Long-term assets limited or restricted as to use	$	1,472,347	1,376,059

The portion of the System’s assets limited or restricted as to use available for current liabilities consists of the following at August 31, 2018 and 2017:

		2018	2017
Self-insurance programs	$	56,165	45,414
Foundation programs		12,933	10,118
Board-designated		6,353	11,452
	$	75,451	66,984

(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, 2018 and 2017:

		2018	2017
Dividends and interest	$	4,157	11,719
Net realized gains on securities		58,769	29,411
Net change in unrealized gains on securities		39,283	65,722
		102,209	106,852
Change in fair value of derivative instruments, net of payments		11,549	7,427
	$	113,758	114,279

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, 2018 and 2017:

		2018	2017
Nonoperating investment gains, net	$	102,359	101,701
Investment income, net on self insurance and trustee-held funds recorded as other revenue		9,304	10,401
Investment income and net change in unrealized gains on securities in restricted net assets		1,413	1,687
Net change in unrealized gains on other-than-trading securities		682	490
Total return on assets limited or restricted as to use	$	113,758	114,279

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 revenues over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenues over expenses.

At August 31, 2018 and 2017, the System had invested $366,314 and $339,638, or 23.7% and 23.5%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds, real estate investment funds and long/short equity funds.

(Continued)

The hedge funds include multi-strategy and 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 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 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.

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 designates 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.

The System 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.

(Continued)

(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, 2018:

	Fair value	Fair value measurements at August 31, 2018 using		
		Level 1	**Level 2**	**Level 3**
Assets limited or restricted as to use:				
Cash and cash equivalents	$ 104,750	104,750	—	—
Equity mutual funds	74,771	74,771	—	—
Equity commingled funds	213,558	—	213,558	—
Common and preferred stocks	318,171	318,171	—	—
Fixed income mutual funds	96,263	96,263	—	—
Fixed income commingled funds	358,701	—	358,701	—
Government and agency bonds	2,583	2,384	199	—
Corporate obligations	2,379	—	2,379	—
Assets limited or restricted as to use	$ 1,171,176	596,339	574,837	—
Liabilities:				
Interest rate swaps	$ 32,971	—	32,971	—
Total liabilities	$ 32,971	—	32,971	—

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	Fair value measurements at August 31, 2017 using		
		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	—

(In thousands)

There were no transfers of Level 1, 2 or 3 during the years ended August 31, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017:

		2018	2017
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%	$	48,343	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
Series 1996 Virginia fixed rate serial and term bonds payable in installments through August 2020; interest at 5.40% to 6.25%		3,445	5,020
Series 2002B Florida variable rate demand bond, redeemed in 2018		—	4,175
Series 2002B Kentucky variable rate demand bond, redeemed in 2018		—	9,650
Series 2008B-C Virginia fixed rate serial and term bond payable in installments beginning November 2032 through November 2042; interest at 4.50% to 5.25% at August 31, 2018 and 2017.		173,355	173,355
Series 2008A South Carolina variable rate demand bonds, redeemed in 2018		—	69,925
Series 2008D Virginia variable rate demand bonds, redeemed in 2018		—	94,145
Series 2008D South Carolina variable rate demand bonds, redeemed in 2018		—	17,345
Series 2013 Kentucky fixed rate serial and term bonds payable in installments beginning November 2022 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%		176,470	180,170
Series 2013 Virginia fixed rate serial bonds payable in installments beginning November 2028 through November 2031; interest at 4.0% to 5.0%		69,245	69,245
Series 2013B variable rate direct placement bonds payable in installments through November 2043; interest at 2.41% at August 31, 2018 and 1.87% to 2.00% at August 31, 2017, set at prevailing rates		40,740	55,415
Series 2013 New York variable rate term loan, redeemed in 2018		—	16,400
Series 2014 Virginia variable rate term loan, redeemed in 2018		—	50,860
Series 2017 South Carolina variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042; interest at 2.63% at August 31, 2018, set at prevailing rates		69,925	—

(In thousands)

	2018	2017
2017 BNY Mellon variable rate taxable term loan payable in November 2024; interest at 2.93% at August 31, 2018	$ 20,000	—
2017 TD Bank variable rate taxable term loan payable in November 2025; interest at 2.82% at August 31, 2018	100,000	—
2017 US Bank variable rate taxable term loan payable in November 2024; interest at 2.88% at August 31, 2018	60,000	—
Total Master Trust Notes and Hospital Revenue Bonds	797,098	839,713
Other debt secured by certain property, plant, and equipment:		
3.27% mortgage note payable, redeemed in 2018	—	21,416
Capital leases obligations (interest at 5.00% to 6.00%)	1,083	2,596
Other debt (interest at 3.00% to 6.00%)	13,548	16,694
Total other debt	14,631	40,706
Total debt	811,729	880,419
Add bond premium, net of accumulated amortization	15,750	17,535
Less deferred financing costs, net of accumulated amortizaton	(6,068)	(8,106)
	821,411	889,848
Less current portion	(18,659)	(59,656)
Long-term debt, less current portion	$ 802,752	830,192

Effective November 1, 2017, the System refinanced approximately $250,000 of existing tax-exempt debt (Series 2008A, 2008D, and 2014 Bonds) with $180,000 of taxable bank loans and $70,000 of tax-exempt revenue bonds directly placed with a bank. As a result of the transaction, the System recognized a $1,300, net expense related to the write off of deferred financing costs which is reflected in other nonoperating activities, net in the accompanying consolidated statement of operations and changes in unrestricted net assets for the year ending August 31, 2018.

In September 2017, the System paid off the remaining $16,400 in aggregate principal amount of the Series 2013 New York variable rate term loan. In October 2017, the System paid off the remaining $13,800 in aggregate principal amount of the Series 2002B tax-exempt revenue bonds issued for the benefit of the System’s facilities in Kentucky and Florida.

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. As of August 31, 2018, approximately, 28.2% of the indebtedness secured by Master Notes was supported, as to payment of principal and interest, by bond insurance policies and as of August 31, 2017, approximately 51.5% of the indebtedness secured by Master Notes was supported, as to payments of principal and interest, by bond insurance policies or letters of credit.

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.

As noted above, the Series 2002B Bonds were paid off in October 2017, and the Series 2008A and 2008D Bonds were refinanced in November 2017. Prior to the refinancing all obligations were met and the System was in compliance with all covenants.

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 Series 2013B Bonds have a final maturity of November 1, 2042 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, following the expiration of the initial term, the Obligated Group 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 a separate covenant agreement with the Series 2013B Direct Purchase Bank, which contains various covenants that can be enforced or waived solely by the Series 2013B Direct Purchase Bank. Those covenants are similar to covenants the Obligated Group has provided to various other banks and insurance companies, which have provided credit enhancement with respect to the Obligated Group's other outstanding indebtedness. The obligations of the Obligated Group under the covenant agreement are secured by a Master Note.

As noted above, the Series 2014 Bonds (as hereinafter defined) were refinanced in November 2017. On October 31, 2014, the Obligated Group 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. Prior to the refinancing all obligations were met and the System was in compliance with all covenants.

Effective March 27, 2018, the System sold the assets of Schervier Apartments, LLC (LLC) to a nonrelated entity and as a result of the sale transaction the nonrelated entity assumed the LLC's mortgage loan from Red Mortgage Capital, LLC of $21,200. All future obligations relating to the mortgage will be satisfied by the buyer.

(In thousands)

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

2019	$	18,659
2020		12,641
2021		19,859
2022		9,208
2023		13,638
Thereafter		737,724
Total	$	811,729

On November 28, 2017, the System terminated an existing $100,000 revolving credit agreement and entered into a new $65,000 revolving credit agreement with a three year term (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. The obligations of the Obligated Group under the Credit Agreement are secured by an Obligation under the Master Indenture. As of August 31, 2018, no loans have been made under the Credit Agreement. The proceeds of any such loan and any such letter of credit are available for general corporate purposes.

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 $13,574 and $16,597 as of August 31, 2018 and 2017, respectively. Such notes have interest rates of 7.50% and 7.75% and maturity dates in 2020 and 2022, respectively.

Total interest expense was $30,336 and $31,642 for the years ended August 31, 2018 and 2017, respectively. Cash paid for interest was $33,428 and $32,371 for the years ended August 31, 2018 and 2017, respectively, and includes capitalized interest for construction projects of $384 and $280, net of investment income, for the years ended August 31, 2018 and 2017, respectively.

(7) Interest Rate Risk Management

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

On October 30, 2017, four basis swaps were terminated; three floating to fixed-pay swaps were restructured with existing counterparties, and three floating to fixed-pay swaps were novated to new counterparties. As a result of the transaction, the System recognized an approximate $3,000 net gain from the termination of the basis swaps and an approximate $6,000 mark to market liability for the restructured and novated floating to fixed pay swaps, which is included in nonoperating investment gains (losses), net in the consolidated statement of operations and changes in unrestricted net assets.

(In thousands)

The following is a summary of the derivative instruments in place at August 31, 2018:

Description	Number	Outstanding notional amount	Pay rates	Maturity dates	Collateral posted	Counterparties	Mark to market	Collateral thresholds
Fixed payer	1	$ 50,000	3.977 %	Nov-2042	$ —	Barclays	$ (8,820)	50,000
Fixed payer	1	25,000	3.482	Nov-2027	—	US Bank	(1,314)	25,000
Fixed payer	1	25,000	3.839	Nov-2032	—	Citibank	(2,784)	40,000
Fixed payer	1	80,000	3.718	Nov-2047	—	JP Morgan	(8,491)	25,000
Fixed payer	1	69,925	3.454	Nov-2042	—	PNC	(13,836)	20,000
Total derivatives	5	$ 249,925			$ —		(35,245)	
						Credit valuation adjustments	2,274	
							$ (32,971)	

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
						Credit valuation adjustments	1,797	
							$ (46,843)	

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

The unrealized gains of $17,255 and $17,570 for the years ended August 31, 2018 and 2017, 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.

(In thousands)

(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 unrestricted net assets. The following table presents a reconciliation of the changes in 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, 2018 and 2017:

		Bon Secours Health System, Inc.	Noncontrolling interests	Total unrestricted net assets
Balance as of August 31, 2016	$	944,928	264,706	1,209,634
Excess of revenues over expenses		146,121	36,003	182,124
Gain from discontinued operations		6,564	—	6,564
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		(6,128)	—	(6,128)
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
Excess of revenues over expenses		117,240	45,352	162,592
Loss from discontinued operations		(21,764)	—	(21,764)
Net change in unrealized gains on other than trading securities		682	—	682
Net assets released from restrictions used for purchase of property, plant, and equipment		5,865	—	5,865
Net change in equity of joint ventures		6,034	—	6,034
Distributions to noncontrolling interest owners		—	(5,644)	(5,644)
Pension and other postretirement adjustments		132,562	—	132,562
Transfers to affiliates and other changes, net		(5,388)	1,936	(3,452)
Increase in unrestricted net assets		235,231	41,644	276,875
Balance as of August 31, 2018	$	1,417,384	336,435	1,753,819

(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 the System and are based on a long-term perspective. An investment advisory firm engaged by the System 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, 2018 and 2017. 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 2019	Amounts recognized in unrestricted net assets as of August 31, 2018	Amounts recognized in unrestricted net assets as of August 31, 2017
Net prior service cost	$	—	—	(19)
Net actuarial losses		9,937	215,656	348,237
Total	$	9,937	215,656	348,218

(Continued)

(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, 2018 and 2017 are as follows:

		2018	2017
Change in projected benefit obligation:			
Net projected benefit obligation at beginning of year	$	1,211,685	1,229,125
Service cost		17,660	19,656
Interest cost		39,315	37,250
Actuarial loss		(88,378)	(35,839)
Settlement/curtailments		—	(667)
Gross benefits paid		(44,984)	(37,840)
Projected benefit obligation at end of year		1,135,298	1,211,685
Change in plan assets:			
Fair value of plan assets at beginning of year		816,738	722,067
Actual return on plan assets		79,527	72,497
Employer contributions		59,832	60,014
Gross benefits paid		(44,984)	(37,840)
Fair value of plan assets at end of year		911,113	816,738
Net amount recognized at end of year	$	(224,185)	(394,947)

		2018	2017
Accumulated benefit obligation at end of year	$	1,101,421	1,164,721
Amounts recognized in the consolidated balance sheets consist of:			
Accrued benefit costs – long term	$	(224,185)	(394,947)

(Continued)

(In thousands)

		2018	2017
Components of net periodic benefit cost:			
Operating:			
Service cost	$	17,660	19,656
Nonoperating:			
Interest cost	$	39,315	37,250
Expected return on plan assets		(58,835)	(55,351)
Amortization of:			
Actuarial loss		22,617	29,126
Prior service cost		(19)	(18)
Total net nonoperating periodic benefit costs	$	3,078	11,007

	2018	2017
Weighted average assumptions used to determine benefit obligations at August 31:		
Discount rate	4.19 %	3.77 %
Rate of compensation increase	2.50	3.00
Mortality table	RP-2014	RP-2014
Generational scale	MP-2016	BB-2D
Weighted average assumptions used to determine net periodic benefit cost at August 31:		
Discount rate	3.77 %	3.55 %
Expected return on plan assets	7.30	7.55
Rate of compensation increase	3.00	3.00
Mortality table	RP-2014	RP-2014
Generational scale	MP-2016	BB-2D

The expected long-term rate of return of the pension plan assets used for determining pension expense was 7.30% and 7.55% for the years ended August 31, 2018 and August 31, 2017, 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 66% equities, 29% 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, 2018 and 2017, the pension plan assets were allocated by asset category as follows:

(In thousands)

	2018	2017
Asset category:		
Equity mutual and commingled funds and securities	63 %	63 %
Fixed income mutual funds and securities	29	28
Alternative investments	5	4
Cash	3	5
Total	100 %	100 %

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2018:

		Fair value measurements			Reported at
	Fair value	Level 1	Level 2	Level 3	NAV[1]
Cash and cash equivalents	$ 25,336	25,336	—	—	—
Equity mutual funds	63,430	63,430	—	—	—
Equity commingled funds	218,813	—	218,813	—	—
Common and preferred stocks	291,073	291,073	—	—	—
Fixed income mutual funds	9,592	8,946	646	—	—
Fixed income commingled funds	138,515	—	138,515	—	—
Government and agency bonds	2,984	304	2,680	—	—
Corporate obligations	116,029	—	116,029	—	—
Alternative investments	—	—	—	—	45,341
Total plan assets	$ 865,772	389,089	476,683	—	45,341

[1] Fund investments reported at NAV as practical expedient estimate

(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			Reported at
	Fair value	**Level 1**	**Level 2**	**Level 3**	**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
Total plan assets	$ 785,135	439,840	345,295	—	31,603

[1] Fund investments reported at NAV as practical expedient estimate

There were no transfers of Level 1, 2 or 3 during the years ended August 31, 2018 and 2017.

The following summarizes the redemption and commitment terms for the hedge fund-of-funds vehicle held in the pension plan assets as of August 31, 2018:

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

The hedge fund includes a multi-strategy hedge funds-of-funds. The investment objective of the multi-strategy fund 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 hedge fund 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.

(In thousands)

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

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

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

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

The System expects to contribute approximately $60,000 to its pension plans during the year ending August 31, 2019.

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

2019	$	57,353
2020		53,507
2021		55,892
2022		58,338
2023		61,308
2024–2028		339,522

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 $43,336 and $41,490 towards these plans during the years ended August 31, 2018 and 2017, respectively. Total expense was $42,711 and $39,841 in 2018 and 2017, respectively.

(10) 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)

(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, 2018 and 2017:

		2018	2017
Beginning balance	$	146,201	141,852
Provision for bad debts		136,399	176,007
Write-offs		(161,945)	(171,658)
Ending balance	$	120,655	146,201

The System's allowance for uncollectible accounts was 24% and 29% of patient and third-party payors, net of contractual allowances for the years ended August 31, 2018 and 2017, respectively.

(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's 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 gains (losses) of $3,645 and ($311) related to its equity interest for the years ended August 31, 2018 and 2017, respectively. Included in these amounts were the System's allocated share of investment gains of $4,426 and $4,519 for the years ended August 31, 2018 and 2017, respectively. In addition, adjustments of $6,034 and $(1,219) were recorded as net change in equity of joint ventures for the years ended August 31, 2018 and 2017, respectively, to reflect the System's 27% interest in the net assets of this joint venture. The System invested cash contributions of $4,944 and $0 related to its equity interest during the years ended August 31, 2018 and 2017, respectively. As of August 31, 2018 and 2017, the System's investment in the joint venture was $109,167 and $94,544, respectively.

The unaudited total assets, total liabilities, and net assets as of August 31, 2018 and 2017 and the total revenue, total expenses, investment gains and change in unrestricted net assets for the years then ended for Roper St. Francis Healthcare are as follows:

		2018	2017
Total assets	$	1,125,162	1,109,384
Total liabilities		688,245	732,766
Unrestricted net assets		404,323	350,163
Restricted net assets		32,594	26,455
Total revenue		902,370	885,813
Total expenses		912,763	912,796
Investment gains, net		23,895	25,831
Change in unrestricted net assets		54,160	(5,666)

(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 $10,138 and $9,895 and received cash distributions of $7,281 and $8,123 related to its equity interest during the years ended August 31, 2018 and 2017, respectively. As of August 31, 2018 and 2017, the System’s investment in the joint venture was $30,705 and $27,828, respectively.

The unaudited total assets, total liabilities, and net assets as of August 31, 2018 and 2017 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:

		2018	2017
Total assets	$	280,626	245,415
Total liabilities		178,246	152,175
Unrestricted net assets		102,349	93,200
Restricted net assets		31	40
Total revenue		259,927	243,810
Total expenses		227,104	210,773
Change in unrestricted net assets		9,147	6,371

(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 $1,444 and $836 in operating revenue related to its equity interest in Charity for the years ended August 31, 2018 and 2017, respectively. As of August 31, 2018 and 2017, the System’s investment in Charity was $54,443 and $53,000, respectively.

(In thousands)

The unaudited total assets, total liabilities, and net assets as of August 31, 2018 and 2017 and the total revenue, total expenses, and change in unrestricted net assets for the years then ended for Charity are as follows:

		2018	2017
Total assets	$	286,757	288,927
Total liabilities		236,718	242,497
Unrestricted net assets		44,420	41,541
Restricted net assets		5,619	4,889
Total revenue		561,000	528,663
Total expenses		560,236	527,026
Change in unrestricted net assets		2,879	1,383

(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 $102,768 and $97,045 at August 31, 2018 and 2017, respectively. The current portion of such accruals, $20,091 at August 31, 2018 and $18,696 at August 31, 2017, is included in other accrued expenses, and the remainder, $82,677 at August 31, 2018 and $78,349 at August 31, 2017, are 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 $65,994 and $64,873, of which the current portion, $8,700 and $9,150 at August 31, 2018 and 2017, respectively, is reported as other accrued expenses and the remainder, $57,294 and $55,723 at August 31, 2018 and 2017, 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, 2018 and 2017, respectively. Amounts recorded for unpaid

(Continued)

(In thousands)

claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial central estimate.

(c) Employee Health Insurance

Employee health benefits of the System are principally provided through the System's self-insurance program. Accrued claims associated with this program, which are reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately $19,685 and $20,135, include estimates for claims incurred but not reported, at August 31, 2018 and 2017, 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.

(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 $67,899 and $69,522 in 2018 and 2017, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2019	$	47,251
2020		40,953
2021		31,936
2022		22,040
2023		15,443
Thereafter		24,380

Certain affiliates 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*, affiliates 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, 2018 and 2017 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 2018. 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 2018, 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, 2018. System affiliates have not been obligated to make any guarantee payments under the guaranty agreements to date through August 31, 2018. The maximum potential amount of future payments the System affiliates are obligated to make was $20,822 as of August 31, 2018 and 2017.

(14) Net Assets

The System's endowments consist of approximately 82 and 79 individual funds established for a variety of purposes as of August 31, 2018 and 2017, respectively. Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor or board-imposed restrictions and the nature of the restrictions, if any.

The System's endowment net assets are comprised of permanently restricted funds, which were $13,266 and $12,876 at August 31, 2018 and 2017, respectively. The System does not hold any board-designated endowment funds within unrestricted net assets or temporarily restricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act 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, 2018 or 2017.

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.

(Continued)

(In thousands)

(15) Functional Expenses

The functional breakdown of expenses incurred by the System in fulfilling its mission for the years ended August 31, 2018 and 2017 is as follows:

		2018	2017
Healthcare services	$	2,910,518	2,879,839
General and administrative*		261,420	222,743
Fundraising		3,115	2,881
Total expenses	$	3,175,053	3,105,463

* General and administrative includes $24,335 of merger costs (note 1(a)).

(16) Subsequent Events

Management evaluated all events and transactions that occurred after August 31, 2018 and through October 31, 2018. The System did not have any material recognizable subsequent events during this period other than disclosed in the above notes (note 1(a)).

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

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, 2018 and 2017, and have issued our report thereon dated October 31, 2018 which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Baltimore, Maryland
October 31, 2018

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 1.1

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

		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
Assets									
Current assets:									
Cash and cash equivalents	$	366	2,401	769,513	176,316	1,539	189	4,537	-
Accounts receivable, net:									
Patient and third-party payors		10,436	76,719	182,556	87,436	19,262	743	3,755	-
Other		1,233	2,009	16,803	1,591	734	-	(63)	-
Total accounts receivable, net		11,669	78,728	199,359	89,027	19,996	743	3,692	-
Assets limited or restricted as to use		1,667	7,377	5,236	1,427	-	3,003	403	-
Inventories		1,066	15,658	23,909	18,010	4,419	-	128	-
Prepaid expenses and other current assets		925	9,732	19,482	14,407	3,226	5	276	-
Total current assets		15,693	113,896	1,017,499	299,187	29,180	3,940	9,036	-
Assets limited as to use and restricted, less current portion		22,487	190,268	487,472	37,121	14,200	7,051	50	-
Property, plant and equipment, net		33,583	165,636	405,600	175,499	52,071	-	10,653	-
Goodwill and other assets, net		10,463	67,618	54,598	107,076	10,276	743	2,657	1,721
Total assets	$	82,226	537,418	1,965,169	618,883	105,727	11,734	22,396	1,721
Liabilities and Net Assets									
Current liabilities:									
Current portion of long-term debt	$	318	1,396	3,517	-	-	-	-	-
Accounts payable		8,673	37,296	67,178	26,770	9,220	15,107	1,596	-
Accrued salaries, wages and benefits		5,808	27,157	71,666	30,538	6,865	28	1,395	-
Other accrued expenses		9,395	4,694	16,936	5,494	1,898	301	632	-
Due to (from) affiliate		-	250	-	-	(112)	-	311	-
Total current liabilities		24,194	70,793	159,297	62,802	17,871	15,436	3,934	-
Long-term debt, less current portion		-	19,714	27,522	-	-	-	-	-
Other long-term liabilities and deferred credits		26,274	41,491	235,179	31,110	43,447	1,721	3,495	-
Due to (from) affiliate, less current portion		106,211	117,027	326,561	268,249	74,137	-	13,852	-
Total liabilities		156,679	249,025	748,559	362,161	135,455	17,157	21,281	-
Net assets:									
Unrestricted-controlling		(77,379)	149,115	984,700	250,707	(32,709)	(5,423)	712	1,721
Unrestricted-noncontrolling		297	131,340	204,727	899	-	-	-	-
Total unrestricted		(77,082)	280,455	1,189,427	251,606	(32,709)	(5,423)	712	1,721
Temporarily restricted		2,629	6,155	17,966	4,259	1,572	-	403	-
Permanently restricted		-	1,783	9,217	857	1,409	-	-	-
Total net assets		(74,453)	288,393	1,216,610	256,722	(29,728)	(5,423)	1,115	1,721
Total liabilities and net assets	$	82,226	537,418	1,965,169	618,883	105,727	11,734	22,396	1,721

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Shannon MOB Partnership	BSB Health MOB Partnership 2	Bon Secours Good HelpCare LLC	Good Help Connections, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	BSHS Foundation, Inc.	Consolidating Eliminations	2018 Consolidated	2017 Consolidated
Assets										
Current assets:										
Cash and cash equivalents	876	79	-	(1,466)	-	41,485	62	(847,416)	148,481	274,348
Accounts receivable, net:										
Patient and third-party payors	-	-	-	-	-	-	-	-	380,907	361,892
Other	600	57	-	4,500	-	18,314	-	(1,344)	44,434	32,546
Total accounts receivable, net	600	57	-	4,500	-	18,314	-	(1,344)	425,341	394,438
Assets limited or restricted as to use	-	173	-	-	20,091	36,074	-	-	75,451	66,984
Inventories	-	-	-	-	-	-	-	-	63,190	61,939
Prepaid expenses and other current assets	-	-	-	1,029	-	12,959	-	(19,865)	42,176	44,372
Total current assets	1,476	309	-	4,063	20,091	108,832	62	(868,625)	754,639	842,081
Assets limited as to use and restricted, less current portion	-	-	-	-	76,837	207,199	-	429,662	1,472,347	1,376,059
Property, plant and equipment, net	5,102	1,774	-	-	-	133,754	-	(21,908)	961,764	979,057
Goodwill and other assets, net	17,645	10,683	-	(1)	7,382	301,758	-	(203,282)	389,337	368,926
Total assets	24,223	12,766	-	4,062	104,310	751,543	62	(664,153)	3,578,087	3,566,123
Liabilities and Net Assets										
Current liabilities:										
Current portion of long-term debt	2,530	826	-	-	-	10,072	-	-	18,659	59,656
Accounts payable	176	404	-	2,000	-	24,513	-	(1,332)	191,601	207,280
Accrued salaries, wages and benefits	-	-	-	-	-	44,031	-	-	187,488	175,068
Other accrued expenses	-	-	-	530	20,091	72,805	-	(19,881)	112,895	118,453
Due to (from) affiliate	-	-	-	623	-	(1,072)	-	-	-	-
Total current liabilities	2,706	1,230	-	3,153	20,091	150,349	-	(21,213)	510,643	560,457
Long-term debt, less current portion	5,320	4,897	-	-	-	745,299	-	-	802,752	830,192
Other long-term liabilities and deferred credits	-	2,884	-	-	84,219	168,600	-	(175,863)	462,557	646,871
Due to (from) affiliate, less current portion	9,353	2,858	-	-	-	(502,994)	-	(415,254)	-	-
Total liabilities	17,379	11,869	-	3,153	104,310	561,254	-	(612,330)	1,775,952	2,037,520
Net assets:										
Unrestricted-controlling	6,844	1,724	-	909	-	188,223	62	(51,822)	1,417,384	1,182,153
Unrestricted-noncontrolling	-	(827)	-	-	-	-	-	(1)	336,435	294,791
Total unrestricted	6,844	897	-	909	-	188,223	62	(51,823)	1,753,819	1,476,944
Temporarily restricted	-	-	-	-	-	2,066	-	-	35,050	38,783
Permanently restricted	-	-	-	-	-	-	-	-	13,266	12,876
Total net assets	6,844	897	-	909	-	190,289	62	(51,823)	1,802,135	1,528,603
Total liabilities and net assets	24,223	12,766	-	4,062	104,310	751,543	62	(664,153)	3,578,087	3,566,123

See accompanying independent auditors' report on supplementary informa

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours Baltimore Health Corporation					
	Bon Secours Hospital Baltimore	Bon Secours of Maryland Foundation	Bon Secours Baltimore Health System Foundation	Consolidating Eliminations	2018 Consolidated	2017 Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ (78,648)	3,784	(3,496)	78,726	366	364
Accounts receivable, net:						
Patient and third-party payors	10,436	-	-	-	10,436	10,660
Other	534	864	-	(165)	1,233	1,367
Total accounts receivable, net	10,970	864	-	(165)	11,669	12,027
Assets limited or restricted as to use	-	1,667	-	-	1,667	1,761
Inventories	1,066	-	-	-	1,066	1,028
Prepaid expenses and other current assets	924	3,526	-	(3,525)	925	615
Total current assets	(65,688)	9,841	(3,496)	75,036	15,693	15,795
Assets limited as to use and restricted, less current portion	14,598	-	7,889	-	22,487	21,298
Property, plant and equipment, net	30,781	33,994	-	(31,192)	33,583	30,638
Goodwill and other assets, net	9,190	529	-	744	10,463	10,485
Total assets	$ (11,119)	44,364	4,393	44,588	82,226	78,216
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	$ 340	4	-	(26)	318	556
Accounts payable	8,453	853	4	(637)	8,673	8,060
Accrued salaries, wages and benefits	5,808	-	-	-	5,808	5,442
Other accrued expenses	9,395	5,816	-	(5,816)	9,395	9,965
Due to (from) affiliate	(2,983)	2,957	26	-	-	(804)
Total current liabilities	21,013	9,630	30	(6,479)	24,194	23,219
Long-term debt, less current portion	-	15,748	-	(15,748)	-	442
Other long-term liabilities and deferred credits	26,271	-	-	3	26,274	35,269
Due to (from) affiliate, less current portion	17,485	9,714	-	79,012	106,211	102,551
Total liabilities	64,769	35,092	30	56,788	156,679	161,481
Net assets:						
Unrestricted-controlling	(76,055)	(4,796)	3,569	(97)	(77,379)	(85,998)
Unrestricted-noncontrolling	-	12,400	-	(12,103)	297	-
Total unrestricted	(76,055)	7,604	3,569	(12,200)	(77,082)	(85,998)
Temporarily restricted	167	1,668	794	-	2,629	2,733
Permanently restricted	-	-	-	-	-	-
Total net assets	(75,888)	9,272	4,363	(12,200)	(74,453)	(83,265)
Total liabilities and net assets	$ (11,119)	44,364	4,393	44,588	82,226	78,216

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	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	2018 Consolidated	2017 Consolidated
Assets											
Current assets:											
Cash and cash equivalents	$ (70,423)	13,473	(11,552)	(187,992)	1,263	172,588	4,734	1,109	79,201	2,401	3,744
Accounts receivable, net:											
Patient and third-party payors	35,079	1,397	19	19,276	-	19,630	1,318	-	-	76,719	69,591
Other	776	26	-	569	121	107	19	383	8	2,009	1,762
Total accounts receivable, net	35,855	1,423	19	19,845	121	19,737	1,337	383	8	78,728	71,353
Assets limited or restricted as to use	74	-	-	66	-	1,559	-	5,677	1	7,377	7,130
Inventories	7,246	-	-	4,152	379	3,757	-	124	-	15,658	16,857
Prepaid expenses and other current assets	5,746	27	16	2,223	167	1,094	15	445	(1)	9,732	7,101
Total current assets	(21,502)	14,923	(11,517)	(161,706)	1,930	198,735	6,086	7,738	79,209	113,896	106,185
Assets limited as to use and restricted, less current portion	132,053	1	-	17,262	-	38,246	-	2,706	-	190,268	179,529
Property, plant and equipment, net	68,102	1,424	5,987	41,735	29	34,793	1,186	623	11,757	165,636	159,593
Goodwill and other assets, net	17,660	149	(203)	45,147	320	6,775	375	1,557	(4,162)	67,618	63,985
Total assets	$ 196,313	16,497	(5,733)	(57,562)	2,279	278,549	7,647	12,624	86,804	537,418	509,292
Liabilities and Net Assets											
Current liabilities:											
Current portion of long-term debt	$ 1,200	200	(4)	-	-	-	-	-	-	1,396	1,196
Accounts payable	14,390	605	224	8,468	17	9,079	498	3,846	169	37,296	38,151
Accrued salaries, wages and benefits	19,853	208	174	2,870	20	1,858	156	2,018	-	27,157	24,245
Other accrued expenses	3,041	40	24	931	6	619	34	(1)	-	4,694	8,203
Due to (from) affiliate	2,158	15	(2,101)	530	1	303	4	(661)	1	250	(606)
Total current liabilities	40,642	1,068	(1,683)	12,799	44	11,859	692	5,202	170	70,793	71,189
Long-term debt, less current portion	17,046	2,668	-	-	-	-	-	-	-	19,714	22,410
Other long-term liabilities and deferred credits	15,196	150	3,095	11,300	36	8,213	377	3,126	(2)	41,491	54,265
Due to (from) affiliate, less current portion	(11,934)	-	28	46,739	-	(2,691)	3,498	2,194	79,193	117,027	63,044
Total liabilities	60,950	3,886	1,440	70,838	80	17,381	4,567	10,522	79,361	249,025	210,908
Net assets:											
Unrestricted-controlling	135,226	12,611	(7,173)	(128,393)	2,199	260,165	3,061	(134,059)	5,478	149,115	172,674
Unrestricted-noncontrolling	-	-	-	-	-	-	-	129,376	1,964	131,340	117,728
Total unrestricted	135,226	12,611	(7,173)	(128,393)	2,199	260,165	3,061	(4,683)	7,442	280,455	290,402
Temporarily restricted	137	-	-	(7)	-	949	19	5,056	1	6,155	6,187
Permanently restricted	-	-	-	-	-	54	-	1,729	-	1,783	1,795
Total net assets	135,363	12,611	(7,173)	(128,400)	2,199	261,168	3,080	2,102	7,443	288,393	298,384
Total liabilities and net assets	$ 196,313	16,497	(5,733)	(57,562)	2,279	278,549	7,647	12,624	86,804	537,418	509,292

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	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	2018 Consolidated	2017 Consolidated
Assets										
Current assets:										
Cash and cash equivalents	$ 400,333	150,217	38,849	188,736	(25,463)	(83,683)	(59,029)	159,553	769,513	727,747
Accounts receivable, net:										
Patient and third-party payors	73,141	26,568	29,195	40,546	6,165	4,366	2,581	(6)	182,556	167,192
Other	6,456	16	690	1,871	-	206	3,809	3,755	16,803	7,234
Total accounts receivable, net	79,597	26,584	29,885	42,417	6,165	4,572	6,390	3,749	199,359	174,426
Assets limited or restricted as to use	-	-	-	-	182	-	4,822	232	5,236	3,128
Inventories	8,525	3,081	3,380	5,517	916	715	1,690	85	23,909	22,492
Prepaid expenses and other current assets	2,467	2,978	1,658	1,789	259	8,315	1,992	24	19,482	15,819
Total current assets	490,922	182,860	73,772	238,459	(17,941)	(70,081)	(44,135)	163,643	1,017,499	943,612
Assets limited as to use and restricted, less current portion	447,455	-	-	11,882	-	-	23,596	4,539	487,472	467,070
Property, plant and equipment, net	154,240	15,710	103,812	85,485	15,145	9,257	19,951	2,000	405,600	372,798
Goodwill and other assets, net	15,101	1,537	10,113	11,915	1,729	10,772	3,875	(444)	54,598	48,705
Total assets	$ 1,107,718	200,107	187,697	347,741	(1,067)	(50,052)	3,287	169,738	1,965,169	1,832,185
Liabilities and Net Assets										
Current liabilities:										
Current portion of long-term debt	$ 3,470	-	-	-	-	-	47	-	3,517	7,506
Accounts payable	25,839	2,262	9,317	17,137	1,453	1,288	9,759	123	67,178	64,256
Accrued salaries, wages and benefits	67,142	213	1,491	2,033	-	553	235	(1)	71,666	58,158
Other accrued expenses	3,675	748	4,790	5,435	500	834	950	4	16,936	16,107
Due to (from) affiliate	67	13	33	46	-	-	(159)	-	-	(1,453)
Total current liabilities	100,193	3,236	15,631	24,651	1,953	2,675	10,832	126	159,297	144,574
Long-term debt, less current portion	26,826	-	-	-	-	-	696	-	27,522	32,624
Other long-term liabilities and deferred credits	145,446	2,235	14,365	64,165	1,539	5,212	2,217	-	235,179	292,795
Due to (from) affiliate, less current portion	37,689	2,584	80,000	41,880	-	-	-	164,408	326,561	318,719
Total liabilities	310,154	8,055	109,996	130,696	3,492	7,887	13,745	164,534	748,559	788,712
Net assets:										
Unrestricted-controlling	797,564	192,052	77,701	216,925	(4,741)	(62,023)	(233,211)	433	984,700	841,420
Unrestricted-noncontrolling	-	-	-	-	-	4,084	200,643	-	204,727	175,723
Total unrestricted	797,564	192,052	77,701	216,925	(4,741)	(57,939)	(32,568)	433	1,189,427	1,017,143
Temporarily restricted	-	-	-	-	182	-	17,251	533	17,966	17,213
Permanently restricted	-	-	-	120	-	-	4,859	4,238	9,217	9,117
Total net assets	797,564	192,052	77,701	217,045	(4,559)	(57,939)	(10,458)	5,204	1,216,610	1,043,473
Total liabilities and net assets	$ 1,107,718	200,107	187,697	347,741	(1,067)	(50,052)	3,287	169,738	1,965,169	1,832,185

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours St. Francis Health System, Inc.										
	St. Francis - Downtown	St. Francis - Eastside	St. Francis Physician Services	Upstate Surgery Center	St Francis - Millennium	St. Francis Foundation	St. Francis Home Care	Bon Secours St. Francis Cancer Center	Consolidating Eliminations	2018 Consolidated	2017 Consolidated
Assets											
Current assets:											
Cash and cash equivalents	$ 25,100	173,313	47	1,172	(14,273)	1,594	14	(10,663)	12	176,316	169,225
Accounts receivable, net:											
Patient and third-party payors	41,790	15,452	12,909	327	1,585	-	2,742	12,280	351	87,436	87,547
Other	521	387	238	-	-	419	6	-	20	1,591	2,702
Total accounts receivable, net	42,311	15,839	13,147	327	1,585	419	2,748	12,280	371	89,027	90,249
Assets limited or restricted as to use	-	-	-	-	-	1,427	-	-	-	1,427	726
Inventories	13,854	2,838	-	84	-	-	-	1,234	-	18,010	17,009
Prepaid expenses and other current assets	5,126	214	8,517	15	187	115	28	6	199	14,407	14,833
Total current assets	86,391	192,204	21,711	1,598	(12,501)	3,555	2,790	2,857	582	299,187	292,042
Assets limited as to use and restricted, less current portion	31,493	-	-	-	-	5,628	-	-	-	37,121	34,372
Property, plant and equipment, net	96,094	56,173	1,406	139	283	-	-	20,523	881	175,499	180,436
Goodwill and other assets, net	82,090	-	16,746	266	1	2,681	-	1	5,291	107,076	102,656
Total assets	$ 296,068	248,377	39,863	2,003	(12,217)	11,864	2,790	23,381	6,754	618,883	609,506
Liabilities and Net Assets											
Current liabilities:											
Current portion of long-term debt	$ -	-	-	-	-	-	-	-	-	-	-
Accounts payable	15,803	6,053	3,258	244	176	-	269	874	93	26,770	30,834
Accrued salaries, wages and benefits	22,541	1,616	5,023	62	284	-	475	427	110	30,538	30,108
Other accrued expenses	1,918	537	2,125	10	227	-	457	200	20	5,494	7,006
Due to (from) affiliate	-	-	-	-	-	-	-	-	-	-	(1,076)
Total current liabilities	40,262	8,206	10,406	316	687	-	1,201	1,501	223	62,802	66,872
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities and deferred credits	6,188	7,930	16,824	-	79	-	71	-	18	31,110	27,488
Due to (from) affiliate, less current portion	259,300	-	-	-	-	-	-	-	8,949	268,249	266,896
Total liabilities	305,750	16,136	27,230	316	766	-	1,272	1,501	9,190	362,161	361,256
Net assets:											
Unrestricted-controlling	(9,682)	232,241	12,633	788	(12,983)	6,748	1,518	21,880	(2,436)	250,707	243,613
Unrestricted-noncontrolling	-	-	-	899	-	-	-	-	-	899	861
Total unrestricted	(9,682)	232,241	12,633	1,687	(12,983)	6,748	1,518	21,880	(2,436)	251,606	244,474
Temporarily restricted	-	-	-	-	-	4,259	-	-	-	4,259	3,185
Permanently restricted	-	-	-	-	-	857	-	-	-	857	591
Total net assets	(9,682)	232,241	12,633	1,687	(12,983)	11,864	1,518	21,880	(2,436)	256,722	248,250
Total liabilities and net assets	$ 296,068	248,377	39,863	2,003	(12,217)	11,864	2,790	23,381	6,754	618,883	609,506

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

		Bon Secours Kentucky Health System, Inc.					
		Our Lady of Bellefonte Hospital, Inc.	OLBH Foundation	Bellefonte Physician Services	Consolidating Eliminations	2018 Consolidated	2017 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$	52,988	1,138	(126,199)	73,612	1,539	1,459
Accounts receivable, net:							
Patient and third-party payors		17,652	-	1,610	-	19,262	21,574
Other		654	80	-	-	734	593
Total accounts receivable, net		18,306	80	1,610	-	19,996	22,167
Assets limited or restricted as to use		-	-	-	-	-	-
Inventories		4,120	-	299	-	4,419	4,424
Prepaid expenses and other current assets		1,384	-	1,842	-	3,226	3,363
Total current assets		76,798	1,218	(122,448)	73,612	29,180	31,413
Assets limited as to use and restricted, less current portion		11,350	2,850	-	-	14,200	13,737
Property, plant and equipment, net		50,469	-	1,602	-	52,071	49,027
Goodwill and other assets, net		10,275	-	-	1	10,276	7,627
Total assets	$	148,892	4,068	(120,846)	73,613	105,727	101,804
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$	-	-	-	-	-	-
Accounts payable		8,698	-	522	-	9,220	10,408
Accrued salaries, wages and benefits		6,472	-	393	-	6,865	6,734
Other accrued expenses		1,894	-	4	-	1,898	2,478
Due to (from) affiliate		(223)	(24)	135	-	(112)	(323)
Total current liabilities		16,841	(24)	1,054	-	17,871	19,297
Long-term debt, less current portion		-	-	-	-	-	-
Other long-term liabilities and deferred credits		43,403	34	9	1	43,447	68,057
Due to (from) affiliate, less current portion		161	-	-	73,976	74,137	49,002
Total liabilities		60,405	10	1,063	73,977	135,455	136,356
Net assets:							
Unrestricted-controlling		88,486	1,078	(121,909)	(364)	(32,709)	(37,692)
Unrestricted-noncontrolling		-	-	-	-	-	-
Total unrestricted		88,486	1,078	(121,909)	(364)	(32,709)	(37,692)
Temporarily restricted		1	1,571	-	-	1,572	1,766
Permanently restricted		-	1,409	-	-	1,409	1,374
Total net assets		88,487	4,058	(121,909)	(364)	(29,728)	(34,552)
Total liabilities and net assets	$	148,892	4,068	(120,846)	73,613	105,727	101,804

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours New York Health System, Inc.						
	Frances Schervier Home and Hospital	**Bon Secours New York Parent Corp.**	**Schervier Long Term Home Health Care**	**Schervier Apartments, LLC**	**Consolidating Eliminations**	**2018 Consolidated**	**2017 Consolidated**
Assets							
Current assets:							
Cash and cash equivalents	$ (1,294)	233	-	1,250	-	189	20,461
Accounts receivable, net:							
Patient and third-party payors	743	-	-	-	-	743	1,679
Other	-	-	-	-	-	-	98
Total accounts receivable, net	743	-	-	-	-	743	1,777
Assets limited or restricted as to use	3,003	-	-	-	-	3,003	8,133
Inventories	-	-	-	-	-	-	-
Prepaid expenses and other current assets	5	-	-	-	-	5	155
Total current assets	2,457	233	-	1,250	-	3,940	30,526
Assets limited as to use and restricted, less current portion	6,000	-	-	1,051	-	7,051	6,849
Property, plant and equipment, net	-	-	-	-	-	-	7,018
Goodwill and other assets, net	743	-	-	-	-	743	1,540
Total assets	$ 9,200	233	-	2,301	-	11,734	45,933
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$ -	-	-	-	-	-	16,773
Accounts payable	15,106	-	-	1	-	15,107	23,668
Accrued salaries, wages and benefits	28	-	-	-	-	28	236
Other accrued expenses	301	-	-	-	-	301	1,760
Due to (from) affiliate	-	-	-	-	-	-	-
Total current liabilities	15,435	-	-	1	-	15,436	42,437
Long-term debt, less current portion	-	-	-	-	-	-	20,200
Other long-term liabilities and deferred credits	1,702	-	19	-	-	1,721	2,622
Due to (from) affiliate, less current portion	-	-	-	-	-	-	73
Total liabilities	17,137	-	19	1	-	17,157	65,332
Net assets:							
Unrestricted-controlling	(7,937)	233	(19)	2,300	-	(5,423)	(19,399)
Unrestricted-noncontrolling	-	-	-	-	-	-	-
Total unrestricted	(7,937)	233	(19)	2,300	-	(5,423)	(19,399)
Temporarily restricted	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-
Total net assets	(7,937)	233	(19)	2,300	-	(5,423)	(19,399)
Total liabilities and net assets	$ 9,200	233	-	2,301	-	11,734	45,933

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	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**	**2018 Consolidated**	**2017 Consolidated**
Assets							
Current assets:							
Cash and cash equivalents	$ 5,374	203	-	(1,040)	-	4,537	5,779
Accounts receivable, net:							
Patient and third-party payors	2,775	283	-	697	-	3,755	3,648
Other	17	3	-	(84)	1	(63)	(50)
Total accounts receivable, net	2,792	286	-	613	1	3,692	3,598
Assets limited or restricted as to use	403	-	-	-	-	403	435
Inventories	128	-	-	-	-	128	128
Prepaid expenses and other current assets	172	84	-	20	-	276	224
Total current assets	8,869	573	-	(407)	1	9,036	10,164
Assets limited as to use and restricted, less current portion	50	-	-	-	-	50	-
Property, plant and equipment, net	4,684	5,936	-	33	-	10,653	10,504
Goodwill and other assets, net	2,373	283	1,000	-	(999)	2,657	3,450
Total assets	$ 15,976	6,792	1,000	(374)	(998)	22,396	24,118
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$ -	-	-	-	-	-	-
Accounts payable	1,233	248	-	115	-	1,596	1,708
Accrued salaries, wages and benefits	1,214	110	-	71	-	1,395	1,236
Other accrued expenses	214	261	-	157	-	632	478
Due to (from) affiliate	(864)	339	(40)	876	-	311	234
Total current liabilities	1,797	958	(40)	1,219	-	3,934	3,656
Long-term debt, less current portion	-	-	-	-	-	-	-
Other long-term liabilities and deferred credits	3,210	284	-	-	1	3,495	4,198
Due to (from) affiliate, less current portion	10,700	3,152	-	-	-	13,852	14,179
Total liabilities	15,707	4,394	(40)	1,219	1	21,281	22,033
Net assets:							
Unrestricted-controlling	(134)	2,399	1,040	(1,593)	(1,000)	712	1,645
Unrestricted-noncontrolling	-	-	-	-	-	-	-
Total unrestricted	(134)	2,399	1,040	(1,593)	(1,000)	712	1,645
Temporarily restricted	403	-	-	-	-	403	440
Permanently restricted	-	-	-	-	-	-	-
Total net assets	269	2,399	1,040	(1,593)	(1,000)	1,115	2,085
Total liabilities and net assets	$ 15,976	6,793	1,000	(374)	(999)	22,396	24,118

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours Associates, LLC		Shannon MOB Partnership		BSB Health MOB Partnership 2		Bon Secours GoodHelpCare LLC	
	2018	2017	2018	2017	2018	2017	2018	2017
Current assets:								
Cash and cash equivalents	$ -	-	876	694	79	421	-	(4,082)
Accounts receivable, net:								
Patient and third-party payors	-	-	-	-	-	-	-	-
Other	-	-	600	615	57	54	-	337
Total accounts receivable, net	-	-	600	615	57	54	-	337
Assets limited or restricted as to use	-	-	-	-	173	259	-	-
Inventories	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	-	-	-	-	-	-	-	11
Total current assets	-	-	1,476	1,309	309	734	-	(3,734)
Assets limited as to use and restricted, less current portion	-	-	-	-	-	-	-	-
Property, plant and equipment, net	-	-	5,102	4,177	1,774	1,565	-	-
Goodwill and other assets, net	1,721	1,721	17,645	18,117	10,683	10,995	-	-
Total assets	$ 1,721	1,721	24,223	23,603	12,766	13,294	-	(3,734)
Liabilities and Net Assets								
Current liabilities:								
Current portion of long-term debt	$ -	-	2,530	1,608	826	826	-	-
Accounts payable	-	-	176	315	404	393	-	303
Accrued salaries, wages and benefits	-	-	-	-	-	-	-	446
Other accrued expenses	-	-	-	-	-	-	-	-
Due to (from) affiliate	-	-	-	-	-	-	-	-
Total current liabilities	-	-	2,706	1,923	1,230	1,219	-	749
Long-term debt, less current portion	-	-	5,320	8,240	4,897	5,923	-	-
Other long-term liabilities and deferred credits	-	-	-	-	2,884	2,616	-	-
Due to (from) affiliate, less current portion	-	-	9,353	6,578	2,858	2,598	-	-
Total liabilities	-	-	17,379	16,741	11,869	12,356	-	749
Net assets:								
Unrestricted-controlling	1,721	1,721	6,844	6,862	1,724	460	-	(4,483)
Unrestricted-noncontrolling	-	-	-	-	(827)	478	-	-
Total unrestricted	1,721	1,721	6,844	6,862	897	938	-	(4,483)
Temporarily restricted	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	1,721	1,721	6,844	6,862	897	938	-	(4,483)
Total liabilities and net assets	$ 1,721	1,721	24,223	23,603	12,766	13,294	-	(3,734)

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Good Help Connections, LLC		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office		BSHS Foundation, Inc.	
	2018	2017	2018	2017	2018	2017	2018	2017
Current assets:								
Cash and cash equivalents	$ (1,466)	(5,973)	-	-	41,485	38,418	62	26
Accounts receivable, net:								
Patient and third-party payors	-	-	-	-	-	-	-	-
Other	4,500	3,240	-	-	18,314	14,639	-	-
Total accounts receivable, net	4,500	3,240	-	-	18,314	14,639	-	-
Assets limited or restricted as to use	-	-	20,091	18,696	36,074	26,718	-	-
Inventories	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	1,029	312	-	-	12,959	16,833	-	-
Total current assets	4,063	(2,421)	20,091	18,696	108,832	96,608	62	26
Assets limited as to use and restricted, less current portion	-	-	76,837	75,592	207,199	221,553	-	-
Property, plant and equipment, net	-	-	-	-	133,754	154,931	-	-
Goodwill and other assets, net	(1)	-	7,382	6,005	301,758	293,860	-	-
Total assets	$ 4,062	(2,421)	104,310	100,293	751,543	766,952	62	26
Liabilities and Net Assets								
Current liabilities:								
Current portion of long-term debt	$ -	-	-	-	10,072	31,190	-	-
Accounts payable	2,000	1,156	-	-	24,513	28,058	-	-
Accrued salaries, wages and benefits	-	254	-	-	44,031	48,209	-	-
Other accrued expenses	530	659	20,091	18,696	72,805	67,999	-	-
Due to (from) affiliate	623	-	-	-	(1,072)	4,028	-	-
Total current liabilities	3,153	2,069	20,091	18,696	150,349	179,484	-	-
Long-term debt, less current portion	-	-	-	-	745,299	740,354	-	-
Other long-term liabilities and deferred credits	-	-	84,219	81,597	168,600	250,763	-	-
Due to (from) affiliate, less current portion	-	-	-	-	(502,994)	(500,323)	-	-
Total liabilities	3,153	2,069	104,310	100,293	561,254	670,278	-	-
Net assets:								
Unrestricted-controlling	909	(4,490)	-	-	188,223	89,414	62	26
Unrestricted-noncontrolling	-	-	-	-	-	-	-	-
Total unrestricted	909	(4,490)	-	-	188,223	89,414	62	26
Temporarily restricted	-	-	-	-	2,066	7,260	-	-
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	909	(4,490)	-	-	190,289	96,674	62	26
Total liabilities and net assets	$ 4,062	(2,421)	104,310	100,293	751,543	766,952	62	26

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	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	$ 110,534	705,936	1,513,433	781,084	189,271	(23)	30,999	-	-	-
Provision for patient bad debts, net	(2,462)	(37,247)	(56,855)	(32,760)	(9,517)	502	(523)	-	-	-
Net patient service revenue	108,072	668,689	1,456,578	748,324	179,754	479	30,476	-	-	-
Other revenue	6,117	34,822	40,705	12,774	4,649	649	5,144	-	-	-
Total recurring revenues	114,189	703,511	1,497,283	761,098	184,403	1,128	35,620	-	-	-
Expenses:										
Salaries, wages and benefits	55,208	338,456	674,592	383,150	100,467	680	19,745	-	-	-
Supplies	7,924	145,523	280,675	158,765	30,268	15	3,355	-	-	-
Purchased services and other	43,775	206,755	353,898	178,930	55,075	406	10,897	-	-	-
Depreciation and amortization	6,301	34,174	47,541	22,112	10,166	-	881	-	-	-
Interest	1,376	6,598	15,864	8,091	1,978	28	627	-	-	-
Total recurring expenses	114,584	731,506	1,372,570	751,048	197,954	1,129	35,505	-	-	-
Recurring operating income	(395)	(27,995)	124,713	10,050	(13,551)	(1)	115	-	-	-
Nonrecurring (losses) gains, net	-	-	-	-	-	-	-	-	-	-
Operating income (loss) from continuing operations	(395)	(27,995)	124,713	10,050	(13,551)	(1)	115	-	-	-
Nonoperating gains (losses), net:										
Nonoperating investment gains (losses), net	1,427	10,740	35,027	3,099	274	(7)	(47)	-	-	-
Loss on early retirement of debt	-	-	-	-	-	(720)	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	13,288	-	-	-	-
Other nonoperating activities, net	(2,318)	(77)	(31,410)	463	(6,117)	92	(652)	-	(18)	(41)
Excess (deficit) of revenues over expenses	(1,286)	(17,332)	128,330	13,612	(19,394)	12,652	(584)	-	(18)	(41)
Other changes in unrestricted net assets:										
Gain from discontinued operations	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	38	(1)	172	30	-	-	-	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	46	413	4,717	264	425	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	(5,616)	(28)	-	-	-	-	-	-
Pension and other post retirement adjustments	7,439	9,738	56,534	-	24,965	374	-	-	-	-
Transfers to affiliates and other changes, net	2,717	(2,803)	(11,680)	(6,888)	(1,043)	950	(349)	-	-	-
Increase (decrease) in unrestricted net assets	$ 8,916	(9,946)	172,284	7,132	4,983	13,976	(933)	-	(18)	(41)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours Good HelpCare LLC	Good Help Connections, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	BSHS Foundation, Inc.	Consolidating Eliminations	2018 Consolidated	2017 Consolidated
Revenues:								
Net patient service revenue before bad debts	$ -	-	-	-	-	(110,535)	3,220,699	3,233,514
Provision for patient bad debts, net	-	-	-	-	-	2,463	(136,399)	(176,007)
Net patient service revenue	-	-	-	-	-	(108,072)	3,084,300	3,057,507
Other revenue	-	32,883	20,148	297,854	-	(277,136)	178,609	148,777
Total recurring revenues	-	32,883	20,148	297,854	-	(385,208)	3,262,909	3,206,284
Expenses:								
Salaries, wages and benefits	-	10,735	-	171,353	-	(54,289)	1,700,097	1,675,303
Supplies	-	164	-	(14,442)	-	(7,636)	604,611	587,699
Purchased services and other	-	14,285	20,148	91,198	-	(283,181)	692,186	681,603
Depreciation and amortization	-	2,216	-	35,102	-	(35,005)	123,488	129,216
Interest	-	5	-	(2,659)	-	(1,572)	30,336	31,642
Total recurring expenses	-	27,405	20,148	280,552	-	(381,683)	3,150,718	3,105,463
Recurring operating income	-	5,478	-	17,302	-	(3,525)	112,191	100,821
Nonrecurring (losses) gains, net	-	-	-	(24,335)	-	-	(24,335)	28,159
Operating income (loss) from continuing operations	-	5,478	-	(7,033)	-	(3,525)	87,856	128,980
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	-	(79)	-	51,972	1	(48)	102,359	101,701
Loss on early retirement of debt	-	-	-	(1,677)	-	-	(2,397)	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	13,288	-
Other nonoperating activities, net	-	-	-	6,893	35	(5,364)	(38,514)	(48,557)
Excess (deficit) of revenues over expenses	-	5,399	-	50,155	36	(8,937)	162,592	182,124
Other changes in unrestricted net assets:								
Gain from discontinued operations	-	-	-	-	-	(21,764)	(21,764)	6,564
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	443	-	-	682	490
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	5,865	8,531
Net change in equity of joint ventures	-	-	-	6,034	-	-	6,034	(1,219)
Distributions to noncontrolling interest owners	-	-	-	-	-	-	(5,644)	(5,918)
Pension and other post retirement adjustments	-	-	-	33,512	-	-	132,562	82,866
Transfers to affiliates and other changes, net	4,483	-	-	8,665	-	2,496	(3,452)	(6,128)
Increase (decrease) in unrestricted net assets	$ 4,483	5,399	-	98,809	36	(28,205)	276,875	267,310

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours Baltimore Health Corporation					
	Bon Secours Hospital Baltimore	Bon Secours of Maryland Foundation	Bon Secours Baltimore Health System Foundation	Consolidating Eliminations	2018 Consolidated	2017 Consolidated
Revenues:						
Net patient service revenue before bad debts	$ 110,534	-	-	-	110,534	110,485
Provision for patient bad debts, net	(2,462)	-	-	-	(2,462)	(3,297)
Net patient service revenue	108,072	-	-	-	108,072	107,188
Other revenue	2,453	7,833	8	(4,177)	6,117	7,173
Total recurring revenues	110,525	7,833	8	(4,177)	114,189	114,361
Expenses:						
Salaries, wages and benefits	53,338	1,870	-	-	55,208	54,547
Supplies	7,637	302	-	(15)	7,924	8,730
Purchased services and other	42,456	4,573	9	(3,263)	43,775	45,130
Depreciation and amortization	6,243	1,651	-	(1,593)	6,301	6,383
Interest	1,376	1,035	-	(1,035)	1,376	1,457
Total recurring expenses	111,050	9,431	9	(5,906)	114,584	116,247
Recurring operating income	(525)	(1,598)	(1)	1,729	(395)	(1,886)
Nonrecurring (losses) gains, net	-	-	-	-	-	-
Operating income (loss) from continuing operations	(525)	(1,598)	(1)	1,729	(395)	(1,886)
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	901	-	526	-	1,427	1,723
Loss on early retirement of debt	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-		-
Other nonoperating activities, net	(845)	(583)	(889)	(1)	(2,318)	(2,535)
Excess (deficit) of revenues over expenses	(469)	(2,181)	(364)	1,728	(1,286)	(2,698)
Other changes in unrestricted net assets:						
Gain from discontinued operations	-	-	-	-	-	-
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	-	46	-	-	46	56
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	7,439	-	-	-	7,439	5,546
Transfers to affiliates and other changes, net	2,576	80	-	61	2,717	(910)
Increase (decrease) in unrestricted net assets	$ 9,546	(2,055)	(364)	1,789	8,916	1,994

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.3

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	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	2018 Consolidated	2017 Consolidated
Revenues:											
Net patient service revenue before bad debts	$ 333,376	9,760	18	173,554	-	180,643	8,586	-	(1)	705,936	719,891
Provision for patient bad debts, net	(20,308)	(427)	(12)	(9,597)	-	(6,613)	(290)	-	-	(37,247)	(49,268)
Net patient service revenue	313,068	9,333	6	163,957	-	174,030	8,296	-	(1)	668,689	670,623
Other revenue	12,368	19	4,456	12,606	2,890	2,185	15	98,047	(97,764)	34,822	36,430
Total recurring revenues	325,436	9,352	4,462	176,563	2,890	176,215	8,311	98,047	(97,765)	703,511	707,053
Expenses:											
Salaries, wages and benefits	152,554	6,133	3,717	84,990	434	53,969	4,204	32,450	5	338,456	339,476
Supplies	63,711	1,208	383	29,020	2,425	44,320	617	3,838	1	145,523	145,898
Purchased services and other	120,035	3,487	1,147	68,196	134	49,384	3,835	58,460	(97,923)	206,755	196,202
Depreciation and amortization	12,998	170	399	10,630	16	6,133	109	3,297	422	34,174	37,453
Interest	2,887	52	33	2,005	-	1,578	43	-	-	6,598	6,445
Total recurring expenses	352,185	11,050	5,679	194,841	3,009	155,384	8,808	98,045	(97,495)	731,506	725,474
Recurring operating income	(26,749)	(1,698)	(1,217)	(18,278)	(119)	20,831	(497)	2	(270)	(27,995)	(18,421)
Nonrecurring (losses) gains, net	-	-	-	-	-	-	-	-	-	-	-
Operating income (loss) from continuing operations	(26,749)	(1,698)	(1,217)	(18,278)	(119)	20,831	(497)	2	(270)	(27,995)	(18,421)
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	7,251	134	(11)	(775)	11	4,035	45	53	(3)	10,740	13,437
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net	1,544	(3)	(193)	385	(10)	(161)	21	(1,659)	(1)	(77)	(714)
Excess (deficit) of continuing revenues over expenses	(17,954)	(1,567)	(1,421)	(18,668)	(118)	24,705	(431)	(1,604)	(274)	(17,332)	(5,698)
Other changes in unrestricted net assets:											
Gain from discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	(3)	-	-	-	-	60	-	(19)	-	38	54
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	27	-	386	-	413	780
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-	-	-	-
Pension and other post retirement adjustments	9,738	-	-	-	-	-	-	-	-	9,738	3,720
Transfers to affiliates and other changes, net	(11,881)	(37)	3	(1,537)	(3)	(1,048)	(32)	(142)	11,874	(2,803)	(4,276)
Increase (decrease) in unrestricted net assets	$ (20,100)	(1,604)	(1,418)	(20,205)	(121)	23,744	(463)	(1,379)	11,600	(9,946)	(5,420)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	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**	**2018 Consolidated**	**2017 Consolidated**
Revenues:										
Net patient service revenue before bad debts	$ 593,871	165,743	265,186	385,414	30,756	50,526	27,607	(5,670)	1,513,433	1,474,572
Provision for patient bad debts, net	(19,993)	(5,425)	(11,821)	(16,254)	(739)	(1,946)	(677)	-	(56,855)	(79,870)
Net patient service revenue	573,878	160,318	253,365	369,160	30,017	48,580	26,930	(5,670)	1,456,578	1,394,702
Other revenue	9,934	1,226	3,896	3,638	295	16,643	232,051	(226,978)	40,705	24,580
Total recurring revenues	583,812	161,544	257,261	372,798	30,312	65,223	258,981	(232,648)	1,497,283	1,419,282
Expenses:										
Salaries, wages and benefits	216,759	34,396	102,920	138,619	16,948	38,199	125,800	951	674,592	644,946
Supplies	104,375	37,993	38,270	64,014	6,552	9,924	19,227	320	280,675	259,698
Purchased services and other	189,656	32,215	95,276	140,418	7,350	8,022	113,620	(232,659)	353,898	343,803
Depreciation and amortization	15,174	1,849	7,863	8,633	1,262	2,847	9,825	88	47,541	53,534
Interest	6,039	571	4,569	3,949	665	-	71	-	15,864	17,234
Total recurring expenses	532,003	107,024	248,898	355,633	32,777	58,992	268,543	(231,300)	1,372,570	1,319,215
Recurring operating income	51,809	54,520	8,363	17,165	(2,465)	6,231	(9,562)	(1,348)	124,713	100,067
Nonrecurring (losses) gains, net	-	-	-	-	-	-	-	-	-	-
Operating income (loss) from continuing operations	51,809	54,520	8,363	17,165	(2,465)	6,231	(9,562)	(1,348)	124,713	100,067
Nonoperating gains (losses), net:										
Nonoperating investment gains (losses), net	31,966	1,191	271	2,498	(254)	(957)	323	(11)	35,027	37,879
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net	(5,216)	(639)	(571)	(8,350)	598	(1,318)	(15,917)	3	(31,410)	(36,378)
Excess (deficit) of continuing revenues over expenses	78,559	55,072	8,063	11,313	(2,121)	3,956	(25,156)	(1,356)	128,330	101,568
Other changes in unrestricted net assets:										
Gain from discontinued operations	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	(2)	-	-	1	-	-	-	-	(1)	(5)
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	4,717	-	4,717	7,739
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	(5,616)	-	-	(5,616)	(5,723)
Pension and other post retirement adjustments	38,406	-	-	18,128	-	-	-	-	56,534	43,048
Transfers to affiliates and other changes, net	(16,122)	(429)	(3,431)	(2,907)	(477)	275	9,378	2,033	(11,680)	(11,248)
Increase (decrease) in unrestricted net assets	$ 100,841	54,643	4,632	26,535	(2,598)	(1,385)	(11,061)	677	172,284	135,379

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.5

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours St. Francis Health System, Inc.										
	St. Francis - Downtown	**St. Francis - Eastside**	**St. Francis Physician Services**	**Upstate Surgery Center**	**St Francis - Millennium**	**St. Francis Foundation**	**St. Francis Home Care**	**Bon Secours St. Francis Cancer Center**	**Consolidating Eliminations**	**2018 Consolidated**	**2017 Consolidated**
Revenues:											
Net patient service revenue before bad debts	$ 364,357	158,677	153,680	3,993	12,810	-	16,884	63,513	7,170	781,084	777,247
Provision for patient bad debts, net	(14,231)	(10,813)	(5,484)	(290)	(957)	-	15	(1,000)	-	(32,760)	(37,872)
Net patient service revenue	350,126	147,864	148,196	3,703	11,853	-	16,899	62,513	7,170	748,324	739,375
Other revenue	389	289	9,746	-	326	-	28	1,974	22	12,774	11,316
Total recurring revenues	350,515	148,153	157,942	3,703	12,179	0	16,927	64,487	7,192	761,098	750,691
Expenses:											
Salaries, wages and benefits	120,170	52,635	171,935	1,437	8,291	-	12,831	10,760	5,091	383,150	374,884
Supplies	76,278	24,827	14,884	1,180	628	-	1,022	39,258	688	158,765	155,363
Purchased services and other	87,493	36,748	36,728	846	4,617	1	2,707	7,652	2,138	178,930	170,398
Depreciation and amortization	12,498	4,286	2,487	58	71	-	-	2,329	383	22,112	21,039
Interest	5,062	2,902	-	-	-	-	127	-	-	8,091	8,490
Total recurring expenses	301,501	121,398	226,034	3,521	13,607	1	16,687	59,999	8,300	751,048	730,174
Recurring operating income	49,014	26,755	(68,092)	182	(1,428)	(1)	240	4,488	(1,108)	10,050	20,517
Nonrecurring (losses) gains, net	-	-	-	-	-	-	-	-	-	-	-
Operating income (loss) from continuing operations	49,014	26,755	(68,092)	182	(1,428)	(1)	240	4,488	(1,108)	10,050	20,517
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	7,720	(2,349)	(364)	-	(470)	299	(40)	(1,571)	(126)	3,099	2,510
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net	(365)	109	5	(20)	(2)	680	45	44	(33)	463	574
Excess (deficit) of continuing revenues over expenses	56,369	24,515	(68,451)	162	(1,900)	978	245	2,961	(1,267)	13,612	23,601
Other changes in unrestricted net assets:											
Gain from discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	-	172	-	-	-	172	144
Net assets released from restrictions used for the purchase of property, plant, and equipment	1,317	132	-	-	19	(1,294)	-	-	90	264	86
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	(28)	-	-	-	-	-	(28)	(196)
Pension and other post retirement adjustments	-	-	-	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	(9,882)	(71,631)	69,451	(96)	-	824	4,554	-	(108)	(6,888)	(10,782)
Increase (decrease) in unrestricted net assets	$ 47,804	(46,984)	1,000	38	(1,881)	680	4,799	2,961	(1,285)	7,132	12,853

See accompanying independent auditors' report on supplementary information

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours Kentucky Health System, Inc.					
	Our Lady of Bellefonte Hospital, Inc.	**OLBH Foundation**	**Bellefonte Physician Services**	**Consolidating Eliminations**	**2018 Consolidated**	**2017 Consolidated**
Revenues:						
Net patient service revenue before bad debts	$ 163,000	-	26,271	-	189,271	193,756
Provision for patient bad debts, net	(8,172)	-	(1,345)	-	(9,517)	(8,857)
Net patient service revenue	154,828	-	24,926	-	179,754	184,899
Other revenue	3,493	-	1,156	-	4,649	4,510
Total recurring revenues	158,321	-	26,082	-	184,403	189,409
Expenses:						
Salaries, wages and benefits	69,168	-	31,299	-	100,467	98,899
Supplies	27,811	-	2,457	-	30,268	32,216
Purchased services and other	46,388	-	8,323	364	55,075	60,284
Depreciation and amortization	9,430	-	736	-	10,166	9,288
Interest	1,978	-	-	-	1,978	2,112
Total recurring expenses	154,775	-	42,815	364	197,954	202,799
Recurring operating income	3,546	-	(16,733)	(364)	(13,551)	(13,390)
Nonrecurring (losses) gains, net	-	-	-	-	-	-
Operating income (loss) from continuing operations	3,546	-	(16,733)	(364)	(13,551)	(13,390)
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	446	66	(238)	-	274	790
Loss on early retirement of debt	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-
Other nonoperating activities, net	(5,779)	(212)	(126)	-	(6,117)	(6,243)
Excess (deficit) of continuing revenues over expenses	(1,787)	(146)	(17,097)	(364)	(19,394)	(18,843)
Other changes in unrestricted net assets:						
Gain from discontinued operations	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	30	-	-	30	71
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	425	-	-	425	152
Net change in equity of joint ventures	-	-	-	-	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Pension and other post retirement adjustments	24,965	-	-	-	24,965	3,383
Transfers to affiliates and other changes, net	(826)	(217)	-	-	(1,043)	(1,181)
Increase (decrease) in unrestricted net assets	$ 22,352	92	(17,097)	(364)	4,983	(16,418)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours New York Health System, Inc.						
	Frances Schervier Home and Hospital	Bon Secours New York Parent Corp.	Schervier Long Term Home Health Care	Schervier Apartments, LLC	Consolidating Eliminations	2018 Consolidated	2017 Consolidated
Revenues:							
Net patient service revenue before bad debts	$ (23)	-	-	-	-	(23)	37,919
Provision for patient bad debts, net	502	-	-	-	-	502	(114)
Net patient service revenue	479	-	-	-	-	479	37,805
Other revenue	649	448	-	1,744	(2,192)	649	2,594
Total recurring revenues	1,128	448	0	1,744	(2,192)	1,128	40,399
Expenses:							
Salaries, wages and benefits	233	448	-	141	(142)	680	26,238
Supplies	3	-	-	5	7	15	2,185
Purchased services and other	866	-	-	735	(1,195)	406	13,751
Depreciation and amortization	-	-	-	346	(346)	-	1,469
Interest	28	-	-	419	(419)	28	307
Total recurring expenses	1,130	448	-	1,646	(2,095)	1,129	43,950
Recurring operating income	(2)	-	-	98	(97)	(1)	(3,551)
Nonrecurring (losses) gains, net	-	-	-	-	-	-	28,159
Operating income (loss) from continuing operations	(2)	-	-	98	(97)	(1)	24,608
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	(9)	-	-	2	-	(7)	(50)
Loss on early retirement of debt	-	-	-	(720)	-	(720)	-
Gain (loss) on sale of asset, net	-	-	-	13,288	-	13,288	-
Other nonoperating activities, net	(5)	-	-	-	97	92	(915)
Excess (deficit) of continuing revenues over expenses	(16)	-	-	12,668	-	12,652	23,643
Other changes in unrestricted net assets:							
Gain from discontinued operations	-	-	-	-	-	-	-
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	374	-	-	-	-	374	2,215
Transfers to affiliates and other changes, net	7,130	-	162	(6,342)	-	950	(21,133)
Increase (decrease) in unrestricted net assets	$ 7,488	-	162	6,326	-	13,976	4,725

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	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**	**2018 Consolidated**	**2017 Consolidated**
Revenues:							
Net patient service revenue before bad debts	$ 27,319	-	-	3,680	-	30,999	30,131
Provision for patient bad debts, net	(515)	(16)	-	8	-	(523)	(27)
Net patient service revenue	26,804	(16)	-	3,688	-	30,476	30,104
Other revenue	895	4,249	-	-	-	5,144	5,272
Total recurring revenues	27,699	4,233	-	3,688	-	35,620	35,376
Expenses:							
Salaries, wages and benefits	14,578	2,600	-	2,567	-	19,745	19,525
Supplies	2,862	403	-	90	-	3,355	3,128
Purchased services and other	8,316	1,366	-	1,215	-	10,897	10,227
Depreciation and amortization	581	279	-	21	-	881	827
Interest	464	163	-	-	-	627	634
Total recurring expenses	26,801	4,811	-	3,893	-	35,505	34,341
Recurring operating income	898	(578)	-	(205)	-	115	1,035
Nonrecurring (losses) gains, net	-	-	-	-	-	-	-
Operating income (loss) from continuing operations	898	(578)	-	(205)	-	115	1,035
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	(38)	7	-	(16)	-	(47)	(44)
Loss on early retirement of debt	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net					-	-	
Other nonoperating activities, net	(575)	(70)	-	(7)	-	(652)	19
Excess (deficit) of continuing revenues over expenses	285	(641)	-	(228)	-	(584)	1,010
Other changes in unrestricted net assets:							
Gain from discontinued operations	-	-	-	-	-	-	
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	(349)	-	-	-	-	(349)	(469)
Increase (decrease) in unrestricted net assets	$ (64)	(641)	-	(228)	-	(933)	541

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Bon Secours Associates, LLC		Shannon MOB Partnership		BSB Health MOB Partnership 2		Bon Secours Good HelpCare LLC	Bon Secours Good HelpCare LLC
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:								
Net patient service revenue before bad debts	$ -	-	-	-	-	-	-	-
Provision for patient bad debts, net	-	-	-	-	-	-	-	-
Net patient service revenue	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	533
Total recurring revenues	-	-	-	-	-	-	-	533
Expenses:								
Salaries, wages and benefits	-	-	-	-	-	-	-	3,866
Supplies	-	-	-	-	-	-	-	6
Purchased services and other	-	1	-	-	-	-	-	1,132
Depreciation and amortization	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total recurring expenses	-	1	-	-	-	-	-	5,004
Recurring operating income	-	(1)	-	-	-	-	-	(4,471)
Nonrecurring (losses) gains, net	-	-	-	-	-	-	-	-
Operating income (loss) from continuing operations	-	(1)	-	-	-	-	-	(4,471)
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	-	-	-	-	-	-	-	(9)
Loss on early retirement of debt	-	-	-	-	-	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-	-	-	-
Other nonoperating activities, net	-	-	(18)	324	(41)	(82)	-	-
Excess (deficit) of continuing revenues over expenses	-	(1)	(18)	324	(41)	(82)	-	(4,480)
Other changes in unrestricted net assets:								
Gain from discontinued operations	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	4,483	-
Increase (decrease) in unrestricted net assets	$ -	(1)	(18)	324	(41)	(82)	4,483	(4,480)

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.10

Consolidating Schedule - Operating Information
(in thousands)

August 31, 2018
(with comparative totals for 2017)

	Good Help Connections, LLC		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office		BSHS Foundation, Inc.	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues:								
Net patient service revenue before bad debts	$ -	-	-	-	-	-	-	-
Provision for patient bad debts, net	-	-	-	-	-	-	-	-
Net patient service revenue	-	-	-	-	-	-	-	-
Other revenue	32,883	15,679	20,148	17,600	297,854	304,328	-	-
Total recurring revenues	32,883	15,679	20,148	17,600	297,854	304,328	-	-
Expenses:								
Salaries, wages and benefits	10,735	5,296	-	-	171,353	160,647	-	-
Supplies	164	186	-	-	(14,442)	(11,344)	-	-
Purchased services and other	14,285	6,578	20,148	17,600	91,198	95,463	-	-
Depreciation and amortization	2,216	1,533	-	-	35,102	40,248	-	-
Interest	5	52	-	-	(2,659)	(3,443)	-	-
Total recurring expenses	27,405	13,645	20,148	17,600	280,552	281,571	-	-
Recurring operating income	5,478	2,034	-	-	17,302	22,757	-	-
Nonrecurring (losses) gains, net	-	-	-	-	(24,335)	-	-	-
Operating income (loss) from continuing operations	5,478	2,034	-	-	(7,033)	22,757	-	-
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net	(79)	33	-	-	51,972	45,452	1	-
Loss on early retirement of debt	-	-	-	-	(1,677)	-	-	-
Gain (loss) on sale of asset, net	-	-	-	-	-		-	
Other nonoperating activities, net	-	-	-	-	6,893	718	35	26
Excess (deficit) of revenues over expenses	5,399	2,067	-	-	50,155	68,927	36	26
Other changes in unrestricted net assets:								
Gain from discontinued operations	-	-	-	-	-	-	-	-
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	-	443	227	-	-
Net assets released from restrictions used for the purchase of property, plant, and equipment	-	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	6,034	(1,219)	-	-
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-
Pension and other post retirement adjustments	-	-	-	-	33,512	24,877	-	-
Transfers to affiliates and other changes, net	-	-	-	-	8,665	43,666	-	-
Increase (decrease) in unrestricted net assets	$ 5,399	2,067	-	-	98,809	136,478	36	26