CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Financial Statements and
Consolidating Schedules

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Table of Contents

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Catholic Health Services of Long Island:

We have audited the accompanying consolidated financial statements of Catholic Health Services of Long Island, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating 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 Catholic Health Services of Long Island as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in schedules 1 through 4 is presented for 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

New York, New York
April 24, 2017

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Balance Sheets

December 31, 2016 and 2015

(In thousands)

Assets		2016	2015
Current assets:			
Cash and cash equivalents	$	207,674	182,292
Investments		529,122	447,226
Assets limited or restricted as to use		23,979	21,231
Patient accounts receivable, less allowance for uncollectible accounts of $47,987 in 2016 and $53,542 in 2015		287,063	243,237
Contributions receivable, net		3,752	3,523
Other receivables		26,875	37,747
Inventories		30,508	28,583
Prepaid expenses and other		22,059	14,816
Total current assets		1,131,032	978,655
Assets limited or restricted as to use:			
Board designated and other		79,156	76,350
Donor-restricted funds		43,103	32,302
Funded depreciation		294,683	259,231
Trustee held and other agreements		150,122	152,616
Captive assets		86,449	73,478
Total assets limited or restricted as to use		653,513	593,977
Less assets limited or restricted as to use and required for current liabilities		23,979	21,231
Total assets limited or restricted as to use, net		629,534	572,746
Contributions receivable, net of current portion		9,414	9,807
Other assets, net		29,502	32,949
Insurance claims receivable		171,252	166,799
Property, plant, and equipment, net		791,081	794,941
Total assets	$	2,761,815	2,555,897

See accompanying notes to consolidated financial statements.

(Continued)

Liabilities and Net Assets		2016	2015
Current liabilities:			
Current portion of long-term debt	$	34,809	31,039
Accounts payable and accrued expenses		198,944	169,131
Accrued salaries, related withholdings, and benefits		154,773	137,504
Current portion of other self-insured liabilities		32,607	30,081
Current portion of estimated third-party payor liabilities		63,084	54,861
Other liabilities		19,837	22,652
Total current liabilities		504,054	445,268
Long-term debt, net of current portion		468,967	502,857
Estimated third-party payor liabilities, net of current portion		34,788	34,569
Other self-insured liabilities, net of current portion		126,872	128,459
Estimated malpractice liabilities		250,855	218,048
Other long-term liabilities		60,787	64,152
Total liabilities		1,446,323	1,393,353
Net assets:			
Unrestricted:			
Catholic Health Services of Long Island		1,257,471	1,115,242
Noncontrolling interests		1,752	1,670
Total unrestricted		1,259,223	1,116,912
Temporarily restricted		52,204	41,567
Permanently restricted		4,065	4,065
Total net assets		1,315,492	1,162,544
Commitments and contingencies			
Total liabilities and net assets	$	2,761,815	2,555,897

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Statements of Operations

Years ended December 31, 2016 and 2015

(In thousands)

		2016	2015
Unrestricted revenues, gains, and other support:			
Net patient services revenue before bad debts	$	2,405,949	2,176,185
Provision for bad debts, net		(37,747)	(43,548)
Net patient services revenue		2,368,202	2,132,637
Investment income, net		20,589	16,996
Contributions, net		14,053	3,452
Other revenue		118,445	123,986
Gain on sale of properties, net		—	52,626
Net assets released from restrictions used for operations		2,142	1,314
Total revenues, gains, and other support		2,523,431	2,331,011
Expenses:			
Salaries		1,219,029	1,140,542
Employee benefits		378,309	346,407
Supplies and other expenses		635,972	597,723
Insurance		59,127	39,560
Depreciation, amortization, and impairment		101,465	99,497
Interest		19,936	21,107
Total expenses		2,413,838	2,244,836
Operating income before nonoperating gains (losses)		109,593	86,175
Nonoperating gains (losses):			
Net unrealized gains (losses) on investments		29,385	(19,924)
Other nonoperating gains (losses), net		957	(2,729)
Income attributable to noncontrolling interests		(1,250)	(748)
Excess of revenues, gains, and other support over expenses		138,685	62,774
Other changes in unrestricted net assets:			
Postretirement benefit plan changes other than net periodic benefit cost		825	243
Net assets released from restrictions used for purchases of property, plant, and equipment		2,408	8,433
Grant income for purchases of property, plant, and equipment		311	1,962
Increase in unrestricted net assets	$	142,229	73,412

See accompanying notes to consolidated financial statements.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2016 and 2015

(In thousands)

	Unrestricted					
	Catholic Health Services of Long Island	**Noncontrolling interests**	**Total**	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets, December 31, 2014	$ 1,041,830	—	1,041,830	38,073	4,053	1,083,956
Excess of revenues, gains, and other support over expenses	62,774	—	62,774	—	—	62,774
Investment loss including unrealized losses, net	—	—	—	(189)	—	(189)
Restricted contributions, net	—	—	—	13,430	12	13,442
Net assets released from restrictions used for operations	—	—	—	(1,314)	—	(1,314)
Postretirement benefit plan changes other than net periodic benefit cost	243	—	243	—	—	243
Net assets released from restrictions for purchases of property, plant, and equipment	8,433	—	8,433	(8,433)	—	—
Grant income for purchases of property, plant, and equipment	1,962	—	1,962	—	—	1,962
Noncontrolling interest of acquired entities	—	1,118	1,118	—	—	1,118
Distributions to noncontrolling shareholders	—	(196)	(196)	—	—	(196)
Income attributable to noncontrolling interests	—	748	748	—	—	748
Increase in net assets	73,412	1,670	75,082	3,494	12	78,588
Net assets, December 31, 2015	1,115,242	1,670	1,116,912	41,567	4,065	1,162,544
Excess of revenues, gains, and other support over expenses	138,685	—	138,685	—	—	138,685
Investment gains including unrealized losses, net	—	—	—	1,796	—	1,796
Restricted contributions, net	—	—	—	13,391	—	13,391
Net assets released from restrictions used for operations	—	—	—	(2,142)	—	(2,142)
Postretirement benefit plan changes other than net periodic benefit cost	825	—	825	—	—	825
Net assets released from restrictions for purchases of property, plant, and equipment	2,408	—	2,408	(2,408)	—	—
Grant income for purchases of property, plant, and equipment	311	—	311	—	—	311
Distributions to noncontrolling shareholders	—	(1,168)	(1,168)	—	—	(1,168)
Income attributable to noncontrolling interests	—	1,250	1,250	—	—	1,250
Increase in net assets	142,229	82	142,311	10,637	—	152,948
Net assets, December 31, 2016	$ 1,257,471	1,752	1,259,223	52,204	4,065	1,315,492

See accompanying notes to consolidated financial statements.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

(In thousands)

	2016	2015
Cash flows from operating activities:		
Increase in net assets	$ 152,948	78,588
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	96,703	97,269
Noncontrolling interest of acquired entities	—	(1,118)
Distributions to noncontrolling shareholders	1,168	196
Inherent contribution on acquisition of property	(1,238)	—
Amortization of deferred financing costs	745	729
Amortization of intangible assets	4,762	2,228
Provision for bad debts, net	37,747	43,548
Gain on sale of properties, net	—	(52,626)
Net realized and unrealized (gains) losses on investments	(32,312)	19,660
Loss on debt extinguishment	—	2,624
Investment loss on restricted assets, net	(688)	(484)
Postretirement benefit plan changes other than net periodic benefit cost	(825)	(243)
Grant income for purchases of property, plant, and equipment	(311)	(1,962)
Restricted contributions	(11,558)	(11,266)
Changes in asset and liability accounts:		
Patient accounts receivable, net	(81,573)	(47,019)
Other operating assets	(4,336)	(12,209)
Other operating liabilities	41,342	16,501
Estimated third-party payor liabilities	8,442	(5,845)
Other self-insured and malpractice liabilities	33,746	21,477
Net cash provided by operating activities	244,762	150,048
Cash flows from investing activities:		
Purchases of property and equipment	(89,703)	(85,597)
Increase (decrease) in accounts payable due to capital purchases	307	(1,571)
Proceeds from sale of property	—	62,328
Acquisition of Beacon Health Partners	—	(7,500)
Proceeds from sale of investments and assets limited or restricted as to use	688,139	428,549
Purchases of investments and assets limited or restricted as to use	(796,581)	(513,008)
Net cash used in investing activities	(197,838)	(116,799)

(Continued)

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

(In thousands)

		2016	2015
Cash flows from financing activities:			
Principal payments on long-term debt	$	(32,927)	(29,566)
Proceeds from the issuance of long-term debt		—	35,000
Extinguishment of long-term debt		—	(49,287)
Restricted contributions		11,558	11,266
Deferred financing costs paid		—	(35)
Contributions receivable		(4)	(4,516)
Distributions to noncontrolling shareholders		(1,168)	(196)
Grant income for purchases of property, plant, and equipment		311	1,962
Investment income on restricted assets, net		688	484
Net cash used in financing activities		(21,542)	(34,888)
Net increase (decrease) in cash and cash equivalents		25,382	(1,639)
Cash and cash equivalents at beginning of year		182,292	183,931
Cash and cash equivalents at end of year	$	207,674	182,292
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	20,130	18,739

See accompanying notes to consolidated financial statements.

(1) Organization

Catholic Health System of Long Island, Inc. (d/b/a Catholic Health Services of Long Island) (CHSLI or CHS) is a New York not-for-profit corporation organized to serve as the coordinating body of an integrated network of providers. CHS, as a ministry of the Catholic Church, continues Christ's healing mission, promotes excellence in care, and commits itself to those in need. CHS affirms the sanctity of life, advocates for the poor and underserved, and serves the common good. CHS conducts its healthcare practice, business, education, and innovation with justice, integrity, and respect for the dignity of each person. CHS is sponsored by the Roman Catholic Diocese of Rockville Centre (Diocese).

CHS Hospitals

- Good Samaritan Hospital Medical Center (Good Samaritan)
- Mercy Medical Center (Mercy)
- St. Catherine of Siena Medical Center (St. Catherine)
- St. Charles Hospital (St. Charles)
- St. Francis Hospital (St. Francis)
- St. Joseph Hospital (St. Joseph; formerly, New Island)

CHS Organizations

Nursing Homes

- Good Samaritan Nursing Home
- Our Lady of Consolation Geriatric Care Center (Consolation)
- St. Catherine of Siena Nursing Home (the Nursing Home)

Insurance

- Good Samaritan Self Insurance Against Malpractice
- RVC Insurance Company, Inc. (the Captive)

Continuing Care Entities

- Catholic Home Care
- CHS Home Support Services (CHS Home Support)
- Good Shepherd Hospice
- Maryhaven Center of Hope (Maryhaven)
- Maryhaven School Corporation
- Maryhaven Transportation Services
- Riverhead Hostel Holding Corporation
- Wisdom Gardens Housing Development Fund, Inc.

(Continued)

- MCH-Wisdom, LLC
- Wisdom Gardens Limited Partnership

Foundations and Other Entities

- The Center of Hope Foundation
- CHS Services, Inc.
- Good Samaritan Hospital Foundation
- Good Shepherd Hospice Foundation
- Mercy Medical Center Foundation
- Our Lady of Consolation Foundation
- St. Catherine of Siena Medical Center Foundation
- St. Charles Hospital Foundation
- St. Francis Hospital Foundation
- St. Francis Hospital Research & Educational Corporation, Inc.

The accompanying consolidated financial statements include the accounts of all of the CHS Hospitals and all related CHS organizations. All significant intercompany accounts and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting.

(b) Use of Estimates

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the date of purchase, excluding amounts limited or restricted as to use.

(d) Investments and Assets Limited or Restricted As to Use

Investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading securities, and are measured at fair value in the accompanying consolidated balance sheets.

Assets limited or restricted as to use include assets set aside by CHS for future long-term purposes, such as capital improvements, assets restricted by donors, trusts and other agreements, and assets set aside for malpractice and other captive-related insurance expenditures. Amounts required to meet current liabilities of CHS have been classified as current assets in the accompanying consolidated balance sheets.

Net investment income (including net realized and unrealized gains and loss, interest, and dividends) is included in excess of revenues, gains, and other support over expenses unless the income or loss is restricted by donor or law.

(e) Net Patient Accounts Receivable and Net Patient Services Revenues

Net patient accounts receivable has been adjusted to the estimated amounts expected to be collected. These estimated amounts are subject to further adjustments upon review by third-party payors. Such receivables do not bear interest.

The allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Management periodically assesses the adequacy of this allowance based upon historical collection and write-off experience by payor category. The results of these reviews are used to modify, as necessary, the provision for bad debts and to establish appropriate allowances for uncollectible patient accounts receivable. After satisfaction of amounts due from insurance, CHS follows established guidelines for placing certain patient balances with collection agencies, subject to certain restrictions on collection efforts as determined by CHS policy. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. CHS does not have any off-balance-sheet credit exposure related to its patient accounts receivable.

CHS records net patient services revenue in the period in which services are performed. CHS has agreements with third-party payors that provide for payments at amounts different from its established rates. The basis for payment under these agreements includes prospectively determined rates, cost reimbursement, and negotiated discounts from established rates and per diem payments.

Net patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations, and excluding estimated amounts that may be considered uncollectible. The differences between the estimated and actual adjustments are recorded as a part of net patient services revenue in future periods, as the amounts become known, or as years are no longer subject to such audits, reviews, and investigations.

(Continued)

(f) Charity Care

As an integral part of its mission, CHS provides care to all patients regardless of their ability to pay for services rendered. CHS records as charity care the care provided to patients who meet certain criteria, under its charity care policy, without charge or at amounts less than CHS' established rates. Because CHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

(g) Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out method) or market.

(h) Related-Party Transactions

Certain CHS entities provide services and advances to other CHS entities. Most of these receivables associated with the services provided and advances are noninterest bearing and due on demand. Certain advances accrue interest and have stated repayment periods. The related party receivables and payables and related interest expense and income are eliminated in consolidation, as are any reserves created after evaluation of the related party's ability to repay.

(i) Contributions

Unconditional promises to give cash and other assets to CHS are reported at fair value at the date the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met. 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, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

(j) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost when purchased and at estimated fair value when donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (ranging from 3 to 40 years). Equipment under capital lease obligations is amortized utilizing the straight-line basis over the lesser of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

Leases are classified as either capital leases or operating leases in accordance with the terms of the underlying lease agreements. Equipment acquisition qualifying as capital leases are recorded as assets and the related obligations as liabilities at the present value of future minimum lease payments. Lease payments under operating leases are charged directly to rental expense, and are included in supplies and other expenses in the accompanying consolidated statements of operations.

(k) Estimated Malpractice Costs

The provision for estimated malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. It is the policy of CHS to record estimated malpractice liabilities on an effectively undiscounted basis. Due to the current economic and interest rate environment, the liabilities shown as of December 31, 2016 and 2015 are effectively undiscounted.

(l) Estimated Self-Insured Liabilities

The CHS Hospitals, excluding St. Joseph, were self-insured for certain claims, including workers' compensation, through the Protective Self-Insurance Program (PSIP) of the Diocese for outstanding claims through year ended December 31, 2011. During 2012, the CHS Hospitals, excluding St. Joseph, entered into an arrangement with a commercial carrier in which a $500 per-claim stop-loss coverage is provided for workers' compensation claims. In August 2015, St. Joseph entered into an arrangement with a commercial carrier in which a $250 per-claim stop-loss coverage is provided for workers' compensation claims. The other CHS entities are insured through the New York State Insurance Fund. CHS has coverage for general liability, property, and other lines of coverage through a combination of commercial polices and through the Captive. Additionally, under the CHS health insurance program, all CHS entities are self-insured for employee medical and related costs. The provisions for estimated self-insured claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

It is the policy of CHS to record estimated workers' compensation self-insured liabilities on a discounted basis. Due to the current economic and interest rate environment, the liabilities shown as of December 31, 2016 and 2015 are effectively undiscounted.

(m) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Generally, the donors of these assets restrict the income earned on related investments for a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

(n) Performance Indicator

The consolidated statements of operations include excess of revenues, gains, and other support over expenses as the performance indicator. Other changes in unrestricted net assets, which are excluded from excess of revenues, gains, and other support over expenses, consistent with industry practice include grant income for purchases of property, plant, and equipment; postretirement benefit plan changes other than net periodic benefit cost; and net assets released from restrictions used for purchases of property, plant, and equipment.

(o) Operating and Nonoperating Activities

CHS' primary mission is to meet the healthcare needs in its market area through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, home healthcare, hospice, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities, which are peripheral to CHS' primary mission, are considered to be nonoperating. Nonoperating activities include net unrealized gains (losses) on investments, other nonoperating gains (losses), net, and income attributable to noncontrolling interests.

(p) Impairment of Long-Lived Assets, Goodwill, and Intangible Assets

Long-lived assets, such as property, plant, and equipment, and definite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Goodwill and intangible assets are evaluated for impairment annually or more frequently if circumstances require. A qualitative assessment is performed to determine whether there are events or circumstances that indicate it is more likely than not that the reporting unit's fair value is less than its carrying amount.

During 2016, CHS recognized impairment on intangible assets of $2,623. No impairment was recognized in 2015.

(q) Income Taxes

CHS and most of its subsidiaries are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. CHS accounts for uncertain tax positions in accordance with the Accounting Standards Codification Topic 740, *Income Taxes*. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements, using a threshold of more likely than not of being sustained.

(r) New Accounting Pronouncements and Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for recognizing revenue and supersedes most existing revenue recognition criteria, including guidance specific to the healthcare industry. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects consideration to which the entity expects to be entitled for those goods or services. This ASU provides entities the option of applying a full or modified retrospective approach upon adoption. ASU 2014-09 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016. CHS is evaluating the impact of ASU 2014-09 on the consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, and update to ASC 820, *Fair Value Measurements and Disclosures*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. ASU 2015-07 is effective for fiscal years beginning after December 15, 2015,

(Continued)

with retrospective application required. During 2016, CHS adopted ASU 2015-07, and as a result, $5,363 and $6,238 of assets measured using NAV at December 31, 2016 and 2015, respectively, are not categorized within the fair value hierarchy in note 10. ASU 2015-07 did not have any impact on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity instruments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounting for under the equity method. The new standard also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. This ASU is effective for fiscal years beginning after December 15, 2018. CHS is evaluating the impact of ASU 2016-01 on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which supersedes FASB ASC Topic 840, *Leases*, and requires lessees to recognize most leases on the balance sheet via a right-of-use assets and a lease liability, and additional qualitative and quantitative disclosures. Leases will be classified as either finance or operating leases, which will impact the expense recognition of such leases over the lease term. The ASU also modifies the lease classification criteria for lessors and eliminates some of the real estate leasing guidance previously applied for certain leasing transactions. The ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted, and mandates a modified transition period. CHS is evaluating the impact of ASU 2016-02 on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changes how Not-for-Profit entities report net asset classes, expenses, and liquidity in their financial statements. The guidance is effective for fiscal years beginning after December 15, 2017. CHS is evaluating the impact of ASU 2016-14 on the consolidated financial statements.

(Dollars in thousands)

(3) Community Benefit and Uncompensated Care

In accordance with its mission and philosophy, the CHS Hospitals commit substantial resources to both the indigent and the broader community. The CHS Hospitals' policy regarding charity care is to provide care without regard to the patient's ability to pay for services rendered. CHS records as charity care the care provided to patients who meet certain criteria, under its charity care policy, without charge or at amounts less than CHS' established rates. Because CHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The CHS Hospitals also provide other uncompensated care through a broad range of community service programs and charitable activities. The amount of community benefits and other uncompensated care, at cost, provided to the indigent and broader community for the years ended December 31 is as follows:

		2016	2015
Cost of community benefit:			
Net cost of charity care provided	$	6,293	4,776
Unpaid cost of public programs, Medicaid, and other means tested programs		49,683	54,426
Cash donations		1,675	710
Education and research		15,262	18,519
Other community benefit programs		6,056	10,979
Total cost of community benefit from continuing operations	$	78,969	89,410
Provision for bad debts (at cost)	$	5,666	7,671

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the CHS Hospitals based on their level of bad debt, charity care, and uninsured units of service in relation to all other New York State hospitals. For the years ended December 31, 2016 and 2015, the CHS Hospitals received distributions of $17,494 and $19,349, respectively, from the indigent care pool while contributing $11,260 in 2016 and $10,701 in 2015. These amounts are included in net patient services revenue in the consolidated financial statements. The net shortfall of contributions to the indigent care pool over distributions received has been applied against amounts reported above as net cost of charity care provided and net uncompensated care reported as provision for bad debts.

The CHS Hospitals utilize a cost-to-charge ratio methodology to convert charity care to cost. The cost-to-charge ratio is calculated utilizing the methodology employed on the Medicare cost report.

(4) Patient Accounts Receivable and Patient Service Revenue

(a) Patient Accounts Receivable

CHS has contractual agreements with third-party payors that provide for payment at amounts that may be different from its established rates. The basis for payment under these agreements includes prospectively determined rates, cost reimbursement, and negotiated discounts from established rates and per diem payments.

(Dollars in thousands)

For patient accounts receivable associated with self-pay patients, CHS 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.

The following tables set forth the components of the change in the allowance for doubtful accounts for the years ended December 31:

		2016			
Primary payor		**Balance at beginning of year**	**Provision for bad debts**	**Write-offs, net of recoveries**	**Balance at end of year**
Medicare (including managed Medicare)	$	3,524	3,310	(3,850)	2,984
Medicaid (including managed Medicaid and Medicaid pending)		3,555	8,454	(6,212)	5,797
Commercial and managed care		19,790	7,371	(16,746)	10,415
Self-pay and other fee for service		26,673	18,612	(16,494)	28,791
Grand total	$	53,542	37,747	(43,302)	47,987

		2015			
Primary payor		**Balance at beginning of year**	**Provision for bad debts**	**Write-offs, net of recoveries**	**Balance at end of year**
Medicare (including managed Medicare)	$	5,559	2,588	(4,623)	3,524
Medicaid (including managed Medicaid and Medicaid pending)		5,050	2,940	(4,435)	3,555
Commercial and managed care		11,232	20,933	(12,375)	19,790
Self-pay and other fee for service		25,186	17,087	(15,600)	26,673
Grand total	$	47,027	43,548	(37,033)	53,542

(Continued)

(Dollars in thousands)

(b) Patient Services Revenue

The estimated percentages of patient services revenue, net of provision for bad debts, by inpatient and outpatient services for the years ended December 31 are as follows:

	2016	2015
Inpatient services	57 %	57 %
Outpatient services	43	43
	100 %	100 %

The following table reflects the estimated percentages of net patient services revenue, net of provision for bad debts, for the years ended December 31:

	2016	2015
Medicare (including managed Medicare)	40 %	41 %
Medicaid (including managed Medicaid and Medicaid pending)	10	11
Commercial and managed care	44	43
Self-pay and other fee for service	6	5
	100 %	100 %

(5) Concentration of Credit Risk

CHS provides healthcare and other services through its inpatient and outpatient care facilities located throughout Long Island, New York. CHS grants credit without collateral to patients, most of whom are local residents, and routinely obtains assignment of or is otherwise entitled to receive patients' benefits payable under their health insurance program. The composition of accounts receivable from patients and third-party payors, net of allowance for uncollectible accounts, at December 31 is as follows:

	2016	2015
Medicare (including managed Medicare)	39 %	38 %
Medicaid (including managed Medicaid and Medicaid pending)	14	14
Commercial and managed care	28	31
Self-pay and other	19	17
	100 %	100 %

At December 31, 2016 and 2015, CHS has cash balances in financial institutions that exceed federal depository insurance limits. CHS routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

(Dollars in thousands)

(6) Contributions Receivable, Net

Contributions receivable consisted of the following at December 31:

		2016	2015
Total contributions receivable	$	14,685	15,624
Less imputed interest ranging from 0.76% to 4.25%		(804)	(934)
		13,881	14,690
Less allowance for uncollectible contributions receivable		(715)	(1,360)
	$	13,166	13,330

Contributions receivable are scheduled to be collected as follows at December 31:

		2016	2015
Less than one year	$	4,467	4,883
One year to five years		9,324	9,715
Thereafter		894	1,026
	$	14,685	15,624

(7) Other Assets, Net

Other assets in the accompanying consolidated balance sheets as of the years ended December 31:

		2016	2015
Goodwill	$	21,870	21,870
Intangible assets		11,737	14,360
		33,607	36,230
Accumulated amortization of intangible assets		(10,619)	(8,480)
Goodwill and intangible assets, net		22,988	27,750
Other		6,514	5,199
Other assets, net	$	29,502	32,949

Goodwill represents the future economic benefit arising from the assets acquired and represents the excess of the purchase price of acquired assets in excess of their fair value. Intangible assets are recorded at fair value and are amortized over their estimated useful lives.

(Dollars in thousands)

(8) Property, Plant, and Equipment

The components of property, plant, and equipment, including assets under capitalized lease obligations, and accumulated depreciation and amortization are as follows at December 31:

		2016	2015
Land	$	35,147	34,746
Land improvements		38,004	37,133
Buildings (including building service equipment)		1,073,228	1,048,481
Furniture and equipment		965,501	903,443
Leasehold improvements		55,408	54,402
Construction in progress		11,474	9,433
		2,178,762	2,087,638
Less accumulated depreciation		1,387,681	1,292,697
Net property, plant, and equipment	$	791,081	794,941

Construction in progress includes the costs associated with various expansion and renovation projects. As part of the sale of Siena Village (note 13), approximately $10,544 of property, plant, and equipment, net, was disposed of during the year ended December 31, 2015. During 2016, CHS acquired $3,140 of property, plant, and equipment in the Wisdom Gardens Limited Partnership purchase.

(9) Long-Term Debt

Long-term debt consists of the following at December 31:

		2016	2015
Long-term debt:			
Series 2011 fixed-rate bonds (a)	$	226,430	233,220
Series 2014A fixed-rate bonds (b)		77,481	80,394
Series 2014B and C fixed-rate bonds (b)		88,819	89,350
DASNY revenue bonds – variable rate (c)		29,673	31,383
Term loans – variable rate SJH (d)		13,379	14,329
TELP Loan – fixed rate (e)		30,709	45,612
Term loan – CHS fixed (f)		29,191	32,367
Other		8,094	7,241
		503,776	533,896
Less current portion		34,809	31,039
Total long-term debt, net of current portion	$	468,967	502,857

(Continued)

CHS maintains an "Obligated Group" for purposes of issuing debt instruments under a Master Trust Indenture (MTI). Each of the CHS Hospitals other than St. Joseph is a member of the Obligated Group. Under the terms of the MTI, all obligations issued thereunder are joint and several obligations of the members.

(a) In December 2011, $245,230 of tax-exempt revenue bonds were issued on behalf of the Obligated Group, of which $184,680 were issued through the Suffolk County Economic Development Corporation and $60,550 through the Nassau County Local Economic Assistance and Financing Corporation (together, the Series 2011 Bonds). Pursuant to the MTI, each member of the Obligated Group is jointly and severally liable for outstanding obligations under the MTI. The Series 2011 Bonds are secured by the mortgaged property and by a security interest in all revenues of the Obligated Group and are subject to certain covenants of the Obligated Group. The original issue premium of $12,738 and deferred financing costs of $5,397, which are included in long-term debt, will be amortized over the life of the bonds. The Series 2011 Bonds bear interest at combined effective yields ranging from 1.5% to 4.85%.

Proceeds of the Series 2011 Bonds were used to defease the Dormitory Authority of the State of New York (DASNY) 1999A revenue bonds, issued on behalf of the Obligated Group (with the exception of St. Catherine), the DASNY Series 2000A and 2000B revenue bonds on behalf of St. Catherine and Siena Village, Inc., and commercially held debt of Consolation.

Approximately $79,474 was deposited within a trustee held account to reimburse the CHS Hospitals (with the exception of St. Joseph) for routine capital expenditures. The remaining bond funds were used to pay for the cost of issuance and related interest payable. As of December 31, 2014, all amounts have been drawn down upon.

During 2015, as a part of the sale of Siena Village, Inc., CHS defeased $15,000 of the Series 2011 Bonds issued through the Suffolk County Economic Development Corporation. In conjunction with the defeasement, a loss of $2,624 was recognized and is included within other nonoperating losses, net, in the accompanying consolidated statements of operations.

(b) On May 21, 2014, $77,725 of tax-exempt revenue bonds were issued through the Nassau County Local Economic Assistance and Financing Corporation (Series 2014A Revenue Bonds). The revenue bonds are secured by the joint and several obligations of the Obligated Group under the MTI and are subject to certain financial covenants of the Obligated Group. The bonds were issued in order to refund the Series 2004 DASNY revenue bonds on behalf of St. Francis. The original issue premium of $7,999 and deferred financing costs of $1,989, which are included in long-term debt, will be amortized over the life of the bonds. The effective interest rate including bond issuance costs is 4.07%. Debt service is payable semiannually.

On September 24, 2014, $81,290 of tax-exempt bonds were issued on behalf of the Obligated Group, of which $41,745 were issued through the Nassau County Local Economic Assistance Corp. and $39,545 was issued through the Suffolk County Local Economic Assistance Corp. (together, the Series 2014 B and C Bonds). The original issue premium of $10,263 and deferred financing costs of $1,553, which are included in long-term debt, will be amortized over the life of the bonds. The Series 2014 bonds combined effective interest rate including bond issuance costs is 3.98%. Debt service is payable semiannually. The bonds were issued to reimburse CHS for renovations, equipment, and technology purchases. Approximately, $90,058 was deposited into a trustee held account, of which approximately $37,585 and

$51,320 remained within trustee held and other agreements on the accompanying consolidated financial statements as of December 31, 2016 and 2015, respectively. The remaining bond funds were used to pay for the cost of issuance and related interest payable. The Series 2014 B and C Bonds are secured by the mortgaged property and by a security interest in all revenues of the Obligated Group and are subject to certain covenants of the Obligated Group.

(c) The DASNY 1999B, issued on behalf of Mercy, revenue bonds consist of term bonds of serial Periodic Auction Rate Securities (PARS) bonds with interest payable at variable rates ranging from 0.54% to 1.26% during 2016, of which $30,175 and $31,925 was outstanding at December 31, 2016 and 2015, respectively. The PARS are subject to a weekly auction; should the weekly auction not produce sufficient purchasers of the PARS, the underwriter is obligated to purchase the unpurchased PARS and is entitled to an annual interest rate of the lesser of (a) 14% or (b) the product of the seven-day AA composite commercial paper rate and a sliding scale of 125% to 200%, depending on the rating of the PARS bond guarantor, rated A – as of December 31, 2016. Since the first quarter of 2008, there have been failed auctions. The PARS bonds do not provide for any put feature for the benefit of the holders.

(d) On December 30, 2010, St. Joseph entered into two term loan agreements with a bank. The first for $12,500 was to refinance St. Joseph's existing debt and to provide working capital, and the second for $6,500 for information technology upgrades, facility renovations, and the acquisition of related equipment. The term loans are payable in annual installments of $625 and $325, respectively, beginning February 2011, with a balloon payment of $9,579 due in December 2020 for the then remaining balance of the loans. Interest is payable at a rate of LIBOR plus 1.10%. The term loans are guaranteed by the Obligated Group and are subject to certain financial covenants of the Obligated Group.

(e) In December 2011, CHS entered into an agreement under the New York State tax-exempt leasing program (TELP) in the amount of $88,849 to finance the implementation of electronic health record technology. The agreement calls for an interest rate of 1.89%, and expires in December 2018. Approximately, $81,176 was deposited within a trustee held account to reimburse CHS for future expenditures relating to the implementation of EHR. The TELP loan is guaranteed by the Obligated Group and is subject to certain financial covenants of the Obligated Group.

(f) On January 28, 2015, CHS issued a new fixed rate term loan with a bank in the amount of $35,000. The loan bears an interest rate of 2.49%, and is payable in 120 equal installments through January 31, 2025. The term loan is guaranteed by the Obligated Group and is subject to certain financial covenants of the Obligated Group.

(Dollars in thousands)

At December 31, 2016, aggregate annual maturities of long-term debt, including obligations under capital leases are as follows:

		Long-term debt	Capital lease obligations	Total
2017	$	18,794	16,015	34,809
2018		19,201	16,238	35,439
2019		34,785	690	35,475
2020		47,226	298	47,524
2021		38,382	—	38,382
Thereafter		295,975	—	295,975
		454,363	33,241	487,604
Unamortized bond premium		22,617	—	22,617
Unamortized deferred financing costs		(6,414)	(31)	(6,445)
Total long-term debt	$	470,566	33,210	503,776

(10) Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. With the exception of long-term debt, the carrying amounts of CHS' financial instruments, including other debt obligations, approximate their fair value. The carrying amounts and fair values of long-term debt are $470,566 and $492,174, respectively, at December 31, 2016 and $484,853 and $518,153, respectively, at December 31, 2015. The fair value of the debt was determined by comparing market prices of similar debt based on Level 2 inputs under a market approach. At December 31, 2016 and 2015, the carrying amount of other debt obligations approximated fair value.

The FASB *Fair Value Measurement* Topic also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate debt securities.

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

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

Fair values for CHS' fixed-maturity and equity securities are based on prices provided by its investment managers and its custodian banks. Both the investment managers and the custodian banks 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. CHS' fixed-maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair value of alternative investments is estimated based on NAV, as provided by external investment managers or in audited financial statements when available. Valuations provided by external investment managers include estimates, appraisals, assumptions, and methods that are reviewed by management. Management believes that differences that may exist between fair value and NAV are not material to the overall consolidated financial statements.

CHS has three alternative investments measured at NAV as of December 31, 2016. One investment, included in fund of funds, can be redeemed at the option of CHS upon 45 days prior written notice, on a quarterly basis. The remaining two, investments are included within equity pooled capital funds. The external investment manager of each investment has the right to waive both the notice period and any one-year wait period.

All other investments and assets limited or restricted as to use may be redeemed daily and are able to be withdrawn upon the settlement date.

There were no significant transfers into or out of Level 1 or Level 2 for the years ended December 31, 2016 and 2015. CHS recognizes transfers between the levels of the fair value hierarchy at the beginning of the reporting period in which the date of the event or change in circumstances that caused the transfer occurs.

CHS had no investments categorized as Level 3 at December 31, 2016 or 2015.

(Dollars in thousands)

The following table presents CHS' fair value measurements for assets measured at fair value on a recurring basis as of:

	December 31, 2016			
	Fair value	Level 1	Level 2	NAV
Assets limited or restricted as to use:				
Cash and cash equivalents	$ 121,901	121,901	—	—
U.S. Treasury obligations	59,011	59,011	—	—
U.S. government agencies obligations	20,709	—	20,709	—
Marketable equity securities – domestic	158	158	—	—
Corporate debt securities – domestic	92,337	—	92,337	—
Corporate debt securities – foreign	4,903	—	4,903	—
Municipal debt obligations	91,452	—	91,452	—
Equity mutual funds – domestic	149,584	149,584	—	—
Equity mutual funds – foreign	35,300	35,300	—	—
Fixed-income mutual funds – domestic	73,991	73,991	—	—
Fund of funds	2,302	—	—	2,302
Equity pooled capital funds	130	—	—	130
Accrued interest receivable	1,735	1,735	—	—
	653,513	441,680	209,401	2,432
Investments:				
Cash and cash equivalents	908	908	—	—
U.S. Treasury obligations	48,501	48,501	—	—
U.S. government agencies obligations	18,631	—	18,631	—
Marketable equity securities – domestic	260	260	—	—
Corporate debt securities – domestic	61,385	—	61,385	—
Corporate debt securities – foreign	4,990	—	4,990	—
Municipal debt obligations	52,093	—	52,093	—
Equity mutual funds – domestic	213,456	213,456	—	—
Equity mutual funds – foreign	52,823	52,823	—	—
Fixed-income mutual funds – domestic	69,479	69,479	—	—
Fund of funds	5,076	—	—	5,076
Equity pooled capital funds	287	—	—	287
Accrued interest receivable	1,233	1,233	—	—
	529,122	386,660	137,099	5,363
Total investments and assets limited or restricted as to use	$ 1,182,635	828,340	346,500	7,795

(Dollars in thousands)

The following table presents CHS' fair value measurements for assets measured at fair value on a recurring basis as of:

	December 31, 2015			
	Fair value	Level 1	Level 2	NAV
Assets limited or restricted as to use:				
Cash and cash equivalents	$ 164,685	164,685	—	—
U.S. Treasury obligations	63,605	63,605	—	—
U.S. government agencies obligations	29,812	—	29,812	—
Marketable equity securities – domestic	156	156	—	—
Corporate debt securities – domestic	46,648	—	46,648	—
Corporate debt securities – foreign	4,094	—	4,094	—
Municipal debt obligations	73,202	—	73,202	—
Equity mutual funds – domestic	120,485	120,485	—	—
Equity mutual funds – foreign	33,039	33,039	—	—
Fixed-income mutual funds – domestic	54,676	54,676	—	—
Fund of funds	1,893	—	—	1,893
Equity pooled capital funds	173	—	—	173
Accrued interest receivable	1,509	1,509	—	—
	593,977	438,155	153,756	2,066
Investments:				
Cash and cash equivalents	2,058	2,058	—	—
U.S. Treasury obligations	55,267	55,267	—	—
U.S. government agencies obligations	17,385	—	17,385	—
Marketable equity securities – domestic	216	216	—	—
Corporate debt securities – domestic	41,845	—	41,845	—
Corporate debt securities – foreign	6,868	—	6,868	—
Municipal debt obligations	56,649	—	56,649	—
Equity mutual funds – domestic	163,717	163,717	—	—
Equity mutual funds – foreign	51,040	51,040	—	—
Fixed-income mutual funds – domestic	44,665	44,665	—	—
Fund of funds	5,716	—	—	5,716
Equity pooled capital funds	522	—	—	522
Accrued interest receivable	1,278	1,278	—	—
	447,226	318,241	122,747	6,238
Total investments and assets limited or restricted as to use	$ 1,041,203	756,396	276,503	8,304

The current portion of assets limited or restricted as to use of $23,979 in 2016 and $21,231 in 2015 represents amounts that will be used to repay certain current installments of long-term debt and related accrued interest.

(Dollars in thousands)

Total investment gains are reported as follows in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31:

		2016	2015
Interest income	$	19,458	16,543
Net realized gains on sales of securities		1,819	936
Investment income, net		21,277	17,479
Unrealized gains (losses) on investments		30,493	(20,596)
Total investment gains (losses)	$	51,770	(3,117)

Total investment gains are classified as follows for the years ended December 31:

		2016	2015
Unrestricted net assets	$	49,974	(2,928)
Temporarily restricted net assets		1,796	(189)
Investment income (loss), net	$	51,770	(3,117)

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

		2016	2015
Capital expenditures	$	25,545	16,395
Indigent and charity care		1,121	1,114
Health education		4,159	3,099
Research		2,353	2,130
Pediatric cardiology		1,281	1,143
Healthcare services		4,333	4,161
Other		13,412	13,525
	$	52,204	41,567

Assets restricted for capital expenditures relate mainly to the expansion of the St. Francis Oncology Program and St. Francis Emergency Room and are released from restriction as stages of the projects are placed into service. Included in other is contributions receivable of approximately $13,166 and $13,330 at December 31, 2016 and 2015, respectively, mainly for capital expenditures.

(Dollars in thousands)

Net assets were released from donor restriction by incurring expenses satisfying the following restrictions:

		2016	2015
For operations:			
Health education	$	356	305
Indigent care		257	234
Research		1,272	480
Healthcare services		257	295
Total for operations		2,142	1,314
For capital expenditures		2,408	8,433
Total net assets released from restrictions	$	4,550	9,747

CHS has adopted investment and spending policies for permanently restricted net assets that attempt to provide a predictable stream of funding to programs supported by its permanently restricted net assets while seeking to maintain the purchasing power of these assets. CHS' permanently restricted net assets are comprised of donor-restricted funds. As required by GAAP, permanently restricted net assets are classified and reported based on the existence of donor-imposed restrictions. Income earned on permanently restricted net assets is available for pediatric and geriatric cardiology care and research, healthcare services, and other.

Permanently restricted net assets are restricted for the following purposes as of December 31:

		2016	2015
Pediatric and geriatric cardiology care and research	$	3,122	3,122
Healthcare services		776	776
Other		167	167
	$	4,065	4,065

(Continued)

(Dollars in thousands)

(12) Other Revenue

Other revenue consists of the following for the years ended December 31:

		2016	2015
Maryhaven program service revenues (a)	$	83,462	80,330
Rental income		7,712	10,996
Electronic Health Records incentive revenue (b)		507	8,088
Contracted services		2,675	5,723
Cafeteria and coffee shops		5,204	5,032
Grant income		1,657	2,414
DSRIP (c)		7,401	2,338
Miscellaneous income, net		9,827	9,065
	$	118,445	123,986

(a) Maryhaven revenue relates to program services that are principally cost-based or fee-for-service and is recognized as services are performed. Revenues from such services are recorded at rates established by governmental payors (principally, New York State Education Department, New York Department of Social Services, and Medicaid).

(b) On July 13, 2010, the Center for Medicare and Medicaid Services (CMS) issued rules to implement the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act. Certain hospitals and eligible healthcare professionals (EPs) that demonstrate “meaningful use” of certified EHR technology can qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and EPs “adopt, implement, or upgrade” certified EHR, which includes purchasing the technology, in order to receive incentive payments starting in 2012. The CHS Hospitals, using the grant model for Meaningful Use incentive payments, recorded $507 and $8,088 of revenues related to Medicare and Medicaid’s incentive payments for meeting the criteria for meaningful use for the years ended December 31, 2016 and 2015, respectively. The amount of the EHR incentive payment was based on the Hospital’s best estimate and cost report data, which is subject to audit by CMS or its intermediaries and amounts recognized are subject to change. In order to qualify for the incentive payments, CHS Hospitals not only needed to demonstrate that they successfully implemented the new technology, but that they use the technology in a “meaningful,” or clinically significant fashion.

(c) New York State’s Delivery System Reform Incentive Payment (DSRIP) Program

DSRIP is the main mechanism by which the New York State Department of Health (DOH) will implement the Medicaid Redesign Team (MRT) Waiver Amendment. DSRIP’s purpose is to fundamentally restructure the healthcare delivery system by reinvesting in the Medicaid program, with the ultimate goal of reducing the cost of care, while improving the quality and access to care provided. Up to $6.42 billion dollars are allocated to this program statewide with payouts based upon achieving predefined results in system transformation, clinical management, and population health over a five-year period.

The five-year DSRIP period began on April 1, 2015. During the five-year DSRIP period, DSRIP payments are to be made based upon achieving predefined results in system transformation, clinical management, and population health. The payments to be made are based upon performance against predefined milestones and outcomes – failure to meet milestones and reporting requirements may result in a reduction to the payments or, in some instances receiving no payment.

DSRIP lead participants are limited to public hospitals and safety net hospitals. Safety net hospitals are defined to include public hospitals, critical access hospitals, sole community hospitals, and hospitals that have outpatient Medicaid patient volumes exceeding 35% of all patient volumes in business lines associated with Medicaid, uninsured and dual eligible individuals and have inpatient volumes exceeding 30% Medicaid, uninsured and dual eligibles. Nonhospital-based providers, not participating as part of a state-designated health home, must have at least 35% of all patient volume in their primary lines of business and must be associated with Medicaid, uninsured and dual eligible individuals. During 2014, Mercy and Good Samaritan were designated as safety net hospitals.

In November 2014, CHS entered into an affiliation agreement with two unrelated providers to form a limited liability company, in which CHS will be a member, to act as a Performing Provider System (PPS) encompassing the Nassau and Queens (Nassau-Queens PPS) service areas. In February 2015, CHS entered into an agreement with SB Clinical Network IPA, LLC (Suffolk PPS), the company, which was created to act as the PPS within Suffolk County, in which CHS would participate in the Suffolk PPS as a coalition partner through an affiliation agreement.

As of December, 31 2016, CHS received approximately $30,672 of DSRIP funding, of which $16,145 was received in 2016 and $7,940 has been included in trustee held and other agreements for subrecipient distributions. CHS has recognized revenue of $7,401 and $2,338, respectively, as of December 31, 2016 and 2015, and allocated $6,224 of subrecipient distributions during 2016. As of December 31, 2016 and 2015, $14,709 and $12,189, respectively, of deferred revenue is included in other liabilities on the accompanying consolidated balance sheets.

The DSRIP program contains significant reporting requirements for each PPS, which includes submission of claims and other data to the New York State Department of Health (DOH). DSRIP payments to the PPS are based upon this data. PPS funds may be reduced if the State's overall DSRIP PPS performance does not meet statewide benchmarks for certain measures. Audits may be performed to validate submissions and performance metrics. Funds may be subject to recoupment or recovery based upon internal review or audit if it is determined that funds are willfully misused and/or the information relied upon for payment purposes was in error, misreported, or if DOH made an error in determining the payment.

In March 2016, CHS was notified that it was awarded $19,743 under the NYS DOH Capital Restructuring Finance Program and the Essential Health Care Provider Support Program relating to information technology capital expenditures. CHS is the lead applicant for this program proposal participating in the Nassau-Queens PPS as one of the three "Hub" integrated delivery systems committed to coordinating care through PPS's mutual DSRIP projects, and sharing of information to enhance patient care and safety. Also included in this application, as a subgrantee, is St. John's Episcopal Health (SJEH). SJEH is a safety net provider and Interim Access Assurance Fund (IAAF) recipient that operates as part of the

CHS Hub. Distributions under this grant are expected to commence during 2017 with no amounts recorded as of December 31, 2016. It is estimated that SJEH will receive $5,159 of the $19,743 award total.

(13) Purchase and Sale of Properties and Programs

Siena Village

CHS entered into an agreement with a third party to sell the property and related operations of Siena Village, a 299-unit subsidized apartment complex for elderly and disabled persons that is located adjacent to the St. Catherine of Siena Medical Center campus in Smithtown, New York, in the amount of $62,000. CHS defeased $15,000 in outstanding debt as a part of the Series 2011 Bonds issued through the Suffolk County Economic Development Corporation (note 9a). In connection with this sale, CHS recorded a gain on sale of $49,679, which is included in the gain on sale of property, net in the accompanying statements of operations for the period ended December 31, 2015.

In order to receive regulatory approval of the sale, the balance of the proceeds received are restricted for the payment of principal for St. Catherine as amounts relating to St. Catherine debt become due in future years. The remaining proceeds of $42,729 were deposited into a trustee held account and is included in trustee held and other agreements within assets limited or restricted as to use as of December 31, 2016 and 2015.

Wisdom Gardens Limited Partnership

On September 29, 2016, Maryhaven, through a wholly owned subsidiary, acquired the limited partnership interest in Wisdom Gardens Limited Partnership (the LP), a low-income housing project for elderly and disabled individuals. Maryhaven, through a separate wholly owned subsidiary, previously held the general partner interests in the LP, and accounted for the interest as an equity investment. The acquisition resulted in the consolidation of the LP, and the recognition of an inherent contribution of $1,238, which is included in other nonoperating gains (losses) on the accompanying consolidated statement of operations. The inherent contribution received was measured as the excess of the fair value of LP's assets over its liabilities, less consideration transferred. In determining the inherent contribution received, all assets and liabilities were measured at fair value as of the acquisition date. The results of the LP's operations are included in the consolidated financial statements since the acquisition date.

(Dollars in thousands)

(14) Retirement Plan and Other Postretirement Benefits

(a) Retirement Plan

(i) Diocese Pension Plan

CHS participates in a multi-employer pension plan of the Diocese, a noncontributory defined-benefit plan, which covers substantially all lay employees with one year of continuous service. CHS' combined retirement plan expense is equal to the required annual contributions to the plan, which are calculated based on actuarially determined methods. Amounts charged to pension expense in 2016 and 2015 totaled $77,485 and $63,366, respectively, and are included in employee benefits in the accompanying consolidated statements of operations. CHS' contribution to the plan is in excess of 5% of total plan contributions. The following table discloses the name and funded status of the pension plan as of January 1, 2016 (the date of the last actuarial valuation):

Legal name and plan number	EIN		Accumulated benefit obligation	Market value of plan assets
Diocese of Rockville Center Pension Plan, Number 002	27-1715985	$	1,350,982	1,275,369

The accumulated benefit obligation and market value of plan assets are not reflected in the accompanying balance sheets of CHS.

St. Joseph participates in two multiemployer union pension plans under the terms of a collective bargaining agreement, covering substantially all employees not eligible for the Hospital's plan. If St. Joseph stops participating in either of its multiemployer plans, CHS may be required to pay the plans an amount based on the underfunded status of the plans.

(ii) 1199 SEIU HealthCare Employees Pension Fund

The Employee Identification Number/three-digit Pension Plan number is 13-3604862/001. The most recent Pension Protection Act (PPA) zone status is green at December 31, 2016 and 2015, which is for the plan years ended December 31, 2015 and 2014. The zone status is based on information that St. Joseph received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The financial improvement plan (FIP) or a rehabilitation plan (RP), as required by PPA, has been implemented by the plan's sponsor. The contributions by St. Joseph to the union pension fund were $1,661 and $948 (net of prior year credits of $868) for the years' ended December 31, 2016 and 2015, respectively, which is included in employee benefits within the consolidated statements of operations. There have been no significant changes that affect the comparability of 2016 and 2015 contributions.

(iii) New York State Nurses Association (NYSNA)

The Employee Identification Number/three-digit Pension Plan number is 13-6604799/001. The most recent PPA zone status is green at December 31, 2016 and 2015, which is for the plan years ended December 31, 2015 and 2014. The zone status is based on information that St. Joseph received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The FIP or a RP, as required by PPA, has been implemented by the plan's sponsor. The contributions by St. Joseph to the union pension fund were $1,576 and $1,478, for the years ended December 31, 2016 and 2015, respectively, which is included in employee benefits within the consolidated statements of operations. There have been no significant changes that affect the comparability of 2016 and 2015 contributions.

(iv) Collective-Bargaining Agreements

Approximately 12% of CHS's employees are union employees covered under the terms of various collective bargaining agreements. The collective bargaining agreement with 1199 SEIU covering approximately 3% of CHS employees was renegotiated in July of 2015 and expires on September 30, 2018. The three collective bargaining agreements with NYSNA covering approximately 6% of CHS employees were recently renegotiated and are due to expire on March 31, 2019 at St. Charles and St. Joseph and July 31, 2019 at St. Catherine. Other collective bargaining agreements in place include International Association of Machinists covering approximately 3% of employees at St. Catherine and St. Charles, which are due to expire on February 2019 and October 31, 2019, respectively.

(b) Postretirement Benefit Plans

The CHS Hospitals have postretirement benefit plans that provide benefits for eligible employees at varying ages of retirement. The postretirement benefit plans primarily reimburse employees for unused sick pay dollars an employee accumulated during employment, or provide a set payment for certain eligible benefits for up to a maximum of $5 per year for a fixed number of years.

Effective January 1, 2014, employees hired on or after January 1, 2014 will no longer be eligible to participate in the St. Francis Sick Pay Plan. At December 31, 2013, the plan was frozen and existing employees will receive the lower of their balance in the plan as of December 31, 2013, or their accrued sick time at retirement based on their 2013 rate of pay.

CHS complies with provisions in GAAP, which require an employer to recognize an asset or liability for the overfunded or underfunded status, respectively, of its postretirement benefit plans in its financial statements. When recognizing a postretirement benefit plan's funded status, certain gains, losses, and transition amounts will be recognized with the offset to a separate line item outside (below) the performance indicator. These amounts will subsequently be reclassified out of unrestricted net assets into the performance indicator through net periodic benefit expense based on the measurement and recognition requirements.

(Dollars in thousands)

The net periodic cost for postretirement benefits, which is included in employee benefits expense in the accompanying consolidated financial statements, for 2016 and 2015, includes the following components:

		2016	2015
Service cost	$	373	376
Interest cost		768	788
Actuarial gain		(75)	(32)
Amortization of prior service cost		123	123
Net periodic benefit cost	$	1,189	1,255

Total benefits paid under the plan were $436 and $485 in 2016 and 2015, respectively.

The following table sets forth the unfunded status for CHS' postretirement benefit plan at December 31:

		2016	2015
Accumulated postretirement benefit obligation:			
Retirees and beneficiaries	$	1,261	901
Fully eligible active plan participants		19,814	20,246
Total accumulated postretirement benefit obligation		21,075	21,147
Plan assets, at fair value		—	—
Accumulated postretirement benefit obligation in excess of plan assets	$	21,075	21,147

The postretirement benefit obligation is predominantly included within the caption other long-term liabilities in the accompanying consolidated balance sheets.

(Dollars in thousands)

The following table represents the changes in accumulated postretirement benefit obligation for the years ended December 31:

		2016	2015
Accumulated postretirement benefit obligation – January 1	$	21,147	20,620
Service cost		373	376
Interest cost		768	788
Benefits paid		(436)	(485)
Actuarial gain		(777)	(152)
Accumulated postretirement benefit obligation – December 31	$	21,075	21,147

Assumptions used in accounting for postretirement benefits as of December 31, 2016 and 2015 were predominantly as follows:

	2016	2015
Assumed discount rate ranging from	3.48%–3.61%	3.61%–3.76%
Assumed rates of increase in compensation levels	N/A	N/A

Expected benefit payments for the next five years and five years thereafter are as follows:

2017	$	1,261
2018		1,489
2019		1,699
2020		1,850
2021		2,010
2022–2026		7,121
	$	15,430

Amounts not yet reflected in net periodic benefit costs and included in unrestricted net assets consist of a loss of $678 and $1,494 in 2016 and 2015, respectively.

Changes in the assumed healthcare cost trend would not materially affect the accumulated postretirement benefit obligation, as the benefit is limited to the amount of the employees' unused sick pay, or a stated maximum eligible benefit.

(Dollars in thousands)

(15) Functional Expenses

CHS provides healthcare and other services to residents within its geographical location. Expenses related to providing these services are as follows:

		2016	2015
Healthcare services	$	2,110,811	1,958,746
Administrative and general		303,027	286,090
Total expenses	$	2,413,838	2,244,836

(16) Commitments

Operating Leases

CHS has entered into various operating leases for equipment and facilities, expiring at various dates. Total rental expense for the years ended December 31, 2016 and 2015 for such operating leases was approximately $32,751 and $31,525, respectively, and is included in supplies and other expenses in the accompanying consolidated statements of operations.

The following is a schedule of future minimum lease payments under significant operating leases that have initial or remaining lease terms in excess of one year:

Year ending December 31:		
2017	$	23,685
2018		21,029
2019		19,120
2020		17,828
2021		15,645
2022 and thereafter		78,909
	$	176,216

(17) Contingencies

(a) General

The CHS entities have been named as defendants in a number of legal actions involving alleged professional liability claims and other claims arising from the normal conduct of its affairs, certain of which seek damages in unstated amounts. It is the opinion of CHS's management, based on a review of the aforementioned claims by defense attorneys and CHS' in-house legal counsel, that insurance coverage and self-insurance reserves are adequate and the final disposition of such claims will not have any material adverse effect on CHS' consolidated financial position, results of operations, or liquidity. In addition, there are known, and possibly unknown, incidents that occurred through December 31, 2016 that may result in the assertion of additional claims. In management's opinion, any liability that may arise from settlement of such claims will be settled within either insurance coverage limits or self-insured liability estimates or otherwise will not have any material adverse effect on CHS' consolidated financial position, results of operations, or liquidity.

(Dollars in thousands)

(b) Workers' Compensation and Other Self-Insured Liabilities

The CHS hospitals are self-insured for certain claims, including workers' compensation, through the Protective Self-Insurance Program (PSIP) of the Diocese for outstanding claims through year ended December 31, 2011. During 2012, the CHS hospitals (excluding St. Joseph) entered into an arrangement with a commercial carrier in which per-claim deductible and coverage is provided. In August 2015, St. Joseph entered into an arrangement with a commercial carrier in which a $250 per-claim stop-loss coverage is provided for workers' compensation claims. The other CHS entities are insured through the New York State Insurance fund. CHS has coverage for general liability, property, and other lines of coverage through a combination of commercial polices and through the Captive.

In connection with these self-insured liabilities related to workers' compensation, CHS recorded insurance expense for the years ended December 31, 2016 and 2015 of $18,413 and $18,367, respectively, which is included in employee benefit expense within the consolidated statements of operations. The current portion of the PSIP and workers' compensation self-insurance liability of $14,572 and $14,427 at December 31, 2016 and 2015, respectively, is included within the caption current portion of other self-insured liabilities in the accompanying consolidated balance sheets.

As of December 31, 2016 and 2015, CHS has recorded a liability and a related insurance receivable as follows:

		2016	2015
Other self-insured liabilities	$	141,444	142,886
Insurance claims receivable		45,434	48,007

The current portion of insurance claims receivable related to other self-insured liabilities of $4,601 and $4,591 is included within other receivables in the consolidated balance sheet as of December 31, 2016 and 2015, respectively.

(c) Malpractice

CHS provides for potential medical malpractice losses through a combination of purchased primary insurance, self-insurance, and layers of commercial excess insurance.

From November 1, 2002, through October 31, 2006, the CHS Hospitals (excluding St. Joseph) purchased a shared claims-made commercial policy for primary coverage with varying limits per claim and in the aggregate, which were augmented by a shared claims-made commercial excess policy, with varying layers of self-insurance. From November 1, 2006, through October 31, 2013, the CHS Hospitals (excluding St. Joseph) each purchased an individual claims-made malpractice policy for primary first dollar coverage with limits of $1,000 per claim and an aggregate of $6,000.

(Dollars in thousands)

Effective November 1, 2013, the CHS Hospitals retained $250 of primary coverage per malpractice claim. Each CHS Hospital purchased an individual claims-made malpractice policy with each Hospital, excluding Good Samaritan, with coverage limits of $1,000 per claim and aggregate of $6,000 (Good Samaritan with limits of $2,000 per claim and aggregate of $10,000) after exhausted primary per claim coverage. The $250 of primary coverage per malpractice claim, along with excess coverage is provided by the Captive with coverage limits shared with the other participants of the Captive of $59,000 per claim and $59,000 in the aggregate.

For the period November 1, 2002 through October 31, 2006, defense costs are outside the stated policy limits and are provided by the primary carrier for the life of the claim. For the period beginning November 1, 2006 to the present, defense costs are outside of the stated policy limits. However, if the aggregate of the primary policy is exhausted, the primary carrier will cease to pay defense costs and the Captive will assume responsibility for these costs. All defense costs are included in estimated malpractice liabilities on the accompanying consolidated balance sheets.

In August 1, 2010, St. Joseph purchased a commercial claims-made policy with limits of $1,000 per claim and $6,000 in the aggregate. St. Joseph also purchased an excess policy with limits of $10,000 per claim, and in the aggregate. Effective November 1, 2012, St. Joseph excess coverage is provided by the Captive with coverage limits shared with other participants.

Each CHS Hospital has obtained an actuarial valuation of the estimated liability, which includes self-insured periods prior to November 1, 2002, self-insured buffer layers, and incidents that have occurred but for which a claim has not been reported. Insurance expense increased $6,225 and decreased $6,944 due to changes in self-insurance liability estimates from prior years in the consolidated statements of operations as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, CHS has recorded a liability and a related insurance receivable as follows:

		2016	2015
Estimated malpractice liability	$	250,855	218,048
Insurance claims receivable		130,419	123,383

(d) Reimbursement Contingencies

CHS has agreements with third-party payors that provide for payments for services rendered at amounts different from their established charges. Net patient services revenue for the years ended December 31, 2016 and 2015 increased by $15,615 and $4,541, respectively, for settlements related to prior years and changes in estimates to reflect the most recent information available.

A summary of the payments arrangement with major third-party payors is as follows:

(i) Medicare

Inpatient acute and certain outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or procedure. These rates vary according to patient classification systems based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

(ii) Medicaid

The New York Health Care Reform Act of 1996 (the Act), as amended, governs payments to hospitals in New York State, and Medicaid, workers' compensation, and no-fault payors rates are promulgated by the New York State Department of Health. Reimbursement for services to Medicaid program beneficiaries includes prospectively determined rates per discharge and per visit amounts.

(iii) Other Third-Party Payors

CHS has entered into payment arrangements with certain commercial carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and per diem payment rates. If such rates are not negotiated, then the payors are billed at CHS' established charges.

(iv) Healthcare Regulatory Environment

As a result of federal healthcare reform legislation, changes are anticipated in the U.S. healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligation of health insurers, providers, and employers.

The healthcare industry is subject to extensive governmental regulation through numerous and complex laws, some of which are ambiguous and subject to varying interpretation. The federal government and many states, including the State of New York, have aggressively increased enforcement under a number of such laws that are often referred to as Medicare and Medicaid "antifraud and abuse" legislation. For many years, CHS has maintained a corporate compliance program to monitor the organization's compliance with applicable laws, including the so-called "antifraud and abuse" rules. Noncompliance with such rules could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

(v) Medicare Recovery Audit Contractor Program

Federal initiatives have prompted a national review of federally funded healthcare claims. To this end, the federal government and states have implemented programs to review and recover potential improper payments to providers from the Medicare and Medicaid programs. Since June 2010, some of the CHS Hospitals have received audit requests from the Medicare Recovery Audit Contractor

(RAC) program. These RAC audit requests have focused on medical necessity of inpatient admissions and hospital coding practices. In addition, the CHS Hospitals have continued to receive audit requests from other Medicare and Medicaid contractors and federal programs. CHS has cooperated with each of these audit requests and implemented a program to track and manage their effort.

(vi) Health Care Reform

In March 2010, the U.S. Congress enacted the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010 (the Reconciliation Act and, together with the PPACA, the Health Care Reform Act), modifying various provisions of the PPACA. The comprehensive healthcare reform mandated by the Health Care Reform Act aims to expand the availability of health insurance coverage, control the costs of healthcare, and improve the manner in which healthcare is delivered. The Health Care Reform Act requires all individuals to purchase health insurance or pay a fee, with hardship exceptions; substantially expands Medicaid coverage; provides premium subsidies to certain individuals; imposes certain taxes on individuals and employers; creates insurance pooling mechanisms or state run health insurance exchanges; imposes new requirements on the insurance industry regarding access and coverage; provides for certain cost containment mechanisms and new models of care delivery; and includes provisions designed to reduce Medicare spending and improve the quality of outcomes and health system performance. CHS may be impacted if certain aspects of PPACA are amended, repealed, or successfully challenged.

There are various proposals being considered by Congress that would repeal the Health Reform Act and replace it or amend it. There are other proposals at the federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined and could be material to CHS's future of operations and cash flows.

(e) Long Island Health Network

CHS, the CHS Hospitals, along with a number of other healthcare providers on Long Island have entered into a partnership agreement, which operates as the Long Island Health Network (LIHN). LIHN was created to establish a comprehensive and efficient hospital network in Nassau and Suffolk counties by working to improve quality of care, facilitate clinical integration, benchmark best practices, reduce length of stay and costs, and negotiate arrangements with third-party payors for the delivery, administration, and management of healthcare services.

In June 2016, the joint venture was amended such that any member of LIHN may withdraw at any time without penalty. Such withdrawal would only require the satisfaction of unpaid contractual obligations to LIHN up to the effective date of the withdrawal for the withdrawing members' pro rata share.

(a) Letters of Credit

CHS maintains a letter of credit for workers' compensation claims to secure the deductible provision of certain workers' compensation policies. The letter of credit in place at December 31, 2016 was in the amount of $26,968, and expired on that date. In January 2017, a new letter of credit was issued in the amount of $36,548, which expires December 31, 2017.

(18) Subsequent Events

In January 2017, 1199 SEIU successfully organized 519 service and clerical employees at Mercy. Contract negotiations are currently underway. With this addition, the percentage of employees represented by a collective bargaining agreement is approximately 15% of CHS employees.

CHS has evaluated subsequent events from the consolidated balance sheet date through April 24, 2017, the date at which the consolidated financial statements were issued. Other than the aforementioned there were no additional items identified for disclosure.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2016

(In thousands)

Assets	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Current assets:												
Cash and cash equivalents	$ 40,658	27,433	2,488	7,473	6,130	84,182	—	84,182	9,221	35,651	40,124	14,319
Investments	65,875	309,553	—	533	—	375,961	—	375,961	—	51,190	—	72,130
Assets limited or restricted as to use	—	1,751	900	—	—	2,651	—	2,651	—	21,328	—	—
Patient accounts receivable, net	80,002	97,445	26,937	22,439	28,702	255,525	—	255,525	13,271	—	—	—
Contributions receivable, net	—	—	—	—	41	41	—	41	—	—	—	—
Other receivables	2,792	8,307	1,342	943	694	14,078	—	14,078	22	5	243	110
Inventories	6,646	11,023	2,983	3,843	3,863	28,358	—	28,358	1,755	—	—	—
Prepaid expenses and other	6,038	7,015	2,203	1,782	2,668	19,706	—	19,706	775	120	3,684	3,224
Due from related parties	4,521	25,640	2,648	13,066	839	46,714	(21,906)	24,808	209	18,050	21,174	54,883
Total current assets	206,532	488,167	39,501	50,079	42,937	827,216	(21,906)	805,310	25,253	126,344	65,225	144,666
Assets limited or restricted as to use:												
Board designated and other	43,929	5,453	7,110	—	—	56,492	—	56,492	—	4,822	—	—
Donor-restricted funds	4,719	2,686	2,525	2,423	851	13,204	—	13,204	439	447	—	—
Funded depreciation	—	285,728	—	—	7,516	293,244	—	293,244	—	—	—	—
Trustee held and other	11,089	5,552	5,412	456	44,433	66,942	—	66,942	263	81,066	1,652	—
Captive assets	—	—	—	—		—	—	—	—	—	—	—
Total assets limited or restricted as to use	59,737	299,419	15,047	2,879	52,800	429,882	—	429,882	702	86,335	1,652	—
Less assets limited or restricted as to use and required for current liabilities	—	1,751	900	—	—	2,651	—	2,651	—	21,328	—	—
Total assets limited or restricted as to use, net	59,737	297,668	14,147	2,879	52,800	427,231	—	427,231	702	65,007	1,652	—
Due from related parties, net of current portion	38,611	34,479	10,135	8,223	—	91,448	(4,081)	87,367	—	27,364	44,301	—
Contributions receivable, net of current portion	—	—	—	8	—	8	—	8	—	—	—	—
Other investments, at cost	—	—	—	—	—	—	—	—	—	2,250	—	—
Other assets, net	1,221	13,907	—	113	70	15,311	—	15,311	90	11,906	—	—
Insurance claims receivable	81,333	43,752	51,069	31,324	32,767	240,245	—	240,245	10,694	—	—	7,606
Property, plant, and equipment, net	166,667	267,043	97,460	54,515	75,733	661,418	—	661,418	31,215	61	54,082	—
Total assets	$ 554,101	1,145,016	212,312	147,141	204,307	2,262,877	(25,987)	2,236,890	67,954	232,932	165,260	152,272

(Continued)

Schedule 1

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2016

(In thousands)

Assets	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	Other entities	Subtotal	Consolidating and eliminating entries	CHS consolidated total
Current assets:									
Cash and cash equivalents	$ 5,251	64	23,013	5,645	4,054	469	221,993	(14,319)	207,674
Investments	97,543	—	49	1,801	2,578	—	601,252	(72,130)	529,122
Assets limited or restricted as to use	—	—	—	—	—	—	23,979	—	23,979
Patient accounts receivable, net	—	—	10,350	—	7,917	—	287,063	—	287,063
Contributions receivable, net	3,711	—	—	—	—	—	3,752	—	3,752
Other receivables	—	803	—	11,220	83	311	26,875	—	26,875
Inventories	—	—	—	325	70	—	30,508	—	30,508
Prepaid expenses and other	—	—	450	1,227	716	1	29,903	(7,844)	22,059
Due from related parties	—	2,497	3,115	931	1,225	633	127,525	(127,525)	—
Total current assets	106,505	3,364	36,977	21,149	16,643	1,414	1,352,850	(221,818)	1,131,032
Assets limited or restricted as to use:									
Board designated and other	17,167	—	—	675	—	—	79,156	—	79,156
Donor-restricted funds	27,478	—	597	—	938	—	43,103	—	43,103
Funded depreciation	—	—	—	439	1,000	—	294,683	—	294,683
Trustee held and other	—	—	9	137	53	—	150,122	—	150,122
Captive assets	—	—	—	—	—	—	—	86,449	86,449
Total assets limited or restricted as to use	44,645	—	606	1,251	1,991	—	567,064	86,449	653,513
Less assets limited or restricted as to use and required for current liabilities	—	—	—	—	—	—	23,979	—	23,979
Total assets limited or restricted as to use, net	44,645	—	606	1,251	1,991	—	543,085	86,449	629,534
Due from related parties, net of current portion	—	—	—	—	—	—	159,032	(159,032)	—
Contributions receivable, net of current portion	9,406	—	—	—	—	—	9,414	—	9,414
Other investments, at cost	—	—	—	—	—	—	2,250	(2,250)	—
Other assets, net	—	—	548	1,627	5	15	29,502	—	29,502
Insurance claims receivable	—	—	666	3,998	3,063	—	266,272	(95,020)	171,252
Property, plant, and equipment, net	—	7,406	4,477	15,652	16,334	436	791,081	—	791,081
Total assets	$ 160,556	10,770	43,274	43,677	38,036	1,865	3,153,486	(391,671)	2,761,815

(Continued)

Schedule 1

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2016

(In thousands)

Liabilities and Net Assets	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Current liabilities:												
Current portion of long-term debt	$ 1,026	3,651	1,901	1,438	3,018	11,034	—	11,034	950	6,075	15,225	—
Accounts payable and accrued expenses	40,704	59,237	12,176	14,151	18,302	144,570	—	144,570	8,120	13,523	25,223	871
Accrued salaries, related withholdings, and benefits	33,804	53,380	8,126	16,138	15,127	126,575	—	126,575	4,834	2,786	9,406	—
Current portion of other self-insured liabilities	7,506	9,658	2,769	3,448	4,221	27,602	—	27,602	260	—	1,606	—
Current portion of estimated third-party payor liabilities	18,085	22,114	6,503	4,394	7,744	58,840	—	58,840	1,952	—	—	—
Due to related parties	18,702	14,713	5,689	5,642	20,019	64,765	(33,001)	31,764	4,286	7,028	27,553	23,111
Other liabilities	—	—	—	—	—	—	—	—	—	14,709	—	—
Total current liabilities	119,827	162,753	37,164	45,211	68,431	433,386	(33,001)	400,385	20,402	44,121	79,013	23,982
Long-term debt, net of current portion	75,302	165,478	48,489	54,059	61,064	404,392	—	404,392	12,429	20,869	15,484	—
Estimated third-party payor liabilities, net of current portion	8,167	7,337	1,995	2,215	13,960	33,674	—	33,674	1,114	—	—	—
Other self-insured liabilities, net of current portion	38,107	23,245	13,580	15,867	20,306	111,105	—	111,105	1,874	—	—	4,764
Estimated malpractice liabilities	84,668	38,182	52,651	29,382	33,692	238,575	—	238,575	14,011	—	—	90,256
Other long-term liabilities	9,833	16,166	2,312	1,453	2,371	32,135	—	32,135	263	19,958	4,323	—
Due to related parties, net of current portion	—	—	21,235	17,423	24,317	62,975	(8,822)	54,153	11,700	86,435	—	—
Total liabilities	335,904	413,161	177,426	165,610	224,141	1,316,242	(41,823)	1,274,419	61,793	171,383	98,820	119,002
Net assets (deficit):												
Unrestricted:												
Attributable to CHS	212,230	729,169	32,361	(20,900)	(20,726)	932,134	15,836	947,970	5,722	61,168	66,440	31,020
Attributable to noncontrolling interests	1,248	—	—	—	—	1,248	—	1,248	—	—	—	—
Total unrestricted	213,478	729,169	32,361	(20,900)	(20,726)	933,382	15,836	949,218	5,722	61,168	66,440	31,020
Temporarily restricted	4,719	2,686	2,525	1,655	892	12,477	—	12,477	439	381	—	—
Permanently restricted	—	—	—	776	—	776	—	776	—	—	—	—
Capital stock and paid-in capital	—	—	—	—	—	—	—	—	—	—	—	2,250
Total net assets (deficit)	218,197	731,855	34,886	(18,469)	(19,834)	946,635	15,836	962,471	6,161	61,549	66,440	33,270
Commitments and contingencies												
Total liabilities and net assets (deficit)	$ 554,101	1,145,016	212,312	147,141	204,307	2,262,877	(25,987)	2,236,890	67,954	232,932	165,260	152,272

(Continued)

Schedule 1

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2016

(In thousands)

Liabilities and Net Assets	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	Other entities	Subtotal	Consolidating and eliminating entries	CHS consolidated total
Current liabilities:									
Current portion of long-term debt	$ —	—	—	1,003	522	—	34,809	—	34,809
Accounts payable and accrued expenses	434	66	6,500	2,475	3,331	1,820	206,933	(7,989)	198,944
Accrued salaries, related withholdings, and benefits	—	—	5,202	2,700	3,270	—	154,773	—	154,773
Current portion of other self-insured liabilities	—	—	886	1,631	622	—	32,607	—	32,607
Current portion of estimated third-party payor liabilities	—	—	169	(598)	2,721	—	63,084	—	63,084
Due to related parties	2,706	161	5,033	3,512	6,560	1,296	113,010	(113,010)	—
Other liabilities	—	1,301	—	3,827	—	—	19,837	—	19,837
Total current liabilities	3,140	1,528	17,790	14,550	17,026	3,116	625,053	(120,999)	504,054
Long-term debt, net of current portion	—	—	—	2,194	13,599	—	468,967	—	468,967
Estimated third-party payor liabilities, net of current portion	—	—	—	—	—	—	34,788	—	34,788
Other self-insured liabilities, net of current portion	—	—	—	6,188	2,941	—	126,872	—	126,872
Estimated malpractice liabilities	—	—	666	333	2,034	—	345,875	(95,020)	250,855
Other long-term liabilities	—	—	9	4,046	53	—	60,787	—	60,787
Due to related parties, net of current portion	—	—	22,479	1,965	—	—	176,732	(176,732)	—
Total liabilities	3,140	1,528	40,944	29,276	35,653	3,116	1,839,074	(392,751)	1,446,323
Net assets (deficit):									
Unrestricted:									
Attributable to CHS	116,755	9,242	1,733	14,401	1,445	(2,935)	1,252,961	4,510	1,257,471
Attributable to noncontrolling interests	—	—	—	—	—	504	1,752	—	1,752
Total unrestricted	116,755	9,242	1,733	14,401	1,445	(2,431)	1,254,713	4,510	1,259,223
Temporarily restricted	37,539	—	430	—	938	—	52,204	—	52,204
Permanently restricted	3,122	—	167	—	—	—	4,065	—	4,065
Capital stock and paid-in capital	—	—	—		—	1,180	3,430	(3,430)	—
Total net assets (deficit)	157,416	9,242	2,330	14,401	2,383	(1,251)	1,314,412	1,080	1,315,492
Commitments and contingencies									
Total liabilities and net assets (deficit)	$ 160,556	10,770	43,274	43,677	38,036	1,865	3,153,486	(391,671)	2,761,815

See accompanying independent auditors' report.

Schedule 2

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Statement of Operations

Year ended December 31, 2016

(In thousands)

	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Unrestricted revenues, gains, and other support:												
Net patient service revenues before bad debts	$ 666,973	775,272	211,386	232,915	245,422	2,131,968	—	2,131,968	115,729	—	—	—
Provision for bad debts, net	(16,720)	(4,593)	(4,882)	(4,489)	(4,545)	(35,229)	—	(35,229)	(1,804)	—	—	—
Net patient services revenue	650,253	770,679	206,504	228,426	240,877	2,096,739	—	2,096,739	113,925	—	—	—
Investment income, net	2,440	12,329	203	88	537	15,597	—	15,597	41	1,133	—	1,952
Contributions, net	270	—	57	211	5	543	—	543	—	—	10	—
Other revenue	24,161	38,721	7,005	3,465	1,863	75,215	(46,935)	28,280	324	33,749	138,392	27,068
Net assets released from restrictions used for operations	147	651	56	155	57	1,066	—	1,066	—	185	—	—
Total revenues, gains, and other support	677,271	822,380	213,825	232,345	243,339	2,189,160	(46,935)	2,142,225	114,290	35,067	138,402	29,020
Expenses:												
Salaries	279,033	356,830	97,576	103,826	107,551	944,816	—	944,816	48,094	8,481	80,659	—
Employee benefits	81,550	90,919	29,268	30,549	38,430	270,716	—	270,716	20,321	3,212	27,391	—
Supplies and other expenses	179,658	214,040	47,051	61,177	61,370	563,296	(46,935)	516,361	30,472	15,761	28,655	1,754
Insurance	15,725	12,437	9,809	5,455	6,378	49,804	—	49,804	4,140	17	244	29,343
Depreciation, amortization, and impairment	22,531	25,183	9,029	7,206	6,985	70,934	—	70,934	3,273	3,889	17,988	—
Interest	522	4,403	552	1,684	3,730	10,891	—	10,891	222	7,757	757	—
CHS Services, Inc.	38,826	40,290	17,641	15,334	15,178	127,269	—	127,269	7,762	—	—	—
CHS corporate office allocation	7,992	8,300	3,210	2,944	3,136	25,582	—	25,582	1,490	—	—	—
Total expenses	625,837	752,402	214,136	228,175	242,758	2,063,308	(46,935)	2,016,373	115,774	39,117	155,694	31,097
Operating income (loss) before nonoperating gains (losses)	51,434	69,978	(311)	4,170	581	125,852	—	125,852	(1,484)	(4,050)	(17,292)	(2,077)
Nonoperating gains (losses):												
Change in unrealized gains (losses) on trading investments, net	2,196	20,861	4	35	(134)	22,962	—	22,962	—	1,223	—	888
Other nonoperating gains (losses), net	—	—	—	—	—	—	—	—	—	—	(283)	—
Income attributable to noncontrolling interests	(1,366)	—	—	—	—	(1,366)	—	(1,366)	—	—	—	—
Excess (deficiency) of revenues, gains, and other support over expenses	52,264	90,839	(307)	4,205	447	147,448	—	147,448	(1,484)	(2,827)	(17,575)	(1,189)
Other changes in benefit plan unrestricted net assets:												
Postretirement changes other than net periodic benefit cost	13	515	126	17	154	825	—	825	—	—	—	—
Net assets released from restrictions for purchase of property, plant, and equipment	9	47	23	179	200	458	—	458	133	—	—	—
Grant income for purchases of property, plant, and equipment	25	40	38	27	38	168	—	168	93	—	—	—
Transfer (to) from Catholic Health Services of Long Island	(1,988)	(2,069)	(773)	2,293	6,712	4,175	—	4,175	5,627	(22,979)	(28,621)	—
Transfer (to) from CHS Services, Inc.	(13,523)	(14,348)	(5,252)	(4,801)	(4,707)	(42,631)	—	(42,631)	(2,555)	28,621	45,279	—
Transfers (to) from related parties	—	2,477	—	—	—	2,477	—	2,477	—	—	—	—
Increase (decrease) in unrestricted net assets	$ 36,800	77,501	(6,145)	1,920	2,844	112,920	—	112,920	1,814	2,815	(917)	(1,189)

Schedule 2

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Statement of Operations

Year ended December 31, 2016

(In thousands)

	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	Other entities	Subtotal	Consolidating and eliminating entries	CHS consolidated total
Unrestricted revenues, gains, and other support:									
Net patient service revenues before bad debts	$ —	—	101,606	—	56,956	—	2,406,259	(310)	2,405,949
Provision for bad debts, net	—	—	(117)	—	(597)	—	(37,747)	—	(37,747)
Net patient services revenue	—	—	101,489	—	56,359	—	2,368,512	(310)	2,368,202
Investment income, net	2,472	—	43	(181)	27	—	21,084	(495)	20,589
Contributions, net	12,761	—	426	286	27	—	14,053	—	14,053
Other revenue	—	3,744	1,191	83,807	201	3,334	320,090	(201,645)	118,445
Net assets released from restrictions used for operations	818	—	46	—	27	—	2,142	—	2,142
Total revenues, gains, and other support	16,051	3,744	103,195	83,912	56,641	3,334	2,725,881	(202,450)	2,523,431
Expenses:									
Salaries	724	4,740	55,405	46,532	29,578	—	1,219,029	—	1,219,029
Employee benefits	210	909	20,308	22,573	12,663	6	378,309	—	378,309
Supplies and other expenses	537	1,272	18,462	12,888	10,559	6,298	643,019	(7,047)	635,972
Insurance	—	41	384	1,025	1,192	5	86,195	(27,068)	59,127
Depreciation, amortization, and impairment	—	1,560	761	1,775	1,275	10	101,465	—	101,465
Interest	—	—	1	170	633	—	20,431	(495)	19,936
CHS Services, Inc.	—	—	1,101	674	867	—	137,673	(137,673)	—
CHS corporate office allocation	—	—	341	267	241	—	27,921	(27,921)	—
Total expenses	1,471	8,522	96,763	85,904	57,008	6,319	2,614,042	(200,204)	2,413,838
Operating income (loss) before nonoperating gains (losses)	14,580	(4,778)	6,432	(1,992)	(367)	(2,985)	111,839	(2,246)	109,593
Nonoperating gains (losses):									
Change in unrealized gains (losses) on trading investments, net	4,334	—	—	(2)	(20)	—	29,385	—	29,385
Other nonoperating gains (losses), net	—	—	2	1,238	—	—	957	—	957
Income attributable to noncontrolling interests	—	—	—	—	—	116	(1,250)	—	(1,250)
Excess (deficiency) of revenues, gains, and other support over expenses	18,914	(4,778)	6,434	(756)	(387)	(2,869)	140,931	(2,246)	138,685
Other changes in benefit plan unrestricted net assets:									
Postretirement changes other than net periodic benefit cost	—	—	—	—	—	—	825	—	825
Net assets released from restrictions for purchase of property, plant, and equipment	1,817	—	—	—	—	—	2,408	—	2,408
Grant income for purchases of property, plant, and equipment	—	—	—	50	—	—	311	—	311
Transfer (to) from Catholic Health Services of Long Island	—	—	(17)	7,780	(38)	—	(34,073)	34,073	—
Transfer (to) from CHS Services, Inc.	—	—	(259)	(31)	(148)	3,621	31,897	(31,897)	—
Transfers (to) from related parties	(6,735)	4,258	—	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	$ 13,996	(520)	6,158	7,043	(573)	752	142,299	(70)	142,229

See accompanying independent auditors' report.

Schedule 3

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2015

(In thousands)

Assets	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Current assets:												
Cash and cash equivalents	$ 34,257	29,318	6,465	5,015	13,607	88,662	—	88,662	5,421	31,375	32,402	14,318
Investments	40,225	261,540	—	490	642	302,897	—	302,897	—	44,316	—	59,160
Assets limited or restricted as to use	—	1,790	875	—	—	2,665	—	2,665	—	18,566	—	—
Patient accounts receivable, net	69,679	68,904	24,734	24,222	25,023	212,562	—	212,562	11,298	—	—	—
Contributions receivable, net	—	—	—	—	—	—	—	—	—	—	—	—
Other receivables	4,941	10,164	1,989	2,065	2,064	21,223	—	21,223	1,639	2,872	419	—
Inventories	6,881	9,605	2,908	3,697	3,410	26,501	—	26,501	1,595	—	—	—
Prepaid expenses and other	4,213	3,973	1,714	1,425	2,065	13,390	—	13,390	580	91	2,922	3,341
Due from related parties	2,326	30,019	637	1,628	2,048	36,658	(13,840)	22,818	192	17,953	20,959	43,844
Total current assets	162,522	415,313	39,322	38,542	48,859	704,558	(13,840)	690,718	20,725	115,173	56,702	120,663
Assets limited or restricted as to use:												
Board designated and other	43,679	5,157	6,994	—	—	55,830	—	55,830	1,277	4,931	—	—
Donor-restricted funds	3,587	3,246	2,136	2,266	870	12,105	—	12,105	495	425	—	—
Funded depreciation	104	250,288	—	—	7,401	257,793	—	257,793	—	—	—	—
Trustee held and other	10,478	5,219	5,457	352	41,514	63,020	—	63,020	260	85,740	3,463	—
Captive assets	—	—	—	—	—	—	—	—	—	—	—	—
Total assets limited or restricted as to use	57,848	263,910	14,587	2,618	49,785	388,748	—	388,748	2,032	91,096	3,463	—
Less assets limited or restricted as to use and required for current liabilities	—	1,790	875	—		2,665		2,665	—	18,566	—	—
Total assets limited or restricted as to use, net	57,848	262,120	13,712	2,618	49,785	386,083	—	386,083	2,032	72,530	3,463	—
Due from related parties, net of current portion	40,557	35,099	9,836	8,942	—	94,434	(4,081)	90,353	—	28,034	46,089	—
Contributions receivable, net of current portion	—	—	—	16	—	16	—	16	—	—	—	—
Other investments, at cost	—	—	—	—	—	—	—	—	—	2,250	—	—
Other assets, net	1,446	13,764	—	112	89	15,411	—	15,411	85	15,016	—	—
Insurance claims receivable	78,083	31,216	42,413	34,102	28,872	214,686	—	214,686	8,959	—	—	6,035
Property, plant, and equipment, net	172,877	255,668	99,970	59,958	70,142	658,615	—	658,615	30,230	80	63,692	—
Total assets	$ 513,333	1,013,180	205,253	144,290	197,747	2,073,803	(17,921)	2,055,882	62,031	233,083	169,946	126,698

(Continued)

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2015

(In thousands)

Assets	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	Other entities	Subtotal	Consolidating and eliminating entries	CHS consolidated total
Current assets:									
Cash and cash equivalents	$ 915	139	15,966	3,745	3,134	371	196,448	(14,156)	182,292
Investments	95,748	—	40	1,654	2,571	—	506,386	(59,160)	447,226
Assets limited or restricted as to use	—	—	—	—	—	—	21,231	—	21,231
Patient accounts receivable, net	—	—	11,782	—	7,595	—	243,237	—	243,237
Contributions receivable, net	3,523	—	—	—	—	—	3,523	—	3,523
Other receivables	—	452	533	10,052	—	557	37,747	—	37,747
Inventories	—	—	—	436	51	—	28,583	—	28,583
Prepaid expenses and other	—	—	460	1,112	764	—	22,660	(7,844)	14,816
Due from related parties	—	3,989	2,373	644	1,437	451	114,660	(114,660)	—
Total current assets	100,186	4,580	31,154	17,643	15,552	1,379	1,174,475	(195,820)	978,655
Assets limited or restricted as to use:									
Board designated and other	14,312	—	—	—	—	—	76,350	—	76,350
Donor-restricted funds	17,820	—	539	—	918	—	32,302	—	32,302
Funded depreciation	—	—	—	438	1,000	—	259,231	—	259,231
Trustee held and other	—	—	—	133	—	—	152,616	—	152,616
Captive assets	—	—	—	—	—	—	—	73,478	73,478
Total assets limited or restricted as to use	32,132	—	539	571	1,918	—	520,499	73,478	593,977
Less assets limited or restricted as to use and required for current liabilities	—	—	—	—	—	—	21,231		21,231
Total assets limited or restricted as to use, net	32,132	—	539	571	1,918	—	499,268	73,478	572,746
Due from related parties, net of current portion	—	—	—	—	—	—	164,476	(164,476)	—
Contributions receivable, net of current portion	9,791	—	—	—	—	—	9,807	—	9,807
Other investments, at cost	—	—	—	—	—	—	2,250	(2,250)	—
Other assets, net	—	—	15	2,224	5	193	32,949	—	32,949
Insurance claims receivable	—	—	374	3,952	2,051	—	236,057	(69,258)	166,799
Property, plant, and equipment, net	—	7,997	4,680	12,682	16,900	65	794,941	—	794,941
Total assets	$ 142,109	12,577	36,762	37,072	36,426	1,637	2,914,223	(358,326)	2,555,897

(Continued)

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2015

(In thousands)

Liabilities and Net Assets	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Current liabilities:												
Current portion of long-term debt	$ 881	3,257	1,834	1,243	2,046	9,261	—	9,261	950	5,087	14,941	—
Accounts payable and accrued expenses	38,818	44,303	11,791	11,250	12,955	119,117	—	119,117	7,447	12,122	23,045	413
Accrued salaries, related withholdings, and benefits	31,579	45,797	7,284	14,086	14,255	113,001	—	113,001	4,392	2,326	7,330	—
Current portion of other self-insured liabilities	8,967	5,632	2,301	3,449	4,558	24,907	—	24,907	662	—	1,228	—
Current portion of estimated third-party payor liabilities	17,766	15,562	3,154	7,840	7,800	52,122	—	52,122	1,535	—	—	—
Due to related parties	17,728	2,599	4,773	5,373	16,813	47,286	(24,935)	22,351	4,232	8,833	20,727	22,568
Other liabilities	—	—	—	—	—	—	—	—	—	12,618	58	—
Total current liabilities	115,739	117,150	31,137	43,241	58,427	365,694	(24,935)	340,759	19,218	40,986	67,329	22,981
Long-term debt, net of current portion	78,217	170,209	50,057	56,450	64,023	418,956	—	418,956	13,379	24,787	30,671	—
Estimated third-party payor liabilities, net of current portion	8,931	6,653	2,888	1,124	13,815	33,411	—	33,411	1,158	—	—	—
Other self-insured liabilities, net of current portion	38,189	23,247	13,433	17,340	22,004	114,213	—	114,213	—	—	—	4,204
Estimated malpractice liabilities	81,423	23,672	42,971	31,624	29,067	208,757	—	208,757	11,913	—	—	65,054
Other long-term liabilities	10,767	17,335	2,890	1,774	3,042	35,808	—	35,808	260	19,111	4,589	—
Due to related parties, net of current portion	—	—	21,235	13,275	30,069	64,579	(8,822)	55,757	11,700	89,421	—	—
Total liabilities	333,266	358,266	164,611	164,828	220,447	1,241,418	(33,757)	1,207,661	57,628	174,305	102,589	92,239
Net assets (deficit):												
Unrestricted:												
Attributable to CHS	175,430	651,668	38,506	(22,820)	(23,570)	819,214	15,836	835,050	3,908	58,353	67,357	32,209
Attributable to noncontrolling interests	1,050	—	—	—	—	1,050	—	1,050	—	—	—	—
Total unrestricted	176,480	651,668	38,506	(22,820)	(23,570)	820,264	15,836	836,100	3,908	58,353	67,357	32,209
Temporarily restricted	3,587	3,246	2,136	1,506	870	11,345	—	11,345	495	425	—	—
Permanently restricted	—	—	—	776	—	776	—	776	—	—	—	—
Capital stock and paid-in capital	—	—	—	—	—	—	—	—	—	—	—	2,250
Total net assets (deficit)	180,067	654,914	40,642	(20,538)	(22,700)	832,385	15,836	848,221	4,403	58,778	67,357	34,459
Commitments and contingencies												
Total liabilities and net assets (deficit)	$ 513,333	1,013,180	205,253	144,290	197,747	2,073,803	(17,921)	2,055,882	62,031	233,083	169,946	126,698

(Continued)

Schedule 3

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Balance Sheet

December 31, 2015

(In thousands)

Liabilities and Net Assets		St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	Other entities	Subtotal	Consolidating and eliminating entries	CHS consolidated total
Current liabilities:										
Current portion of long-term debt	$	—	—	—	446	354	—	31,039	—	31,039
Accounts payable and accrued expenses		342	8	7,263	1,989	2,935	2,511	177,192	(8,061)	169,131
Accrued salaries, related withholdings, and benefits		—	—	4,674	2,779	3,002	—	137,504	—	137,504
Current portion of other self-insured liabilities		—	—	1,034	1,792	458	—	30,081	—	30,081
Current portion of estimated third-party payor liabilities		—	—	45	(1,323)	2,482	—	54,861	—	54,861
Due to related parties		7,691	1,635	4,511	694	6,017	1,013	100,272	(100,272)	—
Other liabilities		183	1,172	—	8,621	—	—	22,652	—	22,652
Total current liabilities		8,216	2,815	17,527	14,998	15,248	3,524	553,601	(108,333)	445,268
Long-term debt, net of current portion		—	—	—	879	14,185	—	502,857	—	502,857
Estimated third-party payor liabilities, net of current portion		—	—	—	—	—	—	34,569	—	34,569
Other self-insured liabilities, net of current portion		—	—	—	7,006	3,036	—	128,459	—	128,459
Estimated malpractice liabilities		—	—	374	187	1,021	—	287,306	(69,258)	218,048
Other long-term liabilities		—	—	268	4,116	—	—	64,152	—	64,152
Due to related parties, net of current portion		—	—	22,479	2,528	—	—	181,885	(181,885)	—
Total liabilities		8,216	2,815	40,648	29,714	33,490	3,524	1,752,829	(359,476)	1,393,353
Net assets (deficit):										
Unrestricted:										
Attributable to CHS		102,759	9,762	(4,425)	7,358	2,018	(3,687)	1,110,662	4,580	1,115,242
Attributable to noncontrolling interests		—	—	—	—	—	620	1,670	—	1,670
Total unrestricted		102,759	9,762	(4,425)	7,358	2,018	(3,067)	1,112,332	4,580	1,116,912
Temporarily restricted		28,012	—	372	—	918	—	41,567	—	41,567
Permanently restricted		3,122	—	167	—	—	—	4,065	—	4,065
Capital stock and paid-in capital		—	—	—	—	—	1,180	3,430	(3,430)	—
Total net assets (deficit)		133,893	9,762	(3,886)	7,358	2,936	(1,887)	1,161,394	1,150	1,162,544
Commitments and contingencies										
Total liabilities and net assets (deficit)	$	142,109	12,577	36,762	37,072	36,426	1,637	2,914,223	(358,326)	2,555,897

See accompanying independent auditors' report.

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Statement of Operations

Year ended December 31, 2015

(In thousands)

	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and eliminating entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Unrestricted revenues, gains, and other support:												
Net patient service revenues before bad debts	$ 624,544	630,545	213,164	223,967	225,741	1,917,961	—	1,917,961	103,952	—	—	—
Provision for bad debts, net	(17,835)	(7,200)	(6,401)	(4,328)	(5,017)	(40,781)	—	(40,781)	(1,258)	—	—	—
Net patient services revenue	606,709	623,345	206,763	219,639	220,724	1,877,180	—	1,877,180	102,694	—	—	—
Investment income, net	1,994	10,524	143	80	266	13,007	—	13,007	31	1,274	1	1,068
Contributions, net	419	1	63	143	8	634	—	634	1	—	11	—
Other revenue	23,917	11,548	5,744	4,648	7,177	53,034	(14,855)	38,179	1,485	31,603	126,441	27,138
Gain on sale of properties, net	—	—	1,552	—	49,679	51,231	—	51,231	—	—	—	—
Net assets released from restrictions used for operations	195	15	61	158	104	533	—	533	—	86	—	—
Total revenues, gains, and other support	633,234	645,433	214,326	224,668	277,958	1,995,619	(14,855)	1,980,764	104,211	32,963	126,453	28,206
Expenses:												
Salaries	276,508	284,815	96,833	115,086	103,708	876,950	—	876,950	47,386	8,071	73,100	—
Employee benefits	83,811	70,891	28,974	30,363	37,863	251,902	—	251,902	17,646	2,121	23,278	—
Supplies and other expenses	169,204	178,261	45,059	49,662	57,527	499,713	(14,725)	484,988	29,069	13,624	28,747	1,247
Insurance	16,957	8,324	8,206	5,275	5,792	44,554	—	44,554	3,597	11	227	15,919
Depreciation, amortization, and impairment	22,008	25,977	9,128	7,554	7,794	72,461	—	72,461	2,844	888	17,774	—
Interest	490	4,546	379	1,739	4,614	11,768	—	11,768	198	7,862	1,051	—
CHS Services, Inc.	37,058	33,554	16,095	14,180	14,940	115,827	—	115,827	7,218	—	—	—
CHS corporate office allocation	7,916	7,518	2,897	2,605	3,119	24,055	—	24,055	1,448	—	—	—
Total expenses	613,952	613,886	207,571	226,464	235,357	1,897,230	(14,725)	1,882,505	109,406	32,577	144,177	17,166
Operating income (loss) before nonoperating gains (losses)	19,282	31,547	6,755	(1,796)	42,601	98,389	(130)	98,259	(5,195)	386	(17,724)	11,040
Nonoperating (losses) gains:												
Change in unrealized losses on trading investments, net	(2,103)	(12,534)	(48)	(7)	(91)	(14,783)	—	(14,783)	—	(1,208)	—	(1,296)
Other nonoperating gains (losses), net	—	—	—	33	(2,624)	(2,591)	—	(2,591)	—	—	(138)	—
Income attributable to noncontrolling interests	(811)	—	—	—	—	(811)	—	(811)	—	—	—	—
Excess (deficiency) of revenues, gains, and other support over expenses	16,368	19,013	6,707	(1,770)	39,886	80,204	(130)	80,074	(5,195)	(822)	(17,862)	9,744
Other changes in benefit plan unrestricted net assets:												
Postretirement changes other than net periodic benefit cost	287	(469)	(15)	112	328	243	—	243	—	—	—	—
Net assets released from restrictions for purchase of property, plant, and equipment	832	59	405	223	181	1,700	—	1,700	169	—	—	—
Grant income for purchases of property, plant, and equipment	318	292	443	208	260	1,521	—	1,521	69	—	—	—
Transfer (to) from Catholic Health Services of Long Island	246	95	378	405	6,238	7,362	—	7,362	7,337	(21,262)	(5,000)	—
Transfer (to) from CHS Services, Inc.	(8,966)	(8,531)	(3,271)	(2,893)	(3,253)	(26,914)	—	(26,914)	(1,631)	5,000	28,658	—
Transfers (to) from related parties	(38)	15,170	—	—	38	15,170	—	15,170	—	—	—	—
Increase (decrease) in unrestricted net assets	$ 9,047	25,629	4,647	(3,715)	43,678	79,286	(130)	79,156	749	(17,084)	5,796	9,744

Schedule 4

CATHOLIC HEALTH SERVICES OF LONG ISLAND

Consolidating Schedule – Statement of Operations

Year ended December 31, 2015

(In thousands)

	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	Other entities	Subtotal	Consolidating and eliminating entries	CHS consolidated total
Unrestricted revenues, gains, and other support:									
Net patient service revenues before bad debts	$ —	—	100,776	—	53,913	—	2,176,602	(417)	2,176,185
Provision for bad debts, net	—	—	(969)	—	(540)	—	(43,548)	—	(43,548)
Net patient services revenue	—	—	99,807	—	53,373	—	2,133,054	(417)	2,132,637
Investment income, net	2,046	—	11	53	101	—	17,592	(596)	16,996
Contributions, net	2,171	—	304	321	10	—	3,452		3,452
Other revenue	—	4,050	251	80,556	192	829	310,724	(186,738)	123,986
Gain on sale of properties, net	—	—	1,395	—	—	—	52,626	—	52,626
Net assets released from restrictions used for operations	547	—	106	—	42	—	1,314	—	1,314
Total revenues, gains, and other support	4,764	4,050	101,874	80,930	53,718	829	2,518,762	(187,751)	2,331,011
Expenses:									
Salaries	634	4,694	53,406	45,871	28,588	1,842	1,140,542	—	1,140,542
Employee benefits	184	900	18,939	21,801	9,602	34	346,407	—	346,407
Supplies and other expenses	583	1,319	21,771	12,866	10,251	184	604,649	(6,926)	597,723
Insurance	—	41	497	774	996	82	66,698	(27,138)	39,560
Depreciation, amortization, and impairment	—	1,313	1,130	1,789	1,296	2	99,497	—	99,497
Interest	—	—	7	174	643	—	21,703	(596)	21,107
CHS Services, Inc.	—	—	1,168	689	886	—	125,788	(125,788)	—
CHS corporate office allocation	—	—	369	240	217	—	26,329	(26,329)	—
Total expenses	1,401	8,267	97,287	84,204	52,479	2,144	2,431,613	(186,777)	2,244,836
Operating income (loss) before nonoperating gains (losses)	3,363	(4,217)	4,587	(3,274)	1,239	(1,315)	87,149	(974)	86,175
Nonoperating (losses) gains:									
Change in unrealized losses on trading investments, net	(2,589)	—	—	(17)	(31)	—	(19,924)	—	(19,924)
Other nonoperating gains (losses), net	—	—	—	—	—	—	(2,729)	—	(2,729)
Income attributable to noncontrolling interests	—	—	—	—	—	63	(748)	—	(748)
Excess (deficiency) of revenues, gains, and other support over expenses	774	(4,217)	4,587	(3,291)	1,208	(1,252)	63,748	(974)	62,774
Other changes in benefit plan unrestricted net assets:									
Postretirement changes other than net periodic benefit cost	—	—	—	—	—	—	243	—	243
Net assets released from restrictions for purchase of property, plant, and equipment	6,564	—	—	—	—	—	8,433	—	8,433
Grant income for purchases of property, plant, and equipment	—	—	—	235	137	—	1,962	—	1,962
Transfer (to) from Catholic Health Services of Long Island	—	—	(15)	5,270	205	129	(5,974)	5,974	—
Transfer (to) from CHS Services, Inc.	—	—	(38)	(39)	(36)	—	5,000	(5,000)	—
Transfers (to) from related parties	(19,546)	4,376	—	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	$ (12,208)	159	4,534	2,175	1,514	(1,123)	73,412	—	73,412

See accompanying independent auditors' report.