ASCENSION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Quarters and Nine Months Ended March 31, 2017 and 2016

Ascension

Consolidated Interim Financial Statements
and Supplementary Information

For the Quarters and Nine Months Ended March 31, 2017 and 2016

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(Dollars in Thousands)

	March 31, 2017	June 30, 2016
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	**$ 571,344**	$ 696,237
Short-term investments	**104,215**	122,545
Accounts receivable, less allowance for doubtful accounts ($1,366,439 and $1,362,060 at March 31, 2017 and June 30, 2016, respectively)	**2,813,957**	2,746,506
Inventories	**353,590**	349,077
Due from brokers *(see Notes 4 and 5)*	**157,196**	313,717
Estimated third-party payor settlements	**213,852**	186,354
Other *(see Notes 4 and 5)*	**1,036,778**	978,744
Total current assets	**5,250,932**	5,393,180
Long-term investments *(see Notes 4 and 5)*	**16,702,122**	15,069,123
Property and equipment, net	**8,967,043**	9,020,005
Other assets:		
Investment in unconsolidated entities	**1,210,719**	1,115,871
Capitalized software costs, net	**875,198**	926,710
Other *(see Notes 4 and 5)*	**908,618**	908,580
Total other assets	**2,994,535**	2,951,161
Total assets	**$ 33,914,632**	$ 32,433,469

	March 31, 2017	June 30, 2016
Liabilities and net assets	(unaudited)	
Current liabilities:		
Current portion of long-term debt	**$ 99,758**	$ 96,193
Long-term debt subject to short-term remarketing arrangements*	**887,205**	1,666,245
Accounts payable and accrued liabilities *(see Notes 4 and 5)*	**2,444,145**	2,500,748
Estimated third-party payor settlements	**423,451**	513,677
Due to brokers *(see Notes 4 and 5)*	**425,992**	105,660
Current portion of self-insurance liabilities	**230,309**	219,638
Other	**284,850**	292,044
Total current liabilities	**4,795,710**	5,394,205
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**6,035,737**	5,391,908
Self-insurance liabilities	**515,464**	513,985
Pension and other postretirement liabilities	**1,072,862**	1,298,653
Other *(see Notes 4 and 5)*	**1,113,394**	1,241,678
Total noncurrent liabilities	**8,737,457**	8,446,224
Total liabilities	**13,533,167**	13,840,429
Net assets:		
Unrestricted		
Controlling interest	**17,968,453**	16,498,086
Noncontrolling interests	**1,740,835**	1,429,444
Unrestricted net assets	**19,709,288**	17,927,530
Temporarily restricted	**466,647**	467,994
Permanently restricted	**205,530**	197,516
Total net assets	**20,381,465**	18,593,040
Total liabilities and net assets	**$ 33,914,632**	$ 32,433,469

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to March 31, 2018. In the event that bonds are not remarketed upon the exercise of put options or the scheduled mandatory tenders, management would utilize other sources to access the necessary liquidity. Potential sources include liquidating investments, a draw on the line of credit totaling $1 billion, and issuing commercial paper. The commercial paper program is supported by $500 million of the $1 billion line of credit.

Ascension

Consolidated Statements of Operations and Changes in Net Assets (unaudited)

(Dollars in Thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	**2016**	**2017**	**2016**
Operating revenue:				
Net patient service revenue	**$ 5,606,651**	$ 5,349,711	**$ 16,743,625**	$ 15,781,060
Less provision for doubtful accounts	**268,877**	295,166	**840,798**	868,245
Net patient service revenue, less provision for doubtful accounts	**5,337,774**	5,054,545	**15,902,827**	14,912,815
Other revenue	**370,295**	383,625	**1,184,946**	1,177,772
Total operating revenue	**5,708,069**	5,438,170	**17,087,773**	16,090,587
Operating expenses:				
Salaries and wages	**2,321,446**	2,294,911	**6,974,326**	6,672,111
Employee benefits	**430,567**	449,539	**1,375,473**	1,329,820
Purchased services	**501,663**	375,243	**1,394,886**	1,077,445
Professional fees	**311,643**	346,139	**974,710**	1,016,688
Supplies	**825,317**	769,162	**2,463,703**	2,296,580
Insurance	**37,084**	28,875	**142,471**	135,970
Interest	**55,292**	46,689	**167,826**	145,082
Depreciation and amortization	**267,366**	264,154	**810,356**	765,918
Other	**659,972**	671,602	**2,065,808**	2,036,063
Total operating expenses before impairment, restructuring and nonrecurring losses, net	**5,410,350**	5,246,314	**16,369,559**	15,475,677
Income from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring losses, net	**297,719**	191,856	**718,214**	614,910
Self-insurance trust fund investment return	**15,828**	1,843	**31,069**	(32,911)
Impairment, restructuring and nonrecurring losses, net	**(51,496)**	(48,462)	**(107,592)**	(125,900)
Income from operations	**262,051**	145,237	**641,691**	456,099
Nonoperating gains (losses):				
Investment return	**521,693**	53,001	**970,902**	(685,195)
Loss on extinguishment of debt	**-**	-	**(580)**	(33)
Gains (losses) on interest rate swaps	**750**	(33,710)	**55,184**	(54,788)
Income (loss) from unconsolidated entities	**2,458**	(8,733)	**4,191**	(38,585)
Contributions from business combinations	**-**	162,918	**-**	304,493
Other	**(37,541)**	(12,248)	**(126,632)**	(48,594)
Total nonoperating gains (losses), net	**487,360**	161,228	**903,065**	(522,702)
Excess (deficit) of revenues and gains over expenses and losses	**749,411**	306,465	**1,544,756**	(66,603)
Less noncontrolling interests	**70,520**	17,188	**156,038**	(32,030)
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	**678,891**	289,277	**1,388,718**	(34,573)

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Consolidated Statements of Operations and Changes in Net Assets (unaudited)(continued)

(Dollars in Thousands)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Unrestricted net assets, controlling interest:				
Excess (deficit) of revenues and gains over expenses and losses	**$ 678,891**	$ 289,277	**$ 1,388,718**	$ (34,573)
Transfers to sponsors and other affiliates, net	**(933)**	(2,311)	**(3,724)**	(6,424)
Net assets released from restrictions for property acquisitions	**9,297**	8,707	**68,634**	26,265
Pension and other postretirement liability adjustments	**14,610**	7,929	**3,466**	23,272
Change in unconsolidated entities' net assets	**4,223**	(6,925)	**5,580**	(11,190)
Other	**1,729**	(2,590)	**5,045**	(682)
Increase (decrease) in unrestricted net assets, controlling interest, before (loss) gain from discontinued operations	**707,817**	294,087	**1,467,719**	(3,332)
(Loss) gain from discontinued operations	**(1,198)**	(936)	**2,648**	(18,331)
Increase (decrease) in unrestricted net assets, controlling interest	**706,619**	293,151	**1,470,367**	(21,663)
Unrestricted net assets, noncontrolling interests:				
Excess (deficit) of revenues and gains over expenses and losses	**70,520**	17,188	**156,038**	(32,030)
Distributions of capital	**(41,448)**	(49,991)	**(111,542)**	(115,248)
Contributions of capital	**52,412**	3,308	**266,662**	69,092
Membership interest changes, net	**-**	-	**210**	-
Other	**(58)**	732	**23**	(1,621)
Increase (decrease) in unrestricted net assets, noncontrolling interests	**81,426**	(28,763)	**311,391**	(79,807)
Temporarily restricted net assets, controlling interest:				
Contributions and grants	**23,788**	21,497	**87,211**	81,965
Investment return	**11,597**	(2,243)	**21,085**	(10,381)
Net assets released from restrictions	**(22,451)**	(17,706)	**(107,252)**	(65,854)
Contributions from business combinations	**-**	6,753	**-**	6,753
Other	**743**	(2,494)	**(2,391)**	(11,578)
Increase (decrease) in temporarily restricted net assets, controlling interest	**13,677**	5,807	**(1,347)**	905
Permanently restricted net assets, controlling interest:				
Contributions	**1,294**	487	**2,632**	2,146
Investment return	**2,845**	(126)	**5,301**	(2,136)
Contributions from business combinations	**-**	18,278	**-**	18,278
Other	**(111)**	(146)	**81**	(1,021)
Increase in permanently restricted net assets, controlling interest	**4,028**	18,493	**8,014**	17,267
Increase (decrease) in net assets	**805,750**	288,688	**1,788,425**	(83,298)
Net assets, beginning of period	**19,575,715**	18,560,676	**18,593,040**	18,932,662
Net assets, end of period	**$20,381,465**	$ 18,849,364	**$20,381,465**	$ 18,849,364

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

Ascension

Consolidated Statements of Cash Flows (unaudited)

(Dollars in Thousands)

	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Operating activities		
Increase (decrease) in net assets	**$ 1,788,425**	$ (83,298)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**810,356**	765,918
Amortization of bond premiums and debt issuance costs	**(14,139)**	(15,729)
Loss on extinguishment of debt	**580**	33
Provision for doubtful accounts	**842,651**	873,277
Pension and other postretirement liability adjustments	**(3,466)**	(23,272)
Contributions from business combinations	**-**	(329,524)
Unrealized (gains) losses on investments, net	**(333,253)**	674,916
Change in fair value of interest rate swaps	**(69,511)**	52,180
Gain on sale of assets, net	**(87,628)**	(6,561)
Impairment and nonrecurring expenses	**9,297**	8,430
Transfers to sponsor and other affiliates, net	**3,724**	6,424
Restricted contributions, investment return, and other	**(94,833)**	(101,904)
Other restricted activity	**19,815**	(28,684)
(Contributions) distributions of noncontrolling interest, net	**(155,120)**	46,156
Other	**(175)**	(210)
Decrease (increase) in:		
Short-term investments	**10,911**	79,336
Accounts receivable	**(924,623)**	(1,044,798)
Inventories and other current assets	**(68,002)**	(66,916)
Due from brokers	**156,521**	129,331
Investments classified as trading	**(1,316,274)**	(413,915)
Other assets	**(77,970)**	(10,485)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(45,788)**	144,763
Estimated third-party payor settlements, net	**(117,500)**	118,979
Due to brokers	**320,332**	(63,471)
Other current liabilities	**(8,538)**	140,149
Self-insurance liabilities	**12,225**	(9,059)
Other noncurrent liabilities	**(201,917)**	(154,100)
Net cash provided by continuing operating activities	**456,100**	687,966
Net cash provided by and adjustments to reconcile change in net assets for discontinued operations	**3,564**	170,973
Net cash provided by operating activities	**459,664**	858,939

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Consolidated Statements of Cash Flows (unaudited)(continued)

(Dollars in Thousands)

	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Investing activities		
Property, equipment, and capitalized software additions, net	**$ (754,877)**	$ (823,130)
Proceeds from sale of property and equipment	**3,390**	3,937
Issuance of note receivable for business combination	**-**	(637,109)
Net proceeds from sale/acquisition of other assets	**20,483**	227,700
Net cash used in investing activities	**(731,004)**	(1,228,602)
Financing activities		
Issuance of debt	**1,004,239**	1,891,914
Repayment of debt	**(1,096,854)**	(1,352,706)
Debt issuance costs paid	**(3,514)**	(51)
Decrease in assets under bond indenture agreements	**4,994**	9,955
Transfers to sponsors and other affiliates, net	**(8,724)**	(11,424)
Restricted contributions, investment return, and other	**91,186**	108,705
Contributions (distributions) of noncontrolling interest, net	**155,120**	(46,156)
Net cash provided by financing activities	**146,447**	600,237
Net (decrease) increase in cash and cash equivalents	**(124,893)**	230,574
Cash and cash equivalents at beginning of period	**696,237**	688,228
Cash and cash equivalents at end of period	**$ 571,344**	$ 918,802

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

1. Organization and Mission

Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is the sole corporate member and parent organization of Ascension Health (d/b/a Ascension Healthcare), a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 24 states and the District of Columbia.

Ascension serves as the member or shareholder of various subsidiaries as listed below:

- Ascension Care Management
- Ascension Global Mission
- Ascension Healthcare
- Ascension Holdings
- Ascension Information Services
- Ascension Investment Management (AIM)
- Ascension Leader Institute
- Ascension Ministry and Mission Fund
- Ascension Ministry Service Center
- Ascension Ventures (AV)
- AV Holding Company
- Consulting Network
- The Resource Group
- Smart Health Solutions

Ascension is also the majority investor in the Ascension Alpha Fund, LLC (Alpha Fund) as discussed in the Pooled Investment Fund note. Ascension and its member organizations are hereafter referred to collectively as the System.

1. Organization and Mission (continued)

Sponsorship

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person. The Participating Entities of Ascension Sponsor are the Daughters of Charity of St. Vincent de Paul, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Ministry Market accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

(Dollars in Thousands)

1. Organization and Mission (continued)

Discounts are provided to all uninsured and underinsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for financial assistance are not included in the cost of providing care of persons living in poverty and other community benefit programs. The cost of providing care to persons living in poverty and other community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care. Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

The amount of traditional charity care provided, determined on the basis of cost, was $400,496 and $325,517 for the nine months ended March 31, 2017 and 2016, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the System or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where the System does not have operating control are recorded under the equity or cost method of accounting. Income (loss) from unconsolidated entities is included in consolidated excess (deficit) of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets as follows:

	Nine Months Ended March 31,	
	2017	**2016**
Other revenue	**$ 99,045**	$ 81,527
Nonoperating gains (losses)	**4,191**	(38,585)

2. Significant Accounting Policies (continued)

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments measured at fair value are disclosed in the Fair Value Measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less.

Short-Term Investments

Short-term investments consist of investments with original maturities exceeding three months and up to one year.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value using first-in, first-out (FIFO) or a methodology that closely approximates FIFO.

2. Significant Accounting Policies (continued)

Long-Term Investments and Investment Return

Investments, excluding investments in unconsolidated entities, are measured at fair value, are classified as trading securities, and include pooled short-term investment funds; U.S. government, state, municipal and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. Investments also include alternative investments and other investments which are valued based on the net asset value of the investments, as further discussed in the Fair Value Measurements note. Investments also include derivatives held by the Alpha Fund, also measured at fair value, as discussed in the Pooled Investment Fund note.

Long-term investments include assets limited as to use of approximately $1,292,000 and $1,284,000, at March 31, 2017 and June 30, 2016, respectively, comprised primarily of investments placed in trust and held by captive insurance companies for the payment of self-insured claims and investments which are limited as to use, as designated by donors.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the FIFO method. Investment returns, excluding returns of self-insurance trust funds, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law. Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at March 31, 2017 and June 30, 2016, is as follows:

	March 31, 2017	June 30, 2016
Land and improvements	**$ 945,844**	$ 935,542
Buildings and equipment	**16,829,150**	16,505,068
	17,774,994	17,440,610
Less accumulated depreciation	**9,478,256**	8,981,575
	8,296,738	8,459,035
Construction in progress	**670,305**	560,970
Total property and equipment, net	**$ 8,967,043**	$ 9,020,005

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense for the nine months ended March 31, 2017 and 2016 was $638,554 and $614,650, respectively.

Several capital projects have remaining construction and related equipment purchase commitments of approximately $510,000 as of March 31, 2017.

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Intangible assets are included in the Consolidated Balance Sheets as presented in the table that follows.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Capitalized software costs in the table below include software in progress of $263,064 and $244,552 at March 31, 2017 and June 30, 2016, respectively:

	March 31, 2017	June 30, 2016
Capitalized software costs	**$ 2,157,833**	$ 2,050,184
Less accumulated amortization	**1,282,635**	1,123,474
Capitalized software costs, net	**875,198**	926,710
Goodwill	**211,511**	210,320
Other, net	**29,037**	31,731
Intangible assets included in other assets	**240,548**	242,051
Total intangible assets, net	**$ 1,115,746**	$ 1,168,761

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets for the nine months ended March 31, 2017 and 2016 was $171,802 and $151,268, respectively.

The System is in the final phases of a significant multi-year, System-wide enterprise resource planning project, including information technology and process standardization (Symphony), which is expected to continue through fiscal year 2018. The project is facilitating a transition to a common software product for various finance, information technology, procurement, and human resources management processes, including standardization of those processes throughout the System. Capitalized costs, net of amortization, of Symphony were approximately $326,000 and $329,000 at March 31, 2017 and June 30, 2016, respectively, and are being amortized on a straight-line basis over the expected useful life of the software. Certain costs of this project were also expensed. Accumulated amortization of Symphony was approximately $145,000 and $120,000 at March 31, 2017 and June 30, 2016, respectively.

2. Significant Accounting Policies (continued)

See the Impairment, Restructuring, and Nonrecurring Losses discussion below for additional information about costs associated with Symphony.

Noncontrolling Interests

The consolidated financial statements include all assets, liabilities, revenues, and expenses of entities that are controlled by the System and therefore consolidated. Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donors' wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Temporarily and permanently restricted net assets consist solely of controlling interests of the System.

Performance Indicator

The performance indicator is the excess (deficit) of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to sponsors and other affiliates, net assets released from restrictions for property acquisitions, change in unconsolidated entities' net assets, and discontinued operations.

2. Significant Accounting Policies (continued)

Operating and Nonoperating Activities

The System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the System's primary mission are considered to be nonoperating.

Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. The System recognizes patient service revenue at the time services are rendered, even though the patient's ability to pay may not be completely assessed at that time. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by $140,052 and $77,836 for the nine months ended March 31, 2017 and 2016, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The percentage of net patient service revenue, less provision for doubtful accounts earned by payor for the nine months ended March 31, 2017 and 2016, is as follows:

	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Medicare - traditional and managed	**36 %**	35 %
Medicaid - traditional and managed	**13**	12
Commercial and other managed care	**50**	50
Self-Pay and other	**1**	3
	100 %	100 %

The System grants credit without collateral to its patients, who are primarily local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable, less allowance for doubtful accounts, at March 31, 2017 and June 30, 2016, are as follows:

	March 31, 2017	June 30, 2016
Medicare - traditional and managed	**28 %**	27 %
Medicaid - traditional and managed	**11**	9
Commercial and other managed care	**42**	42
Self-Pay and other	**19**	22
	100 %	100 %

2. Significant Accounting Policies (continued)

The provision for doubtful accounts is based upon management's assessment of expected net collections considering historical experience, economic conditions, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the System. Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies. The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year.

Other Operating Revenue

Other operating revenue includes net gains on sales of assets, retail pharmacy revenue, income from unconsolidated entities, premium revenue, net assets released from restrictions for operating purposes, and other nonpatient service revenue. Net gains on sales of assets were $91,316 and $8,699 for the nine months ended March 31, 2017 and 2016, respectively.

Impairment, Restructuring, and Nonrecurring Losses

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on future discounted net cash flows or other estimates of fair value.

2. Significant Accounting Policies (continued)

Nonrecurring expenses associated with Symphony include project management and process re-engineering costs, amortization expense for those Health Ministries not yet on Symphony, as well as costs to develop a business intelligence data warehouse. Costs associated with product deployment are recorded as nonrecurring losses, and costs associated with product support are recorded as recurring operating expenses.

During the nine months ended March 31, 2017, the System recorded total impairment, restructuring, and nonrecurring losses, net of $107,592. This amount was comprised primarily of $78,938 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of $42,222, and other nonrecurring expenses of $26,267 partially offset by a pension curtailment gain of $39,835.

During the nine months ended March 31, 2016, the System recorded total impairment, restructuring, and nonrecurring losses, net of $125,900. This amount was comprised primarily of $92,089 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of $25,366, and other nonrecurring expenses of $8,445.

Amortization

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method.

Capitalized software, including internally developed software, is amortized on a straight-line basis over the expected useful life of the software.

Income Taxes

The member healthcare entities of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(2), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of March 31, 2017.

2. Significant Accounting Policies (continued)

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by certain members of the System. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of the investigations will not have a material adverse impact on the consolidated financial statements of the System.

Reclassifications

Certain reclassifications were made to the March 31, 2016 and June 30, 2016 accompanying consolidated financial statements to conform to the March 31, 2017 presentation.

Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date but before the consolidated financial statements are issued, for potential recognition or disclosure in the consolidated financial statements as of the Consolidated Balance Sheet date. For the nine months ended March 31, 2017, the System evaluated subsequent events through May 12, 2017, representing the date on which the accompanying unaudited consolidated financial statements were issued.

Effective May 1, 2017, Ascension sold primarily all of the assets, liabilities and operations of St. Joseph Regional Medical Center, Inc. (St. Joseph Regional) to RCCH HealthCare Partners (RCCH).

3. Organizational Changes

Business Combinations

The March 31, 2016 consolidated financial statements have been adjusted to reflect the final fair values of the business combinations.

Crittenton Hospital Medical Center – Michigan

Effective October 1, 2015, Ascension Michigan became the sole corporate member of Crittenton Hospital Medical Center (Crittenton) under the terms of an agreement among Ascension Michigan, Crittenton and Ascension Healthcare. The fair value of the unrestricted net assets totaling $137,912 was recognized in the Consolidated Statements of Operations and Changes in Net Assets for the year ended June 30, 2016 as a nonoperating contribution from business combination.

Wheaton Franciscan Healthcare – Southeast Wisconsin, Inc.

Effective March 1, 2016, Ascension Healthcare became the sole corporate member of Wheaton Franciscan Healthcare – Southeast Wisconsin, Inc. (Wheaton) under the terms of an agreement between Ascension Healthcare and Wheaton Franciscan Services, Inc. The fair value of the unrestricted net assets totaling $167,049 was recognized in the Consolidated Statements of Operations and Changes in Net Assets for the year ended June 30, 2016 as a nonoperating contribution from business combination.

The fair values of Crittenton and Wheaton's net assets, by major type, that were recognized by the System during the year ended June 30, 2016 were as follows. The valuations of these net assets were substantially complete as of June 30, 2016.

(Dollars in Thousands)

3. Organizational Changes (continued)

	Crittenton	Wheaton	Total
Net working capital	$ 80,335	$ 312,129	$ 392,464
Long-term investments	102,890	27,511	130,401
Property and equipment	193,174	645,299	838,473
Investments in unconsolidated entities	4,491	58,174	62,665
Intangible assets, including capitalized software costs	-	48,820	48,820
Other long-term assets	795	2,567	3,362
Long-term debt	(161,205)	(641,936)	(803,141)
Other long-term liabilites assumed	(79,177)	(270,452)	(349,629)
Fair value of total net assets	$ 141,303	$ 182,112	$ 323,415

The fair value of net assets of $323,415 in the preceding table was recognized in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2016, as a nonoperating contribution from business combinations of $304,961, and contributions of temporarily and permanently restricted net assets of $16,091 and $2,363, respectively.

During the nine months ended March 31, 2016, Ascension recognized revenues of Crittenton and Wheaton totaling $231,794, and an excess of revenues and gains over expenses and losses totaling $4,777, of which all was attributable to controlling interest. Ascension recognized an increase in unrestricted net assets – controlling interests, excluding the excess of revenues and gains over expenses and losses of $4,777 above, of $28 and a decrease in temporarily restricted net assets of $132 for the nine months ended March 31, 2016.

The following unaudited pro forma financial information presents the combined results of operations of Ascension, Crittenton and Wheaton for the nine months ended March 31, 2016, as though the business combination transactions had occurred on July 1, 2014. This pro forma financial information is not necessarily indicative of the results of operations that would occur if these entities were consolidated into the System during those periods, nor is it necessarily indicative of future operating results.

(Dollars in Thousands)

3. Organizational Changes (continued)

	Nine Months Ended March 31, 2016
Total operating revenue	$ 17,031,067
Deficit of revenues and gains over expenses and losses attributable to controlling interest	(376,512)
Decrease in unrestricted net assets - controlling interest	(302,803)
Decrease in unrestricted net assets - noncontrolling interests	(79,807)
Decrease in temporarily restricted net assets	(3,616)
Decrease in permanently restricted net assets	(740)

Divestitures

Discontinued Operations

During the nine months ended March 31, 2017 and 2016, Ascension, including certain of its wholly owned subsidiaries, closed on the sale of, or undertook actions to sell or transfer ownership of, certain assets and liabilities, as follows:

- On July 1, 2015, Catholic Health, Inc. (Catholic Health) became the sole corporate member of Mount St. Mary's Hospital in Lewiston, New York under the terms of an affiliation agreement between Ascension Healthcare and Catholic Health.

- On September 1, 2015, Carondelet Health Network, a subsidiary of Ascension Healthcare, sold certain assets, liabilities and related operations, excluding certain non-acute entities, in Tucson, Arizona to CHN Holdings, LLC, a joint venture in which Ascension holds a noncontrolling interest.

3. Organizational Changes (continued)

- On September 28, 2016, Our Lady of Lourdes Hospital at Pasco in Pasco, Washington, d/b/a Lourdes Health Network (Lourdes Health), a wholly owned subsidiary of Ascension Healthcare, and Capella Healthcare, Inc. (a predecessor corporation of RCCH HealthCare Partners) (RCCH) entered into an asset purchase agreement, whereby RCCH will purchase substantially all assets and assume certain liabilities associated with the operations of Lourdes Health. Assets and liabilities of Lourdes Health's foundation will remain with Ascension Healthcare. The sale is expected to close in fiscal year 2018, after obtaining all necessary regulatory approvals.

- On September 28, 2016, St. Joseph Regional Medical Center, Inc. in Lewiston, Idaho (St. Joseph Regional), a wholly owned subsidiary of Ascension Healthcare, and Capella Healthcare, Inc. (a predecessor corporation of RCCH HealthCare Partners) (RCCH) entered into an asset purchase agreement, whereby RCCH will purchase substantially all assets and assume certain liabilities associated with the operations of St. Joseph Regional. Assets and liabilities of St. Joseph Regional's foundation will remain with Ascension Healthcare. The sale was completed on May 1, 2017 (see Note 2).

Assets and liabilities associated with the aforementioned transactions were held for sale and qualified for discontinued operations as of March 31, 2017 and June 30, 2016, and are included in other current assets and other current liabilities, respectively, in the System's Consolidated Balance Sheets. Assets held for sale were $141,350 and $144,490 at March 31, 2017 and June 30, 2016, respectively, while liabilities held for sale were $31,896 and $30,552 at March 31, 2017 and June 30, 2016, respectively. Net income of the entities is included in the loss from discontinued operations in the Consolidated Statements of Operations and Changes in Net Assets and was $3,374 for the nine months ended March 31, 2017. Net losses of the entities are included in the (loss) gain from discontinued operations in the Consolidated Statements of Operations and Changes in Net Assets and was $17,602 for the nine months ended March 31, 2016. Revenues of the entities were $216,895 and $284,711 for the nine months ended March 31, 2017 and 2016, respectively.

3. Organizational Changes (continued)

Assets Held for Sale

On March 31, 2017, St. Joseph's Hospital of Marshfield, Inc. in Marshfield, Wisconsin (SJHM), a subsidiary of Ministry Health Care (Ministry), entered into an asset purchase agreement with MCHS Hospitals Inc. (Marshfield Clinic) whereby Marshfield Clinic will purchase substantially all the assets and assume certain liabilities associated with SJHM. Ministry is a subsidiary of Ascension Healthcare. The sale is expected to close in fiscal year 2017 after obtaining all necessary regulatory approvals.

Assets and liabilities associated with the aforementioned transaction are designated as assets and liabilities held for sale, and included in other current assets and other current liabilities, respectively, in the System's Consolidated Balance Sheets. Assets held for sale were $160,766 and $161,058 at March 31, 2017 and June 30, 2016, respectively. Liabilities held for sale were $13,414 and $11,760 at March 31, 2017 and June 30, 2016, respectively. Net income of SJHM is included in the excess of revenues and gains over expenses and losses in the Consolidated Statements of Operations and Changes in Net Assets and is $28,309 and $19,472 for the nine months ended March 31, 2017 and 2016, respectively. Revenues of SJHM total $229,888 and $250,028 for the nine months ended March 31, 2017 and 2016, respectively.

Other

In May 2016, Ascension sold primarily all of the assets, liabilities and operations of its Medxcel, Inc. business to TMX Holdings, LLLP (TMX), a partnership in which Ascension maintains an approximate 50% interest. As a result of the transaction, Ascension recognized a gain, which is included in other operating revenue in the Consolidated Statements of Operations and Changes in Net Assets for the year ended June 30, 2016, and the interest in TMX was recorded at its initial fair value. Subsequent to the transaction, Ascension is accounting for its interest in TMX under the equity method of accounting. During the nine months ended March 31, 2017, certain attributes of the sale were finalized resulting in an additional gain.

4. Pooled Investment Fund

At March 31, 2017 and June 30, 2016, a significant portion of the System's investments consists of the System's interest in the Alpha Fund, a limited liability company organized in the state of Delaware. Certain System investments, including some held by the Ministry Markets and their consolidated foundations, are managed outside of the Alpha Fund.

The Alpha Fund includes the investment interests of the System and other Alpha Fund members. AIM, a wholly owned subsidiary of the System, serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management. The Alpha Fund is consolidated in the System's financial statements. The portion of the Alpha Fund's net assets representing interests held by entities other than the System are reflected in noncontrolling interests in the Consolidated Balance Sheets, which amount to $1,558,274 and $1,256,666 at March 31, 2017 and June 30, 2016, respectively.

The Alpha Fund's investments in certain alternative investment funds also include contractual commitments to provide capital contributions during the investment period, which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require the Alpha Fund to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of March 31, 2017, contractual agreements of the Alpha Fund expire between April 2017 and January 2022. The remaining unfunded capital commitments of the Alpha Fund total approximately $1,716,000 for 155 individual funds as of March 31, 2017. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

4. Pooled Investment Fund (continued)

In the normal course of operations and within established Alpha Fund guidelines, the Alpha Fund may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, options, and forward contracts as well as warrants and swaps. These instruments are used primarily to adjust the portfolio duration, restructure term structure exposure, change sector exposure, and arbitrage market inefficiencies. See the Fair Value Measurements note for a discussion of how fair value for the Alpha Fund's derivatives is determined.

At March 31, 2017 and June 30, 2016, the notional value of Alpha Fund derivatives outstanding was approximately $5,644,000 and $4,540,000, respectively. The fair value of Alpha Fund derivatives in an asset position was $48,099 and $34,713 at March 31, 2017 and June 30, 2016, respectively, while the fair value of Alpha Fund derivatives in a liability position was $32,717 and $31,677 at March 31, 2017 and June 30, 2016, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets at March 31, 2017 and June 30, 2016.

Due from brokers and due to brokers on the Consolidated Balance Sheets at March 31, 2017 and June 30, 2016, represent the Alpha Fund's positions and amounts due from or to various brokers, primarily for security transactions not yet settled, and cash held by brokers for securities sold, not yet purchased.

(Dollars in Thousands)

5. Cash and Investments

The System's cash and investments are reported in the Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes both the System's membership interest in the Alpha Fund and the noncontrolling interests held by other Alpha Fund members. System unrestricted cash and investments, net, represent the System's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

	March 31, 2017	**June 30, 2016**
	(unaudited)	
Cash and cash equivalents	**$ 571,344**	$ 696,237
Short-term investments	**104,215**	122,545
Long-term investments	**16,702,122**	15,069,123
Subtotal	**17,377,681**	15,887,905
Other Alpha Fund assets and liabilities:		
In other current assets	**62,862**	27,768
In other long-term assets	**2,215**	2,335
In accounts payable and other accrued liabilities	**(9,672)**	(9,312)
In other current liabilities	**(48)**	-
In other noncurrent liabilities	**(965)**	(4,569)
Due (to) from brokers, net	**(268,796)**	208,057
Total cash and investments, net	**17,163,277**	16,112,184
Less noncontrolling interests of Alpha Fund	**1,558,274**	1,256,666
System cash and investments, including assets limited as to use	**15,605,003**	14,855,518
Less assets limited as to use:		
Under bond indenture agreement	**15,008**	20,002
Self-insurance trust funds	**651,142**	676,375
Temporarily or permanently restricted	**645,846**	595,761
Total assets limited as to use	**1,311,996**	1,292,138
System unrestricted cash and investments, net	**$ 14,293,007**	$ 13,563,380

(Dollars in Thousands)

5. Cash and Investments (continued)

At March 31, 2017 and June 30, 2016, the composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows.

	March 31, 2017	June 30, 2016
Cash and cash equivalents and short-term investments	**$ 862,136**	$ 935,026
Pooled short-term investment funds	**958,733**	471,099
U.S. government, state, municipal and agency obligations	**2,866,526**	3,064,411
Corporate and foreign fixed income securities	**2,220,642**	1,728,149
Asset-backed securities	**934,664**	771,971
Equity securities	**4,054,980**	2,996,662
Alternative investments and other investments:		
Private equity and real estate funds	**1,774,637**	1,648,545
Hedge funds	**2,095,374**	2,677,275
Commodities funds and other investments	**1,609,989**	1,594,767
Total alternative investments and other investments	**5,480,000**	5,920,587
Total cash and cash equivalents, short-term investments, and long-term investments	**$ 17,377,681**	$ 15,887,905

As of March 31, 2017 and June 30, 2016, the System's membership interest in the Alpha Fund totaled $13,282,105 and $11,861,266, respectively. As of March 31, 2017 and June 30, 2016, the noncontrolling interest (see Note 4) in the Alpha Fund, representing interests held by entities other than the System, totaled $1,558,274 and $1,256,666, respectively.

Investment return recognized by the System for the nine months ended March 31, 2017 and 2016, is summarized in the following table. Total investment return includes the System's return on certain investments held and managed outside the Alpha Fund and the investment return of the Alpha Fund. System investment return represents the System's total investment return, net of the investment return earned by the noncontrolling interests of other Alpha Fund members.

(Dollars in Thousands)

5. Cash and Investments (continued)

	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Interest and dividends	**$ 164,155**	$ 151,561
Net gains (losses) on investments reported at fair value	**837,816**	(869,667)
Restricted investment return and unrealized gains (losses), net	**26,386**	(12,517)
Total investment return	**1,028,357**	(730,623)
Less return earned by noncontrolling interests of Alpha Fund	**97,765**	(80,935)
System investment return	**$ 930,592**	$ (649,688)

6. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

6. Fair Value Measurements (continued)

The System measures the fair value of assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurement*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date. Assets and liabilities reported at fair value are classified and disclosed in one of the following four categories:

Level 1 **–** Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date.

Level 2 **–** Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar assets and liabilities in active markets or exchanges or prices quoted for identical or similar assets and liabilities in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 **–** Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

Net Asset Value – Values are based on the calculated net asset value. The calculated net asset values for underlying investments are fair value estimates determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector factors.

There were no significant transfers between Levels 1 and 2 during the nine months ended March 31, 2017 and 2016.

As of March 31, 2017 and June 30, 2016, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

6. Fair Value Measurements (continued)

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates. Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value.

Pooled Short-term Investment Fund

The pooled short-term investment fund is a short term exchange traded money market fund primarily invested in treasury securities.

U S. Government, State, Municipal, and Agency Obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, and issuer spreads.

Corporate and Foreign Fixed Income Securities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Asset-backed Securities

The fair value of U.S. agency, mortgage, and other asset-backed securities is primarily determined using techniques consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and observable broker/dealer quotes.

6. Fair Value Measurements (continued)

Equity Securities

The fair value of investments in U.S. and international equity securities is primarily determined using techniques consistent with the market and income approaches. The values for underlying investments are fair value estimates determined by external fund managers based on quoted market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

Alternative Investments and Other Investments

Alternative investments consist of private equity, hedge funds, private equity funds, commodity funds, and real estate partnerships. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

The fair value of hedge funds, private equity funds, commodity funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Other investments include derivative assets and derivative liabilities of the Alpha Fund, whose fair value is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

6. Fair Value Measurements (continued)

Benefit Plan Assets

The fair value of benefit plan assets is based on original investment into a guaranteed pooled fund, plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

Interest Rate Swap Assets and Liabilities

The fair value of interest rate swaps is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Investments Sold, Not Yet Purchased

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at March 31, 2017, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
March 31, 2017				
Cash equivalents	$ 18,648	$ 660	$ -	$ 19,308
Short-term investments	106,072	97,465	330	203,867
Pooled short-term investment funds	958,733	-	-	958,733
U.S. government, state, municipal and agency obligations	-	2,866,526	-	2,866,526
Corporate and foreign fixed income securities	-	2,078,363	38,535	2,116,898
Asset-backed securities	-	813,264	121,400	934,664
Equity securities	3,623,237	165,179	5,168	3,793,584
Alternative investments and other investments:				
Private equity and real estate funds	1,843	2,400	209,152	213,395
Commodities funds and other investments	23,095	11,876	4,628	39,599
Assets at net asset value:				
Corporate and foreign fixed income securities				103,744
Equity securities				261,396
Private equity and real estate funds				1,561,242
Hedge funds				2,095,374
Commodities funds and other investments				1,485,298
Cash and other assets not at fair value				724,053
Cash and investments				$ 17,377,681
Benefit plan assets, in other noncurrent assets	$ 308,115	$ 46,697	$ 52,919	$ 407,731
Interest rate swaps, in other noncurrent assets	-	441	-	441
Investments sold, not yet purchased, in other noncurrent liabilities	62	903	-	965
Interest rate swaps, included in other noncurrent liabilities	-	156,919	-	156,919

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the three months ended March 31, 2017, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following.

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Three Months Ended March 31, 2017							
Beginning balance	**$ 3,585**	**$ 40,957**	**$ 109,537**	**$ 3,821**	**$ 198,017**	**$ 4,717**	**$ 56,139**
Total realized and unrealized gains (losses):							
Included in nonoperating gains (losses)	**21**	**2,096**	**4,261**	**292**	**6,792**	**66**	**-**
Purchases	**-**	**11,910**	**47,151**	**682**	**4,923**	**-**	**16,026**
Sales	**-**	**(7,848)**	**(31,945)**	**(54)**	**(580)**	**-**	**(19,585)**
Transfers into Level 3	**-**	**2,327**	**2,000**	**464**	**-**	**-**	**3,522**
Transfers out of Level 3	**(3,276)**	**(10,907)**	**(9,604)**	**(37)**	**-**	**(155)**	**(3,183)**
Ending balance	**$ 330**	**$ 38,535**	**$ 121,400**	**$ 5,168**	**$ 209,152**	**$ 4,628**	**$ 52,919**
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2017	**$ -**	**$ 1,953**	**$ 3,046**	**$ 427**	**$ 300**	**$ -**	**$ -**

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the nine months ended March 31, 2017, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following.

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Nine Months Ended March 31, 2017							
Beginning balance	**$ 287**	**$ 29,545**	**$ 142,831**	**$ 3,759**	**$ 197,886**	**$ 4,464**	**$ 56,070**
Total realized and unrealized gains (losses):							
Included in income from operations	**-**	**-**	**-**	**-**	**-**	**31**	**-**
Included in nonoperating gains (losses)	**43**	**3,284**	**8,520**	**459**	**(4,623)**	**141**	**-**
Purchases	**-**	**17,618**	**72,718**	**1,349**	**34,901**	**-**	**18,458**
Issuances	**-**	**-**	**-**	**-**	**780**	**-**	**-**
Sales	**-**	**(6,818)**	**(67,599)**	**(297)**	**(19,836)**	**-**	**(20,347)**
Transfers into Level 3	**-**	**4,949**	**-**	**277**	**44**	**147**	**7,512**
Transfers out of Level 3	**-**	**(10,043)**	**(35,070)**	**(379)**	**-**	**(155)**	**(8,774)**
Ending balance	**$ 330**	**$ 38,535**	**$ 121,400**	**$ 5,168**	**$ 209,152**	**$ 4,628**	**$ 52,919**
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2017	**$ -**	**$ 2,836**	**$ 4,558**	**$ 921**	**$ 600**	**$ -**	**$ -**

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2016, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
June 30, 2016				
Cash equivalents	$ 497,847	$ 12,173	$ -	$ 510,020
Short-term investments	46,750	20,291	287	67,328
Pooled short-term investment funds	471,099	-	-	471,099
U.S. government, state, municipal and agency obligations	-	3,064,411	-	3,064,411
Corporate and foreign fixed income securities	-	1,604,725	29,545	1,634,270
Asset-backed securities	-	629,140	142,831	771,971
Equity securities	2,671,500	130,930	3,759	2,806,189
Alternative investments and other investments:				
Private equity and real estate funds	1,409	2,400	197,886	201,695
Commodities funds and other investments	13,420	5,183	4,464	23,067
Assets at net asset value:				
Corporate and foreign fixed income securities				93,879
Equity securities				190,473
Private equity and real estate funds				1,446,850
Hedge funds				2,677,275
Commodities funds and other investments				1,454,136
Cash and other assets not at fair value				475,242
Cash and investments				$ 15,887,905
Benefit plan assets, in other noncurrent assets	$ 300,726	$ 33,055	$ 56,070	$ 389,851
Interest rate swaps, in other noncurrent assets	-	10,713	-	10,713
Investments sold, not yet purchased, in other noncurrent liabilities	-	4,569	-	4,569
Interest rate swaps, included in other noncurrent liabilities	-	236,702	-	236,702

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the three months ended March 31, 2016, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following.

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Three Months Ended March 31, 2016							
Beginning balance	$ 289	$ 25,777	$ 84,412	$ 1,328	$ 167,490	$ 5,884	$ 36,903
Total realized and unrealized gains (losses):							
Included in income from operations	-	(2)	-	-	-	(35)	-
Included in nonoperating gains (losses)	(1)	(1,637)	(2,386)	379	2,661	(27,467)	(3)
Included in changes in net assets	-	-	-	-	-	3	-
Purchases	-	2,610	19,034	237	9,552	20,081	6,458
Sales	-	(1,956)	(13,660)	(749)	(887)	-	(12,069)
Transfers into Level 3	-	-	-	-	-	-	14,743
Transfers out of Level 3	-	-	-	-	-	-	(1,552)
Ending balance	$ 288	$ 24,792	$ 87,400	$ 1,195	$ 178,816	$ (1,534)	$ 44,480
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2016	$ -	$ (1,823)	$ (3,022)	$ -	$ (1,908)	$ (5,969)	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the nine months ended March 31, 2016, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following.

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Nine Months Ended March 31, 2016							
Beginning balance	$ 301	$ 26,599	$ 89,364	$ 2,198	$ 187,338	$ (4,245)	$ 35,256
Total realized and unrealized gains (losses):							
Included in income from operations	-	-	-	-	-	(22)	-
Included in nonoperating gains (losses)	(13)	(2,933)	(3,932)	(396)	3,768	(130,805)	(3)
Included in changes in net assets	-	-	-	-	-	(46)	-
Purchases	-	9,731	38,328	237	43,415	135,496	6,898
Sales	-	(4,042)	(35,026)	(844)	(54,535)	-	(9,869)
Transfers into Level 3	-	708	820	-	-	-	18,158
Transfers out of Level 3	-	(5,271)	(2,154)	-	(1,170)	(1,912)	(5,960)
Ending balance	$ 288	$ 24,792	$ 87,400	$ 1,195	$ 178,816	$ (1,534)	$ 44,480
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2016	$ -	$ (1,579)	$ (4,951)	$ -	$ 1,971	$ (6,093)	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

7. Derivative Instruments

The System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. Interest rate swaps with varying characteristics are outstanding under the Master Trust Indentures of the System and St. John Health. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At March 31, 2017 and June 30, 2016, the notional values of outstanding interest rate swaps were as follows:

	March 31, 2017	June 30, 2016
Ascension Health Alliance MTI	**$ 1,146,600**	$ 2,146,107
St. John Health System MTI	**100,000**	100,000
Total	**$ 1,246,600**	$ 2,246,107

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate. The respective fair values of interest rate swaps in an asset and liability position for the System and St. John Health were as follows:

	March 31, 2017		June 30, 2016	
	Asset	Liability	Asset	Liability
Ascension Health Alliance MTI	**$ 441**	**$ 156,268**	$ 10,713	$ 236,367
St. John Health System MTI	**-**	**651**	-	335
Total	**$ 441**	**$ 156,919**	$ 10,713	$ 236,702

7. Derivative Instruments (continued)

The System's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria, subject to master netting arrangements. Collateral requirements are separately calculated for the System and St. John Health based on the credit ratings of each. In the case of the System, the applicable credit rating is the Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies. Credit rating and the net liability position of total interest rate swap agreements outstanding with each counterparty determine the amount of collateral to be posted. No collateral was posted at March 31, 2017 and June 30, 2016.

The System does not account for any of its interest rate swaps as hedges, and accordingly, all changes in the fair value of interest rate swaps are recognized in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets. The System does not offset fair value amounts recognized for derivative instruments.

8. Retirement Plans

Defined-Benefit Plans

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans. Benefits are based on each participant's years of service and compensation. All of the System Plans' assets are invested in Trusts, which include the Master Pension Trust (the Trust) and other trusts (the Other Trusts). The System Plans' assets primarily consist of short-term investments, equity, fixed income, and alternative investments, consisting of various hedge funds, real estate funds, private equity funds, commodity funds, private credit funds, and certain other private funds. Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term. During these contractual periods, investment managers may require the System Plans to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded.

(Dollars in Thousands)

8. Retirement Plans (continued)

Most System defined benefit plans were frozen effective March 31, 2012. Four of the System Plans remain ongoing with $21,115 of service cost recognized during the nine months ended March 31, 2017. During the nine months ended March 31, 2017, the System froze a defined benefit plan which resulted in the recognition of a curtailment gain of $40,000, of which $39,835 was recognized in total impairment, restructuring, and nonrecurring losses as discussed in Note 2.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities. In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so.

The following table provides the components of net periodic benefit costs for the System plans:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	**2016**	**2017**	**2016**
Components of net periodic benefit cost				
Service cost	**$ 7,058**	$ 6,971	**$ 21,115**	$ 15,910
Interest cost	**85,689**	87,375	**256,650**	257,143
Expected return on plan assets	**(169,882)**	(154,096)	**(511,813)**	(456,431)
Amortization of prior service credit	**(710)**	(778)	**(2,131)**	(2,362)
Amortization of actuarial loss	**15,192**	8,743	**45,577**	26,200
Curtailment gain	**-**	-	**(40,000)**	(449)
Net periodic benefit cost	**$ (62,653)**	$ (51,785)	**$ (230,602)**	$ (159,989)

(Dollars in Thousands)

9. Contingencies and Commitments

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. Regulatory investigations also occur from time to time. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the System's Consolidated Balance Sheet.

The System enters into agreements with non-employed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The carrying amounts of the liability for the System's obligation under these guarantees were $14,404 and $21,152 at March 31, 2017 and June 30, 2016, respectively, and are included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheets. The maximum amount of future payments that the System could be required to make under these guarantees is approximately $53,671.

The System entered into Master Service Agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately $148,800.

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 25 years. The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Groups at March 31, 2017:

Hospital de la Concepción 2000 Series A debt guarantee	$	26,025
St. Vincent de Paul Series 2000 A debt guarantee		28,300
Other guarantees and commitments		27,092

Supplementary Information

Ascension

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs (unaudited)

(Dollars in Thousands)

Nine Months Ended March 31, 2017 and 2016

The net cost of providing care to persons living in poverty and other community benefit programs is as follows:

	Nine Months Ended March 31,	
	2017	**2016 ***
Traditional charity care provided	**$ 400,496**	$ 325,517
Unpaid cost of public programs for persons living in poverty	**526,630**	512,354
Other programs for persons living in poverty and other vulnerable persons	**105,662**	122,524
Community benefit programs	**259,456**	257,543
Care of persons living in poverty and other community benefit programs	**$ 1,292,244**	$ 1,217,938

* Restated

Ascension

Credit Group[1] Financial Statements
Consolidated Balance Sheets
(Dollars in Thousands)

	March 31, 2017 (unaudited)	June 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 555,735**	$ 676,338
Short-term investments	**104,215**	120,139
Accounts receivable, less allowance for doubtful accounts ($1,194,712 and $1,203,752 at March 31, 2017 and June 30, 2016, respectively)	**2,528,191**	2,457,775
Inventories	**318,401**	313,373
Due from brokers	**157,196**	313,717
Estimated third-party payor settlements	**154,232**	180,655
Other	**1,055,003**	1,047,280
Total current assets	**4,872,973**	5,109,277
Long-term investments	**16,629,051**	14,995,607
Property and equipment, net	**7,836,091**	7,713,956
Other assets:		
Investment in unconsolidated entities	**1,042,087**	959,823
Capitalized software costs, net	**830,374**	874,921
Due from affiliates	**419,680**	445,066
Other	**837,180**	833,765
Total other assets	**3,129,321**	3,113,575
Total assets	**$ 32,467,436**	$ 30,932,415

Continued on next page.

[1] The Credit Group Financial Statements are comprised of the System (see Note 1) excluding certain assets, liabilities and net assets of Alexian Brothers Health System (Alexian Brothers) and St. John Health System, Inc. (St. John). The Credit Group Financial Statements also include the System's noncontrolling interest (see Note 2) of the Alpha Fund (see Notes 4 and 5), which represents $1,558,274, or approximately 10.1%, and $1,256,666, or approximately 8.8%, of the Alpha Fund's net assets as of March 31, 2017 and June 30, 2016, respectively. See Note 5 for further discussion of noncontrolling interests of the Alpha Fund.

Ascension

Credit Group[1] Financial Statements
Consolidated Balance Sheets (continued)
(Dollars in Thousands)

	March 31, 2017 (unaudited)	June 30, 2016
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 76,210**	$ 74,088
Long-term debt subject to short-term remarketing arrangements	**887,205**	1,666,245
Accounts payable and accrued liabilities	**2,290,469**	2,321,853
Estimated third-party payor settlements	**334,580**	403,974
Due to brokers	**425,992**	105,660
Current portion of self-insurance liabilities	**217,910**	208,023
Other	**247,852**	244,790
Total current liabilities	**4,480,218**	5,024,633
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**5,579,157**	4,910,997
Self-insurance liabilities	**489,929**	483,404
Pension and other postretirement liabilities	**983,967**	1,211,038
Other [2]	**1,557,447**	1,896,020
Total noncurrent liabilities	**8,610,500**	8,501,459
Total liabilities	**13,090,718**	13,526,092
Net assets:		
Unrestricted		
Controlling interest	**17,001,193**	15,348,952
Noncontrolling interests [3]	**1,741,445**	1,430,052
Unrestricted net assets	**18,742,638**	16,779,004
Temporarily restricted	**438,792**	440,555
Permanently restricted	**195,288**	186,764
Total net assets	**19,376,718**	17,406,323
Total liabilities and net assets	**$ 32,467,436**	$ 30,932,415

[2] Includes $481,231 at March 31, 2017 representing the amounts due to Alexian Brothers and St. John from Ascension attributable to interests in investments held by Ascension and $735,440 at June 30, 2016 representing the amounts due to Alexian Brothers and St. John from Ascension attributable to interests in investments held by Ascension.

[3] Includes $1,558,274 and $1,256,666 at March, 2017 and June 30, 2016, respectively, attributable to the Alpha Fund (see Notes 4 and 5).

Ascension

Credit Group[1] Financial Statements
Consolidated Statement of Operations and Changes in Net Assets (unaudited)
(Dollars in Thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	**2016**	**2017**	**2016**
Operating revenue:				
Net patient service revenue	**$5,070,814**	$ 4,774,704	**$15,169,605**	$ 14,039,431
Less provision for doubtful accounts	**237,619**	258,980	**762,546**	761,908
Net patient service revenue, less provision for doubtful accounts	**4,833,195**	4,515,724	**14,407,059**	13,277,523
Other revenue	**404,044**	395,412	**1,292,060**	1,205,655
Total operating revenue	**5,237,239**	4,911,136	**15,699,119**	14,483,178
Operating expenses:				
Salaries and wages	**2,113,112**	2,066,174	**6,363,970**	5,982,413
Employee benefits	**402,323**	404,988	**1,301,520**	1,199,817
Purchased services	**459,912**	328,193	**1,266,188**	935,051
Professional fees	**297,469**	320,773	**922,077**	937,803
Supplies	**742,869**	688,682	**2,215,994**	2,044,229
Insurance	**33,841**	35,852	**143,341**	141,135
Interest	**50,123**	39,801	**152,126**	124,970
Depreciation and amortization	**240,140**	232,969	**729,122**	676,328
Other	**619,250**	621,020	**1,940,794**	1,878,844
Total operating expenses before impairment, restructuring and nonrecurring losses, net	**4,959,039**	4,738,452	**15,035,132**	13,920,590
Income from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring losses, net	**278,200**	172,684	**663,987**	562,588
Self-insurance trust fund investment return	**15,828**	1,843	**31,069**	(32,911)
Impairment, restructuring and nonrecurring losses, net	**(44,812)**	(42,165)	**(90,605)**	(111,009)
Income from operations	**249,216**	132,362	**604,451**	418,668
Nonoperating gains (losses):				
Investment return [4]	**504,724**	74,554	**937,540**	(634,780)
Loss on extinguishment of debt	**-**	-	**(580)**	(33)
Gains (losses) on interest rate swaps	**543**	(33,033)	**55,429**	(54,272)
Income (loss) from unconsolidated entities	**2,458**	(8,876)	**4,191**	(39,002)
Contributions from business combinations	**-**	162,918	**-**	304,493
Other	**(33,462)**	(9,475)	**(116,453)**	(40,489)
Total nonoperating gains (losses), net	**474,263**	186,088	**880,127**	(464,083)
Excess of revenues and gains over expenses and losses	**723,479**	318,450	**1,484,578**	(45,415)
Less noncontrolling interests	**70,520**	17,188	**156,038**	(32,030)
Excess of revenues and gains over expenses and losses attributable to controlling interest	**652,959**	301,262	**1,328,540**	(13,385)

Continued on next page.

[4] Includes the investment return of $473,915 and $33,304 for the three months ended March 31, 2017 and 2016, respectively, and $920,654 and ($732,569) for the nine months ended March 31, 2017 and 2016, respectively, attributable to the Alpha Fund. Of the Alpha Fund's investment return, $53,202 and $1,824 for the three months ended March 31, 2017 and 2016, respectively, and $97,765 and ($80,935) for the nine months ended March 31, 2017 and 2016, respectively, is included in the noncontrolling interests.

Ascension

Credit Group[1] Financial Statements
Consolidated Statement of Operations and Changes in Net Assets (unaudited) (continued)

(Dollars in Thousands)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Unrestricted net assets, controlling interest:				
Excess of revenues and gains over expenses and losses	**$ 652,959**	$ 301,262	**$ 1,328,540**	$ (13,385)
Transfers from (to) sponsors and other affiliates, net	**17,971**	(41,724)	**35,778**	(32,218)
Net assets released from restrictions for property acquisitions	**9,297**	8,707	**68,634**	25,636
Pension and other postretirement liability adjustments	**14,589**	7,930	**3,402**	23,273
Change in unconsolidated entities' net assets	**4,223**	(6,925)	**5,580**	(11,190)
Addition to Credit Group [6]	**-**	-	**203,610**	1,198,250
Other	**1,729**	(4,084)	**4,049**	(4,150)
Increase in unrestricted net assets, controlling interest, before (loss) income from discontinued operations	**700,768**	265,166	**1,649,593**	1,186,216
(Loss) income from discontinued operations	**(1,198)**	(936)	**2,648**	(18,331)
Increase in unrestricted net assets, controlling interest	**699,570**	264,230	**1,652,241**	1,167,885
Unrestricted net assets, noncontrolling interest:				
Excess (deficit) of revenues and gains over expenses and losses	**70,520**	17,188	**156,038**	(32,030)
Distributions of capital	**(41,448)**	(49,991)	**(111,542)**	(115,248)
Contributions of capital	**52,412**	13,484	**266,662**	69,092
Membership interest changes, net	**-**	-	**210**	-
Addition to Credit Group [6]	**-**	-	**-**	2,578
Other	**(58)**	728	**25**	(1,623)
Increase (decrease) in unrestricted net assets, noncontrolling interest [5]	**81,426**	(18,591)	**311,393**	(77,231)
Temporarily restricted net assets, controlling interest:				
Contributions and grants	**19,345**	18,912	**73,962**	65,032
Investment return	**10,709**	(2,445)	**19,432**	(10,577)
Net assets released from restrictions	**(17,455)**	(15,342)	**(94,916)**	(50,493)
Contributions from business combinations	**-**	6,753	**-**	6,753
Addition to Credit Group [6]	**-**	-	**2,150**	20,782
Other	**741**	(2,505)	**(2,391)**	(11,579)
Increase (decrease) in temporarily restricted net assets, controlling interest	**13,340**	5,373	**(1,763)**	19,918
Permanently restricted net assets, controlling interest:				
Contributions	**1,294**	487	**2,632**	2,146
Investment return	**2,845**	(126)	**5,301**	(2,136)
Contributions from business combinations	**-**	18,278	**-**	18,278
Addition to Credit Group [6]	**-**	-	**507**	56,924
Other	**(111)**	(146)	**84**	(1,021)
Increase in permanently restricted net assets, controlling interest	**4,028**	18,493	**8,524**	74,191
Increase in net assets	**798,364**	269,505	**1,970,395**	1,184,763
Net assets, beginning of period	**18,578,354**	17,386,099	**17,406,323**	16,470,841
Net assets, end of period	**$19,376,718**	$ 17,655,604	**$19,376,718**	$ 17,655,604

[5] Includes net contributions of $30,757, comprised of distributions of $18,210 and contributions of $48,967 for the three months ended March 31, 2017 and net distributions of $15,201, comprised of distributions of $28,214 and contributions of $13,013 for the three months ended March 31, 2016, attributable to the Alpha Fund. Also includes net contributions of $203,842, comprised of distributions of $48,952 and contributions of $252,794 for the nine months ended March 31, 2017 and net distributions of $2,111, comprised of distributions of $49,379 and contributions of $47,268 for the nine months ended March 31, 2016, attributable to the Alpha Fund.

[6] While not added to the Ascension Credit Group, the senior care facilities previously affiliated with Alexian Brothers are included in the presentation of Credit Group (as immaterial affiliates) during fiscal year 2017, and the financial results for these senior care facilities for fiscal year 2017 are included in the Credit Group Consolidated Statements of Operations and Changes in Net Assets as if the change had occurred as of July 1, 2016. Ministry Health Care, Inc. became a member of the Credit Group during fiscal year 2016, and the financial results for fiscal year 2016 are included in the Credit Group Consolidated Statement of Operations and Changes in Net Assets as if the change had occurred as of July 1, 2015.

Ascension

Schedule of Credit Group[1] Cash and Investments

(Dollars in Thousands)

The Credit Group's cash and investments at March 31, 2017 and June 30, 2016, are presented in the table that follows. Total cash and investments, net, includes both the Credit Group's membership interest in the Alpha Fund as well as the noncontrolling interests held by other Alpha Fund members. Credit Group unrestricted cash and investments, net, represent the Credit Group's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

	March 31, 2017	**June 30, 2016**
	(unaudited)	
Cash and cash equivalents	**$ 555,735**	$ 676,338
Short-term investments	**104,215**	120,139
Long-term investments	**16,629,051**	14,995,607
Subtotal	**17,289,001**	15,792,084
Other Alpha Fund assets and liabilities:		
In other current assets	**62,862**	27,768
In other long-term assets	**2,215**	2,335
In accounts payable and accrued liabilities	**(9,672)**	(9,312)
In other current liabilities	**(48)**	-
In other noncurrent liabilities	**(965)**	(4,569)
Due (to) from brokers, net	**(268,796)**	208,057
Total cash and investments, net	**17,074,597**	16,016,363
Less noncontrolling interests of Alpha Fund	**1,558,274**	1,256,666
Less interest in investments held by Ascension on behalf of:		
Alexian Brothers	**298,029**	453,093
St. John Health System	**183,202**	282,347
Credit Group cash and investments, net including assets limited as to use	**15,035,092**	14,024,257
Less assets limited as to use:		
Under bond indenture agreements	**2,677**	2,910
Self insurance trust funds	**650,529**	675,762
Temporarily or permanently restricted	**614,521**	566,308
Credit Group unrestricted cash and investments, net	**$ 13,767,365**	$ 12,779,277

Ascension

Schedule of Credit Group Statistical Information (unaudited)

(Dollars in Thousands)

	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Total Available Beds	**21,037**	19,977
Total Patient Days	**3,855,552**	3,441,783
Total Discharges	**535,097**	514,387
Average Length of Stay	**7.21**	6.69
Total Outpatient Visits	**18,874,120**	17,424,102

The percentage of net patient service revenue, less provision for doubtful accounts, earned by payor for the nine months ended March 31, 2017 and 2016, are as follows:

	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Medicare - traditional and managed	**37 %**	37 %
Medicaid - traditional and managed	**13**	12
Commercial and other managed care	**49**	50
Self-Pay and other	**1**	1
	100 %	100 %

Significant concentrations of accounts receivable, less allowance for doubtful accounts, at March 31, 2017 and June 30, 2016, are as follows:

	March 31, 2017	June 30, 2016
Medicare - traditional and managed	**28 %**	27 %
Medicaid - traditional and managed	**11**	9
Commercial and other managed care	**42**	43
Self-Pay and other	**19**	21
	100 %	100 %