Consolidated Financial Statements and Supplementary Information

Ascension Health Alliance
d/b/a Ascension
Years Ended June 30, 2015 and 2014
With Reports of Independent Auditors

Ascension

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2015 and 2014

Contents

Report of Independent Auditors....................1

Consolidated Financial Statements

Consolidated Balance Sheets....................3
Consolidated Statements of Operations and Changes in Net Assets....................5
Consolidated Statements of Cash Flows....................7
Notes to Consolidated Financial Statements....................9

Supplementary Information

Report of Independent Auditors on Supplementary Information....................65
Schedule of Net Cost of Providing Care of Persons
Living in Poverty and Other Community Benefit Programs....................66
Details of Consolidated Balance Sheet – Consolidated Indiana
as of June 30, 2015....................67
Details of Consolidated Statement of Operation and Changes in Net Assets -
Consolidated Indiana for the year ended June 30, 2015....................69

Ernst & Young LLP
The Plaza in Clayton
Suite 1300
190 Carondelet Plaza
St. Louis, MO 63105-3434

Tel: +1 314 290 1000
Fax: +1 314 290 1882
ey.com

Report of Independent Auditors

Board of Directors
Ascension Health Alliance d/b/a Ascension

We have audited the accompanying consolidated financial statements of Ascension Health Alliance d/b/a Ascension, which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations and changes in nets 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 financial statements in conformity 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 financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ascension Health Alliance d/b/a Ascension at June 30, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

September 9, 2015

Ascension

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30, 2015	June 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 688,228**	$ 618,418
Short-term investments	**146,822**	109,081
Accounts receivable, less allowance for doubtful accounts ($1,280,568 and $1,246,031 at June 30, 2015 and 2014, respectively)	**2,520,115**	2,380,683
Inventories	**324,423**	327,448
Due from brokers *(see Notes 4 and 5)*	**148,865**	343,757
Estimated third-party payor settlements	**226,122**	236,559
Other *(see Notes 4 and 5)*	**580,495**	557,188
Total current assets	**4,635,070**	4,573,134
Long-term investments *(see Notes 4 and 5)*	**15,052,196**	15,327,255
Property and equipment, net	**8,273,930**	8,346,722
Other assets:		
Investment in unconsolidated entities	**789,693**	643,185
Capitalized software costs, net	**790,881**	773,414
Other	**1,421,408**	1,635,153
Total other assets	**3,001,982**	3,051,752
Total assets	**$ 30,963,178**	$ 31,298,863

	June 30,	
	2015	**2014**
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 84,985**	$ 91,532
Long-term debt subject to short-term remarketing arrangements*	**1,176,790**	1,345,530
Accounts payable and accrued liabilities	**2,314,922**	2,273,557
Estimated third-party payor settlements	**416,908**	450,054
Due to brokers *(see Notes 4 and 5)*	**192,752**	332,169
Current portion of self-insurance liabilities	**247,356**	226,856
Other *(see Notes 4 and 5)*	**254,208**	274,439
Total current liabilities	**4,687,921**	4,994,137
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**5,010,118**	4,994,913
Self-insurance liabilities	**513,856**	541,859
Pension and other postretirement liabilities	**620,939**	428,679
Other *(see Notes 4 and 5)*	**1,197,716**	1,364,138
Total noncurrent liabilities	**7,342,629**	7,329,589
Total liabilities	**12,030,550**	12,323,726
Net assets:		
Unrestricted		
Controlling interest	**16,749,323**	16,736,190
Noncontrolling interests	**1,572,608**	1,656,106
Unrestricted net assets	**18,321,931**	18,392,296
Temporarily restricted	**417,909**	391,226
Permanently restricted	**192,788**	191,615
Total net assets	**18,932,628**	18,975,137
Total liabilities and net assets	**$ 30,963,178**	$ 31,298,863

*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 June 30, 2016. 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.

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

Ascension

Consolidated Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	Year Ended June 30,	
	2015	**2014**
Operating revenue:		
Net patient service revenue	**$ 19,857,725**	$ 18,942,060
Less provision for doubtful accounts	**1,101,118**	1,263,526
Net patient service revenue, less provision for doubtful accounts	**18,756,607**	17,678,534
Other revenue	**1,782,196**	2,223,123
Total operating revenue	**20,538,803**	19,901,657
Operating expenses:		
Salaries and wages	**8,518,165**	8,104,285
Employee benefits	**1,733,798**	1,724,511
Purchased services	**1,256,530**	1,184,293
Professional fees	**1,268,911**	1,262,182
Supplies	**2,903,487**	2,775,490
Insurance	**158,786**	127,875
Interest	**196,013**	194,616
Depreciation and amortization	**949,477**	891,043
Other	**2,707,929**	2,883,944
Total operating expenses before impairment, restructuring and nonrecurring losses, net	**19,693,096**	19,148,239
Income from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring losses, net	**845,707**	753,418
Self-insurance trust fund investment return	**(15,137)**	66,174
Impairment, restructuring and nonrecurring losses, net	**(134,022)**	(220,881)
Income from operations	**696,548**	598,711
Nonoperating gains (losses):		
Investment return	**36,455**	1,515,819
Loss on extinguishment of debt	**(992)**	(1,605)
Losses on interest rate swaps	**(23,596)**	(6,020)
Income from unconsolidated entities	**5,210**	5,539
Other	**(75,852)**	(62,936)
Total nonoperating (losses) gains, net	**(58,775)**	1,450,797
Excess of revenues and gains over expenses and losses	**637,773**	2,049,508
Less noncontrolling interests	**75,177**	245,893
Excess of revenues and gains over expenses and losses attributable to controlling interest	**562,596**	1,803,615

Continued on next page.

Ascension

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

(Dollars in Thousands)

	Year Ended June 30, 2015	2014
Unrestricted net assets, controlling interest:		
Excess of revenues and gains over expenses and losses	**$ 562,596**	$ 1,803,615
Transfers to sponsors and other affiliates, net	**(14,877)**	(7,961)
Membership interest changes, net	**-**	45,255
Net assets released from restrictions for property acquisitions	**38,008**	62,138
Pension and other postretirement liability adjustments	**(513,220)**	23,990
Change in unconsolidated entities' net assets	**(15,874)**	4,571
Other	**558**	(24,515)
Increase in unrestricted net assets, controlling interest, before loss from discontinued operations	**57,191**	1,907,093
Loss from discontinued operations	**(44,058)**	(157,205)
Increase in unrestricted net assets, controlling interest	**13,133**	1,749,888
Unrestricted net assets, noncontrolling interests:		
Excess of revenues and gains over expenses and losses	**75,177**	245,893
Distributions of capital	**(195,794)**	(531,159)
Contributions of capital	**47,192**	408,362
Membership interest changes, net	**(5,824)**	(52,530)
Other	**(4,249)**	(6,816)
(Decrease) increase in unrestricted net assets, noncontrolling interests	**(83,498)**	63,750
Temporarily restricted net assets, controlling interest:		
Contributions and grants	**117,547**	99,885
Investment return	**6,491**	31,292
Net assets released from restrictions	**(98,959)**	(115,353)
Other	**1,604**	348
Increase in temporarily restricted net assets, controlling interest	**26,683**	16,172
Permanently restricted net assets, controlling interest:		
Contributions	**6,087**	10,405
Investment return	**1,278**	7,942
Other	**(6,192)**	(1,647)
Increase in permanently restricted net assets, controlling interest	**1,173**	16,700
(Decrease) increase in net assets	**(42,509)**	1,846,510
Net assets, beginning of year	**18,975,137**	17,128,627
Net assets, end of year	**$ 18,932,628**	$ 18,975,137

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

Ascension

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended June 30, 2015	2014
Operating activities		
(Decrease) increase in net assets	**$ (42,509)**	$ 1,846,510
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**949,477**	891,043
Amortization of bond premiums	**(22,657)**	(22,497)
Loss on extinguishment of debt	**992**	1,605
Provision for doubtful accounts	**1,105,816**	1,266,132
Pension and other postretirement liability adjustments	**513,220**	(23,990)
Interest, dividends, and net gains on investments	**(29,087)**	(1,621,227)
Change in fair value of interest rate swaps	**21,780**	1,880
Gain on sale of assets, net	**(38,167)**	(25,583)
Impairment and nonrecurring expenses	**27,968**	30,298
Transfers to sponsor and other affiliates, net	**14,877**	7,963
Restricted contributions, investment return, and other	**(129,843)**	(122,232)
Other restricted activity	**(20,087)**	6,362
Other	**(261)**	(69)
(Increase) decrease in:		
Short-term investments	**(43,877)**	4,744
Accounts receivable	**(1,230,601)**	(1,380,308)
Inventories and other current assets	**(57,801)**	440,987
Due from brokers	**194,892**	(165,377)
Investments classified as trading	**104,869**	466,353
Other assets	**(10,958)**	(186,317)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**39,674**	1,401
Estimated third-party payor settlements, net	**(22,753)**	(124,475)
Due to brokers	**(139,417)**	(161,251)
Other current liabilities	**113,973**	(350,979)
Self-insurance liabilities	**(7,409)**	4,894
Other noncurrent liabilities	**(439,412)**	60,951
Net cash provided by continuing operating activities	**852,699**	846,818
Net cash provided by and adjustments to reconcile change in net assets for discontinued operations	**125,230**	104,642
Net cash provided by operating activities	**977,929**	951,460

Continued on next page.

Ascension

Consolidated Statements of Cash Flows (continued)

(Dollars in Thousands)

	Year Ended June 30, 2015	2014
Investing activities		
Property, equipment, and capitalized software additions, net	**$ (918,586)**	$ (1,088,104)
Proceeds from sale of property and equipment	**6,701**	15,594
Net proceeds from sale/acquisition of other assets	**40,516**	–
Net cash used in investing activities	**(871,369)**	(1,072,510)
Financing activities		
Issuance of long-term debt	**$ 753,371**	512,231
Repayment of long-term debt	**(892,782)**	(606,502)
Decrease (increase) in assets under bond indenture agreements	**5,564**	(17,506)
Transfers to sponsors and other affiliates, net	**(32,746)**	(24,542)
Restricted contributions, investment return, and other	**129,843**	122,232
Net cash used in financing activities	**(36,750)**	(14,087)
Net increase (decrease) in cash and cash equivalents	**69,810**	(135,137)
Cash and cash equivalents at beginning of year	**618,418**	753,555
Cash and cash equivalents at end of year	**$ 688,228**	$ 618,418

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, a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Health Ministries, located in 23 states and the District of Columbia.

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

- Alpha Fund
- Ascension Ministry and Mission Fund
- Ascension Care Management
- Ascension Clinical Holdings
- Ascension Global Mission
- Ascension Health
- Ascension Holdings
- Ascension Information Services
- Ascension Investment Management (AIM)
- Ascension Leadership Institute
- Ascension Risk Services
- Ascension Ventures (AV)
- AV Holding Company
- The Resource Group

Ascension and its member organizations are hereafter referred to collectively as the System.

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.

1. Organization and Mission (continued)

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health 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 Health Ministry 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.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines 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.

(Dollars in Thousands)

1. Organization and Mission (continued)

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 $527,386 and $580,606 for the years ended June 30, 2015 and 2014, 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 from unconsolidated entities is included in consolidated excess of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets as follows:

	Year Ended June 30, 2015	2014
Other revenue	**$ 64,792**	$ 83,964
Nonoperating gains, net	**5,210**	5,539

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.

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of 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.

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.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Long-term investments include assets limited as to use of approximately $1,306,000 and $1,431,000, at June 30, 2015 and 2014, 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 average cost method. Investment returns on investments, 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.

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 June 30, 2015 and 2014, is as follows:

	Year Ended June 30,	
	2015	**2014**
Land and improvements	**$ 882,702**	$ 872,450
Buildings and equipment	**15,646,664**	14,825,016
	16,529,366	15,697,466
Less accumulated depreciation	**8,646,863**	7,929,461
	7,882,503	7,768,005
Construction in progress	**391,427**	578,717
Total property and equipment, net	**$ 8,273,930**	$ 8,346,722

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2015 and 2014 was $772,407 and $733,167, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Several capital projects have remaining construction and related equipment purchase commitments of approximately $545,000 as of June 30, 2015.

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. Capitalized software costs in the table below include software in progress of $180,427 and $124,474 at June 30, 2015 and 2014, respectively:

	Year Ended June 30,	
	2015	**2014**
Capitalized software costs	**$ 1,743,423**	$ 1,549,297
Less accumulated amortization	**952,542**	775,883
Capitalized software costs, net	**790,881**	773,414
Goodwill	**206,563**	175,160
Other, net	**37,974**	62,303
Intangible assets included in other assets	**244,537**	237,463
Total intangible assets, net	**$ 1,035,418**	$ 1,010,877

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 in 2015 and 2014 was $177,070 and $157,876, respectively.

2. Significant Accounting Policies (continued)

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 2017. 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 of Symphony were approximately $323,000 and $320,000 at June 30, 2015 and 2014, 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 $87,000 and $55,000 at June 30, 2015 and 2014, respectively. 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.

2. Significant Accounting Policies (continued)

Performance Indicator

The performance indicator is the excess 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 or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, change in unconsolidated entities' net assets, discontinued operations, and contributions received of property and equipment.

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 $100,950 and $93,582 for the years ended June 30, 2015 and 2014, 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 years ended June 30, 2015 and 2014, is as follows:

	Year Ended June 30, 2015	2014
Medicare - traditional and managed	**35 %**	36 %
Medicaid - traditional and managed	**11**	11
Commercial and other managed care	**50**	48
Self-Pay and other	**4**	5
	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 June 30, 2015 and 2014, are as follows:

	Year Ended June 30, 2015	2014
Medicare - traditional and managed	**27 %**	28 %
Medicaid - traditional and managed	**9**	11
Commercial and other managed care	**43**	42
Self-Pay and other	**21**	19
	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.

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.

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 establish a shared service center and 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.

2. Significant Accounting Policies (continued)

During the year ended June 30, 2015, the System recorded total impairment, restructuring, and nonrecurring losses, net of $134,022. This amount was comprised primarily of $100,541 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of $11,304, impairment expenses of $19,208, and other nonrecurring expenses of $2,969.

During the year ended June 30, 2014, the System recorded total impairment, restructuring, and nonrecurring losses, net of $220,881. This amount was comprised primarily of $161,218 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of $25,190, impairment expenses of $23,065, and other nonrecurring expenses of $11,408.

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 June 30, 2015.

At June 30, 2015, the System has deferred tax assets of approximately $354,000 and $326,000 for federal and state income tax purposes primarily related to net operating loss carryforwards for the years ended June 30, 2015 and 2014, respectively. A valuation allowance of approximately $344,000 and $322,000 was recorded due to the uncertainty regarding use of the deferred tax assets for the years ended June 30, 2015 and 2014, respectively.

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 2014 accompanying consolidated financial statements to conform to the 2015 presentation.

Adoption of New Accounting Standards

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU, or Update) No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* The provisions of this Update affect fair value measurement disclosures only. Investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient provisions of ASC 820, *Fair Value Measurement*, are no longer required to be included within the fair value hierarchy leveling tables. Ascension early adopted this guidance as of and for the year ended June 30, 2015 with amendments applied retrospectively to all periods presented. The application of this ASU resulted in updates within both the Fair Value Measurements and Retirement Plans notes for the year ended June 30, 2015.

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 in the consolidated financial statements as of the Consolidated Balance Sheet date. For the year ended June 30, 2015, the System evaluated subsequent events through September 9, 2015, representing the date on which the accompanying audited consolidated financial statements were issued.

2. Significant Accounting Policies (continued)

In July 2015, Ascension Health and Capella Healthcare signed a definitive agreement for Ascension Health to acquire certain assets, liabilities and hospital operations in Tennessee. The acquisition was effective on August 1, 2015.

3. Organizational Changes

Business Combinations

U.S. Health Holdings, Ltd.

Effective December 31, 2014, Ascension Care Management, a member of Ascension, purchased the outstanding stock of U.S. Health Holdings, Ltd., a Michigan based corporation which provides life, accident and health related insurance policies on a group basis, and provides benefits processing, payments and other services.

Mercy Regional Health Center, Inc.

On February 27, 2014, Via Christi Health, Inc. (Via Christi Health), a subsidiary of Ascension Health, became the sole corporate member of Mercy Regional Health Center, Inc. (MRHC) through a membership transfer agreement with Memorial Hospital Association (MHA). Prior to the transaction date, Via Christi Health held a 50% controlling interest in MRHC, which it consolidated, with a noncontrolling interest recognized for the portion of MRHC held by MHA. On the transaction date, Via Christi Health paid cash of approximately $7,300 to MHA in exchange for MHA's 50% interest valued at approximately $52,530, along with contingent consideration, paid in the event of a sale or future change in control of either MRHC or Via Christi Health, or the dissolution of MRHC. As such, this contingent liability had a value of zero at June 30, 2015 and through September 9, 2015, the date of issuance of Ascension's consolidated financial statements. This transaction was accounted for as a $45,255 increase in controlling interest and a corresponding $52,530 decrease in noncontrolling interest in Ascension's Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2014.

3. Organizational Changes (continued)

Divestitures and Discontinued Operations

During the year ended June 30, 2015, 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:

- In August 2014, Ascension Health signed an affiliation agreement with Catholic Health, Inc. (Catholic Health), contemplating Catholic Health becoming the sole corporate member of Mount St. Mary's Hospital in Niagara Falls, New York. This corporate membership substitution became effective on July 1, 2015.

- In February 2015, Carondelet Health, a wholly owned subsidiary of Ascension Health, sold certain assets and liabilities associated with the operations of Carondelet Health, including St. Joseph Medical Center in Kansas City, Missouri and St. Mary's Medical Center in Blue Springs, Missouri to Prime Healthcare Services (Prime). Operations and associated assets and liabilities of Carondelet Health's long-term care facilities and of two charitable foundations remain with Ascension.

- In July 2014, Carondelet Health Network, a subsidiary of Ascension Health, and Tenet HealthSystem Medical, Inc. (Tenet) signed a letter of intent, which contemplated the sale of certain of Ascension's assets, liabilities and related operations, excluding certain non-acute entities, in Tucson, Arizona to a joint venture in which Tenet, Ascension and Dignity Health (Dignity) would have an interest. In June 2015, Ascension Health, Tenet and Dignity formed CHN Holdings, LLC (the joint venture). In July 2015, Ascension, through certain of its wholly owned subsidiaries, and the joint venture, signed a definitive agreement, in which Ascension would retain a noncontrolling interest. Completion of the sale in Arizona occurred on September 1, 2015.

- In June 2015, Ascension entered into two separate non-binding letters of intent with a third party to pursue the potential sale of certain Ascension assets and liabilities and related operations in the states of Washington and Idaho. Completion of these proposed transactions is subject to due diligence and execution of final definitive agreements, including obtaining all necessary regulatory approvals.

3. Organizational Changes (continued)

Assets and liabilities associated with the aforementioned transactions which were intended to be sold as of June 30, 2015 and 2014 are designated as assets and liabilities held for sale, and included within other assets and other liabilities, respectively, in the System's Consolidated Balance Sheets. Assets held for sale were $392,613 and $563,326 at June 30, 2015 and 2014, respectively, while liabilities held for sale were $112,923 and $154,807 at June 30, 2015 and 2014, respectively. Net losses of the entities, which include losses of Carondelet Health through the February 13, 2015 sale date and a $27,293 loss on sale, are included in the loss from discontinued operations in the Consolidated Statements of Operations and Changes in Net Assets and were $52,283 and $130,220 for the years ended June 30, 2015 and 2014, respectively. Revenues of the entities were $1,020,288 and $1,117,109 for the years ended June 30, 2015 and 2014, respectively, which includes revenues of Carondelet Health through the sale date.

In addition to the transactions discussed above, effective November 1, 2014, Ministry Health Care, Inc. (Ministry), a subsidiary of Ascension Health, and Ministry's wholly owned subsidiary, Ministry Holdings, Inc., (MHI), sold a 50% membership interest in MHI to Froedtert Health, Inc. The sale resulted in a loss of control by Ministry over MHI, and as such, Ministry deconsolidated MHI as of that date. The 50% investment in MHI, which was renamed Network Health, Inc. in conjunction with the sale transaction, was reported at its fair value on the November 1, 2014 transaction date, subsequent to which this investment has been accounted for on the equity method. This transaction resulted in the recognition of an approximate $31,600 gain, which is included in the Consolidated Statements of Operations and Changes in Net Assets for the year ended June 30, 2015.

Other

Effective February 1, 2015, Ascension Health and Adventist Health System entered into a joint operating agreement, which provides for an integrated health delivery system in Illinois, known as AMITA Health (AMITA). AMITA includes five hospitals of Alexian Brothers Health System (Alexian) a subsidiary of Ascension Health, and four hospitals of Adventist Midwest Health (Adventist), a subsidiary of Adventist Health System. The creation of AMITA Health did not result in a change in control of the hospitals of Alexian and Adventist. Both parties will share the cash flows generated by AMITA based on an agreed upon split.

3. Organizational Changes (continued)

During the year ended June 30, 2015, Ascension entered into a non-binding letter of intent to evaluate the potential of Crittenton Hospital Medical Center, located in Rochester, Michigan, becoming a member of Ascension Health. In August 2015, Ascension signed a definitive agreement in which completion of this transaction is subject to due diligence and obtaining all necessary approvals.

4. Pooled Investment Fund

At June 30, 2015 and 2014, 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 Health Ministries 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 $1,405,401 and $1,490,082 at June 30, 2015 and 2014, respectively.

The Alpha Fund invests in a diversified portfolio of investments including alternative investments, such as real asset funds, hedge funds, private equity funds, commodity funds, and private credit funds. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 120 days. Due to redemption restrictions, investments in certain of these funds, whose fair value was $1,635,868 at June 30, 2015, cannot currently be redeemed. However, the potential for the Alpha Fund to sell its interest in these funds in a secondary market prior to the end of the fund term does exist.

4. Pooled Investment Fund (continued)

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 June 30, 2015, contractual agreements of the Alpha Fund expire between July 2015 and April 2021. The remaining unfunded capital commitments of the Alpha Fund total approximately $1,488,000 for 118 individual funds as of June 30, 2015. 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.

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 June 30, 2015 and 2014, the notional value of Alpha Fund derivatives outstanding was approximately $3,615,000 and $2,377,000, respectively. The fair value of Alpha Fund derivatives in an asset position was $80,693 and $61,234 at June 30, 2015 and 2014, respectively, while the fair value of Alpha Fund derivatives in a liability position was $36,771 and $3,478 at June 30, 2015 and 2014, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets at June 30, 2015 and 2014.

4. Pooled Investment Fund (continued)

Prior to September 30, 2014, the Alpha Fund participated in a securities lending program, whereby a portion of the Alpha Fund's investments were loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned, usually on a short-term basis. The fair value of collateral held by the Alpha Fund associated with such lending agreements was approximately $3,000 at June 30, 2014 and was included in other current assets in the Consolidated Balance Sheets, while the liability associated with the obligation to repay such collateral was also approximately $3,000 at June 30, 2014 and was included in other current liabilities in the Consolidated Balance Sheets. In addition, the Alpha Fund has liabilities for investments sold not yet purchased, representing obligations of the Alpha Fund to purchase investments in the market at prevailing prices. The fair value of this Alpha Fund liability is approximately $3,000 and $179,000 at June 30, 2015 and 2014, respectively, and is included in other noncurrent liabilities in the Consolidated Balance Sheets. Participation in the securities lending program ceased during the year ended June 30, 2015.

Due from brokers and due to brokers on the Consolidated Balance Sheets at June 30, 2015 and 2014, represent the Alpha Fund's positions and amounts due from or to various brokers, primarily amounts 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.

	June 30, 2015	June 30, 2014
Cash and cash equivalents	**$ 688,228**	$ 618,418
Short-term investments	**146,822**	109,081
Long-term investments	**15,052,196**	15,327,255
Subtotal	**15,887,246**	16,054,754
Other Alpha Fund assets and liabilities:		
In other current assets	**28,356**	30,671
In other long-term assets	**2,491**	2,641
In accounts payable and other accrued liabilities	**(9,035)**	(7,013)
In other current liabilities	**-**	(3,341)
In other noncurrent liabilities	**(3,256)**	(178,732)
Due (to) from brokers, net	**(43,887)**	11,588
Total cash and investments, net	**15,861,915**	15,910,568
Less noncontrolling interests of Alpha Fund	**1,405,401**	1,490,082
System cash and investments, including assets limited as to use	**14,456,514**	14,420,486
Less assets limited as to use:		
Under bond indenture agreement	**38,305**	43,869
Self-insurance trust funds	**713,174**	759,388
Temporarily or permanently restricted	**595,931**	652,244
Total assets limited as to use	**1,347,410**	1,455,501
System unrestricted cash and investments, net	**$ 13,109,104**	$ 12,964,985

(Dollars in Thousands)

5. Cash and Investments (continued)

At June 30, 2015 and 2014, 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.

	June 30, 2015	June 30, 2014
Cash and cash equivalents and short-term investments	**$ 1,355,128**	$ 828,020
Pooled short-term investment funds	**-**	302,436
U.S. government, state, municipal and agency obligations	**2,749,101**	3,301,360
Corporate and foreign fixed income securities	**1,705,427**	1,660,267
Asset-backed securities	**874,440**	978,429
Equity securities	**3,218,447**	3,318,063
Alternative investments and other investments:		
Private equity and real estate funds	**1,437,013**	1,126,914
Hedge funds	**3,030,653**	3,303,800
Commodities funds and other investments	**1,517,037**	1,235,465
Total alternative investments and other investments	**5,984,703**	5,666,179
Total cash and cash equivalents, short-term investments, and long-term investments	**$ 15,887,246**	$ 16,054,754

As of June 30, 2015 and 2014, the System's membership interest in the Alpha Fund totaled $11,974,700 and $12,500,448, respectively. As of June 30, 2015 and 2014, the noncontrolling interest (see Note 4) in the Alpha Fund, representing interests held by entities other than the System, totaled $1,405,401 and $1,490,082, respectively.

Investment return recognized by the System for the years ended June 30, 2015 and 2014, 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)

	Year Ended June 30, 2015	2014
Interest and dividends	**$ 472,992**	$ 558,689
Net (losses) gains on investments reported at fair value	**(451,674)**	1,023,304
Restricted investment return and unrealized gains, net	**7,769**	39,234
Total investment return	**29,087**	1,621,227
Less return earned by noncontrolling interests of Alpha Fund	**(9,563)**	193,400
System investment return	**$ 38,650**	$ 1,427,827

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 follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

> 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.

There were no significant transfers between Levels 1 and 2 during the years ended June 30, 2015 and 2014.

As of June 30, 2015 and 2014, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

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.

6. Fair Value Measurements (continued)

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 to the income approach include data points for benchmark constant maturity curves and 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 and corporate 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 quotes.

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.

6. Fair Value Measurements (continued)

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.

Securities Lending Collateral

The fair value of collateral received under the Alpha Fund's securities lending program is valued using the calculated net asset value for the commingled fund in which the collateral is invested. The underlying investments in the commingled fund are valued using techniques consistent with the market approach, which uses significant observable market inputs such as available trade, quotes, benchmark curves, sector groupings, and matrix pricing.

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 June 30, 2015, 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, 2015				
Cash and cash equivalents	$ 936,244	$ 12,050	$ -	$ 948,294
Short-term investments	63,107	42,523	301	105,931
U.S. government, state, municipal and agency obligations	-	2,749,101	-	2,749,101
Corporate and foreign fixed income securities	-	1,523,567	26,599	1,550,166
Asset-backed securities	-	785,076	89,364	874,440
Equity securities	3,040,776	41,380	2,198	3,084,354
Alternative investments and other investments:				
Private equity and real estate funds	19	5,901	187,338	193,258
Commodities funds and other investments	57,566	55,474	(4,245)	108,795
Assets at net asset value:				
Corporate and foreign fixed income securities				155,261
Equity securities				134,093
Private equity and real estate				1,242,900
Hedge funds				3,030,653
Commodities funds and other investments				1,309,726
Assets not at fair value				400,274
Cash and investments				$ 15,887,246
Benefit plan assets, in other noncurrent assets	$ 323,421	$ 1,243	$ 35,256	$ 359,920
Interest rate swaps, in other noncurrent assets	-	46,495	-	46,495
Investments sold, not yet purchased, in other noncurrent liabilities	151	3,105	-	3,256
Interest rate swaps, included in other noncurrent liabilities	-	188,051	-	188,051

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the year ended June 30, 2015, 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	Commodities Funds and Other Investments	Benefit Plan Assets
Year Ended June 30, 2015							
Beginning balance	**$ 293**	**$ 15,611**	**$ 99,921**	**$ 51,578**	**$ 167,754**	**$ 62,686**	**$ 40,493**
Total realized and unrealized gains (losses):							
Included in income from operations	**-**	**(12)**	**1**	**(1,681)**	**-**	**(165)**	**-**
Included in nonoperating gains (losses)	**7**	**(241)**	**(1,411)**	**550**	**81,505**	**(85,737)**	**-**
Included in changes in net assets	**-**	**-**	**-**	**-**	**34**	**-**	**-**
Purchases	**1**	**18,939**	**62,740**	**749**	**46,480**	**75,174**	**11,580**
Settlements	**-**	**-**	**-**	**-**	**(172)**	**-**	**(36)**
Issuances	**-**	**-**	**-**	**-**	**2,378**	**-**	**-**
Sales	**-**	**(7,615)**	**(37,714)**	**(27,528)**	**(83,400)**	**(15,381)**	**(14,857)**
Transfers into Level 3	**293**	**2,447**	**10,268**	**-**	**132,964**	**4,648**	**3,518**
Transfers out of Level 3	**(293)**	**(2,530)**	**(44,441)**	**(21,470)**	**(160,205)**	**(45,470)**	**(5,442)**
Ending balance	**$ 301**	**$ 26,599**	**$ 89,364**	**$ 2,198**	**$ 187,338**	**$ (4,245)**	**$ 35,256**
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 June 30, 2015	**$ -**	**$ (275)**	**$ (1,012)**	**$ 407**	**$ 3,058**	**$ (81,115)**	**$ -**

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, 2014, 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, 2014				
Cash and cash equivalents	$ 351,934	$ 3,398	$ -	$ 355,332
Short-term investments	44,193	23,804	293	68,290
Pooled short-term investment funds	302,436	-	-	302,436
U.S. government, state, municipal and agency obligations	-	3,301,360	-	3,301,360
Corporate and foreign fixed income securities	-	1,429,694	15,611	1,445,305
Asset-backed securities	-	878,508	99,921	978,429
Equity securities	3,079,815	68,114	51,578	3,199,507
Alternative investments and other investments:				
Private equity and real estate	388	5,901	167,754	174,043
Commodities funds and other investments	134	1,352	62,686	64,172
Assets at net asset value:				
Corporate and foreign fixed income securities				214,962
Equity securities				118,556
Private equity and real estate funds				949,992
Hedge funds				3,303,800
Commodities funds and other investments				1,062,524
Assets not at fair value				516,046
Cash and investments				$ 16,054,754
Securities lending collateral, in other current assets	$ -	$ 3,341	$ -	$ 3,341
Benefit plan assets, in other noncurrent assets	289,043	1,813	40,493	331,349
Interest rate swaps, in other noncurrent assets	-	69,883	-	69,883
Investments sold, not yet purchased, in other noncurrent liabilities	-	178,732	-	178,732
Interest rate swaps, included in other noncurrent liabilities	-	189,659	-	189,659

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the year ended June 30, 2014, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following. Level 3 investments of the Alpha Fund are included in transfers in the table below.

	Short-term investments	U.S. Government, State, Municipal and Agency Obligations	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate	Commodities Funds and Other Investments	Benefit Plan Assets
Year Ended June 30, 2014								
Beginning balance	$ 238	$ 5,829	$ 17,804	$ 117,033	$ 2,163	$ 158,365	$ (41,134)	$ 35,249
Total realized and unrealized gains (losses):								
Included in income from operations	-	3	178	1	8,287	-	8	-
Included in nonoperating gains (losses)	55	(27)	(41)	35	(97)	42,860	346,965	-
Included in changes in net assets	-	-	-	-	-	44	17	-
Purchases	-	-	9,835	94,926	52,839	(26,470)	14,209	197,750
Settlements	-	-	-	-	-	(391)	-	-
Sales	-	(5,805)	(1,635)	(2,227)	(10,899)	(6,654)	(256,499)	(212,047)
Transfers into Level 3	-	-	-	-	-	-	-	76,628
Transfers out of Level 3	-	-	(10,530)	(109,847)	(715)	-	(880)	(57,087)
Ending balance	$ 293	$ -	$ 15,611	$ 99,921	$ 51,578	$ 167,754	$ 62,686	$ 40,493
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 June 30, 2014	$ 56	$ -	$ 150	$ (239)	$ 7,394	$ 11,691	$ 58,620	$ -

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. Long-Term Debt

Long-term debt at June 30, 2015 and 2014 is comprised of the following and is presented in accordance with the specific master trust indenture to which the debt relates. As further discussed below, certain portions of long-term debt are secured under the Alexian Brothers Health System Master Trust Indenture; the Mercy Regional Health Center, Inc. Master Trust Indenture; The Howard Young Medical Center, Inc. Master Trust Indenture; the St. John Health System Master Trust Indenture; and the Ministry Health Care Master Trust Indenture.

	June 30, 2015	June 30, 2014
Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Variable rate demand bonds, subject to a put provision that provides for a cumulative 7-month notice and remarketing period, payable through November 2047; interest (0.25% at June 30, 2015) tied to a market index plus a spread	**$ 391,160**	$ 393,425
Variable rate demand bonds, subject to a 7-day put provision, payable through November 2038; interest (0.06% and 0.07% at June 30, 2015) set at prevailing market rates	**189,285**	224,225
Variable rate demand bonds, subject to a 7-day put provision, payable through November 2033; interest (0.06% and 0.07% at June 30, 2015) set at prevailing market rates, swapped to fixed rates of 5.454% and 5.544%, respectively, through maturity	**307,300**	307,300
Indexed put bonds subject to weekly rate resets based on a taxable index, payable through November 2046; interest (1.906% at June 30, 2015) swapped to a variable rate tied to a tax-exempt market index plus a spread through November 2016	**153,800**	153,800
Fixed rate put bonds (converted from an indexed put bond mode based on a taxable index in May 2009) payable through November 2046; interest (4.10% at June 30, 2015) swapped to a variable rate tied to a market index plus a spread through November 2016	**153,690**	153,690
Fixed rate serial and term bonds payable in installments through November 2051; interest at 3.50% to 5.00%	**1,168,765**	1,154,320
Fixed rate serial and term bonds payable in installments through November 2039; interest at 5.00% swapped to variable rates over the life of the bonds	**585,290**	585,290
Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from February 2016 through April 2022; interest at 0.30% to 5.00% through the purchase dates	**1,140,045**	1,221,920

(Dollars in Thousands)

7. Long-Term Debt (continued)

	June 30, 2015	June 30, 2014
Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture:		
Variable rate demand bonds, subject to a 7-day put provision, payable through November 2026; interest (0.07% at June 30, 2015) set at prevailing market rates	**$ 54,180**	$ 55,100
Fixed rate serial mode bonds payable through 2027 with purchase dates through November 2019; interest at 0.32% to 5.00%	**434,675**	445,435
Taxable bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Taxable fixed rate term bonds payable in installments through November 2053; interest at 4.847%	**425,000**	425,000
Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture	**5,003,190**	5,119,505
Tax-exempt hospital revenue bonds – secured under Alexian Brothers Health System Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through February 2038; interest at 4.25% to 5.50%	**153,370**	153,710
Total hospital revenue bonds under the Alexian Brothers Health System Master Trust Indenture	**153,370**	153,710
Tax-exempt hospital revenue bonds – secured under Mercy Regional Health Center, Inc. Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through November 2029; interest at 4.00% to 5.00%	**22,995**	24,040
Total hospital revenue bonds under the Mercy Regional Health Center, Inc. Master Trust Indenture	**22,995**	24,040
Tax-exempt hospital revenue bonds – secured under The Howard Young Medical Center, Inc. Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through August 2030; interest at 3.00% to 5.00%	**18,310**	19,185
Total hospital revenue bonds under The Howard Young Medical Center, Inc. Master Trust Indenture	**18,310**	19,185

(Dollars in Thousands)

7. Long-Term Debt (continued)

	June 30, 2015	June 30, 2014
Tax-exempt hospital revenue bonds – secured under St. John Health System Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through February 2042; interest at 4.00% to 5.00%	**$ 395,215**	$ 407,550
Total hospital revenue bonds under the St. John Health System Master Trust Indenture	**395,215**	407,550
Tax-exempt hospital revenue bonds – secured under Ministry Health Care Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through August 2035; interest at 3.00% to 5.50%	**347,230**	358,415
Total hospital revenue bonds under the Ministry Health Care Master Trust Indenture	**347,230**	358,415
Total hospital revenue bonds – all Master Trust Indentures	**5,940,310**	6,082,405
Other debt:		
Obligations under capital leases	**27,572**	30,623
Other	**116,620**	123,368
	6,084,502	6,236,396
Unamortized premium, net	**187,391**	195,579
Less current portion	**(84,985)**	(91,532)
Less long-term debt subject to short-term remarketing arrangements	**(1,176,790)**	(1,345,530)
Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements	**$ 5,010,118**	$ 4,994,913

(Dollars in Thousands)

7. Long-Term Debt (continued)

	June 30, 2015	June 30, 2014
Ascension Health Alliance Senior Master Trust Indenture long-term debt obligations, including unamortized premium, net	**$ 3,403,592**	$ 3,329,323
Ascension Health Alliance Subordinate Master Trust Indenture long-term debt obligations, including unamortized premium, net	**493,746**	505,843
Alexian Brothers Health System Master Trust Indenture long-term debt obligations, including unamortized premium, net	**152,220**	160,965
Mercy Regional Health Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net	**24,072**	25,498
The Howard Young Medical Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net	**18,900**	19,942
St. John Health System Master Trust Indenture long-term debt obligations, including unamortized premium, net	**415,212**	429,154
Ministry Health Care Master Trust Indenture long-term debt obligations, including unamortized premium, net	**367,008**	381,144
Other	**135,368**	143,044
Long-term debt, less current portion, and long-term debt subject to short-term remarketing arrangements	**$ 5,010,118**	$ 4,994,913

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2015, are as follows:

	Ascension Health Alliance MTIs	Alexian Brothers Health System MTI	Mercy Regional Health Center, Inc. MTI	The Howard Young Medical Center, Inc. MTI	St. John Health System MTI	Ministry Health Care MTI	Other Debt	Total
Year Ending June 30:								
2016	$ 47,440	$ 7,485	$ 1,080	$ 910	$ 7,580	$ 11,665	$ 8,825	$ 84,985
2017	65,945	13,130	1,125	945	7,955	12,185	8,937	110,222
2018	69,045	15,655	1,175	975	6,835	12,890	22,583	129,158
2019	85,230	5,735	1,230	1,000	7,175	12,265	21,223	133,858
2020	88,235	6,270	1,285	1,055	7,540	12,865	9,788	127,038
Thereafter	4,647,295	105,095	17,100	13,425	358,130	285,360	72,836	5,499,241
Total	$ 5,003,190	$ 153,370	$ 22,995	$ 18,310	$ 395,215	$ 347,230	$ 144,192	$ 6,084,502

7. Long-Term Debt (continued)

The carrying amounts of variable rate bonds and other notes payable approximate fair value. The fair values of the unsecured fixed rate serial and term bonds are obtained from independent public valuation services. The fair value of fixed rate serial and term bonds, including the component of variable rate demand bonds subject to long-term fixed interest rates, approximates carrying value at June 30, 2015 and 2014. During the years ended June 30, 2015 and 2014, interest paid was approximately $220,000 and $223,000, respectively. Capitalized interest was approximately $3,200 and $5,500 for the years ended June 30, 2015 and 2014, respectively.

Certain members of the System formed the Ascension Health Alliance Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, a senior designated affiliate, or a senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by the System. Senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI. The System may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including payment of the outstanding obligations. Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with the System with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation.

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by the System. Subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI.

7. Long-Term Debt (continued)

The System may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with the System, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate’s state of incorporation.

The unsecured variable rate demand bonds of both the Senior and Subordinate Credit Groups, while subject to long-term amortization periods, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2015, the principal amount of such bonds has been classified as a current liability in the accompanying Consolidated Balance Sheets. Management believes the likelihood of a material amount of bonds being put to the System to be remote. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including the line of credit, commercial paper program, and maintaining unrestricted assets as a source of self-liquidity.

On January 1, 2012, Alexian Brothers became part of the System. Subsequently, the System redeemed or refinanced a portion of Alexian Brothers’ debt; however, a portion of the bonds previously issued for the benefit of Alexian Brothers remains outstanding (the Alexian Brothers’ Bonds). The Alexian Brothers’ Bonds continue to be secured by the Alexian Brothers Health System Master Trust Indenture (As Amended and Restated), dated October 1, 1992, between the Members of the Alexian Brothers Health System Obligated Group established under this document and the Alexian Brothers Health System Master Trustee.

On April 1, 2013, Marian Health System joined Ascension Health. Subsequently, the System redeemed or refinanced a portion of the debt of the Marian Systems; however, a portion of the bonds previously issued for the benefit of the Marian Systems remains outstanding. These bonds continue to be secured by the respective Master Trust Indentures, including the Amended and Restated Master Trust Indenture dated October 1, 1999, by and between St. John Health System and the St. John Health Master Trustee; the Master Trust Indenture dated October 1, 1984, by and between Ministry Health Care and the Ministry Health Care Master Trustee; the Master

7. Long-Term Debt (continued)

Trust Indenture dated August 15, 1993, between The Howard Young Medical Center, Inc., a subsidiary of Ministry Health Care, and The Howard Young Medical Center, Inc. Master Trustee; and the Master Trust Indenture dated January 15, 2013, between Mercy Regional Health Center, Inc. (a subsidiary of Via Christi Health) and the Mercy Regional Health Center, Inc. Master Trustee.

Due to aggregate financing activity during the fiscal years ended June 30, 2015 and 2014, losses on extinguishment of debt of $992 and $1,605, respectively, were recorded, which are included in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

The System is a party to multiple interest rate swap agreements that convert the variable or fixed rates of certain debt issues to fixed or variable rates, respectively. See the Derivative Instruments note for a discussion of these derivatives.

As of June 30, 2015, the Senior Credit Group has two lines of credit totaling $1,000,000. The first line of credit totals $500,000 which may be used as a source of funding for unremarketed variable debt (including commercial paper) or for general corporate purposes. The second line of credit totals $500,000 which may be used for general corporate purposes. Both lines are committed to November 3, 2017 and as of June 30, 2015 and 2014, there were no borrowings under either line of credit.

As of June 30, 2015, the Senior Credit Group has a $75,000 revolving line of credit related to its letters of credit program toward which a bank commitment of $75,000 extends to November 25, 2015. The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups. Of this $75,000 revolving line of credit, letters of credit totaling $54,857 have been issued as of June 30, 2015. No borrowings were outstanding under the letters of credit as of June 30, 2015 and 2014.

(Dollars in Thousands)

8. 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, Alexian Brothers, Ministry Health Care, 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 June 30, 2015 and 2014, the notional values of outstanding interest rate swaps were as follows:

	June 30,	
	2015	**2014**
Ascension Health Alliance MTI	**$ 2,128,757**	$ 2,128,757
Alexian Brothers Health System MTI	**31,220**	39,220
Ministry Health Care MTI	**191,800**	192,950
St. John Health System MTI	**100,000**	100,000
Total	**$ 2,451,777**	$ 2,460,927

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, Alexian Brothers, Ministry Health Care and St. John Health were as follows:

	June 30, 2015		June 30, 2014	
	Asset	**Liability**	**Asset**	**Liability**
Ascension Health Alliance MTI	**$ 41,516**	**$ 168,008**	$ 66,981	$ 169,031
Alexian Brothers Health System MTI	**-**	**1,170**	-	1,934
Ministry Health Care MTI	**4,708**	**18,873**	2,902	17,938
St. John Health System MTI	**271**	**-**	-	756
Total	**$ 46,495**	**$ 188,051**	$ 69,883	$ 189,659

(Dollars in Thousands)

8. 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, Alexian Brothers, Ministry Health Care, 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. Collateral and net fair value of interest rate swap agreements with credit-risk-related contingent features at June 30, 2015 and 2014, based upon the respective net liability positions and applicable credit ratings were as follows:

	June 30, 2015		**June 30, 2014**	
	Net Fair Value	**Collateral Posted**	**Net Fair Value**	**Collateral Posted**
Ascension Health Alliance MTI	**$ (126,492)**	**$ -**	$ (102,050)	$ -
Alexian Brothers Health System MTI	**(1,170)**	**-**	(1,934)	-
Ministry Health Care MTI	**(14,165)**	**-**	(15,036)	16,218
St. John Health System MTI	**271**	**-**	(756)	-
Total	**$ (141,556)**	**$ -**	$ (119,776)	$ 16,218

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.

9. 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 cash and cash equivalents, equity, fixed income funds, 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.

Most System defined benefit plans were frozen effective December 31, 2012. Three of the System Plans remain ongoing with approximately $22,147 of service cost recognized during the year ended June 30, 2015.

Effective June 30, 2015, all System Plans updated the mortality assumption to align with the mortality tables and improvement scales released by the Society of Actuaries in the fall of 2014. This update resulted in an increase to the projected benefit obligation and is included in pension and other postretirement liabilities in the Consolidated Balance Sheets.

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.

(Dollars in Thousands)

9. Retirement Plans (continued)

The following table sets forth the combined benefit obligations and assets of the System Plans at June 30, 2015 and 2014, components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements.

	Year Ended June 30, 2015	2014
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	**$ 7,691,959**	$ 7,201,780
Service cost	**35,558**	51,176
Interest cost	**323,991**	343,781
Amendments	**-**	290
Assumption change	**102,950**	408,908
Actuarial loss	**43,967**	55,623
Curtailment	**(19,613)**	(4,193)
Benefits paid	**(391,972)**	(365,406)
Projected benefit obligation at end of year	**7,786,840**	7,691,959
Accumulated benefit obligation at end of year	**7,763,448**	**7,649,965**
Change in plan assets:		
Fair value of plan assets at beginning of year	**7,465,115**	6,742,384
Actual return on plan assets	**190,859**	1,046,540
Employer contributions	**41,027**	41,597
Benefits paid	**(391,971)**	(365,406)
Fair value of plan assets at end of year	**7,305,030**	7,465,115
Net amount recognized at end of year and funded status	**$ (481,810)**	$ (226,844)

The System Plans' funded status as a percentage of the projected benefit obligation at June 30, 2015 and 2014, was 93.8% and 97.1%, respectively. The System Plans' funded status as a percentage of the accumulated benefit obligation at June 30, 2015 and 2014, was 94.1% and 97.6%, respectively.

(Dollars in Thousands)

9. Retirement Plans (continued)

Included in unrestricted net assets at June 30, 2015 and 2014, are the following amounts that have not yet been recognized in net periodic pension cost for the System Plans:

	Year Ended June 30, 2015	2014
Unrecognized prior service credit	**$ (12,071)**	$ (17,348)
Unrecognized actuarial loss	**833,066**	330,938
	$ 820,995	$ 313,590

Changes in plan assets and benefit obligations recognized in unrestricted net assets for System Plans during 2015 and 2014 include:

	Year Ended June 30, 2015	2014
Current year actuarial loss (gain)	**$ 528,084**	$ (27,867)
Amortization of actuarial loss	**(25,956)**	(5,934)
Current year prior service cost	**-**	290
Amortization of prior service credit	**5,277**	5,442
	$ 507,405	$ (28,069)

	Year Ended June 30, 2015	2014
Components of net periodic benefit cost		
Service cost	**$ 35,558**	$ 51,176
Interest cost	**323,991**	343,781
Expected return on plan assets	**(591,639)**	(558,335)
Amortization of prior service credit	**(3,423)**	(4,017)
Amortization of actuarial loss	**27,360**	7,709
Curtailment gain	**(1,854)**	(1,426)
Settlement gain	**(1,404)**	(1,774)
Net periodic benefit	**$ (211,411)**	$ (162,886)

(Dollars in Thousands)

9. Retirement Plans (continued)

The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending June 30, 2016, are $3,400 and $29,156, respectively.

The assumptions used to determine the benefit obligation and net periodic benefit cost for the System Plans are set forth below:

	June 30,	
	2015	**2014**
Weighted-average discount rate	**4.48%**	4.35%
Weighted-average rate of compensation increase	**4.00%**	3.81%
Weighted-average expected long-term rate of return on plan assets	**8.36%**	8.30%

The System Plans' assets invested in the Trust are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating to funds and managers that correlate to one of three economic strategies: growth, deflation, and inflation. Growth strategies include U.S. equity, emerging market equity, global equity, international equity, directional hedge funds, private equity, high yield, and private credit. Deflation strategies include core fixed income, absolute return hedge funds, and cash. Inflation strategies include inflation-linked bonds, commodity-related investments, and real assets. The System Plans use multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the System Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner.

(Dollars in Thousands)

9. Retirement Plans (continued)

In accordance with the System Plans' asset diversification targets, as presented in the table that follows, the Trust holds certain alternative investments, consisting of various hedge funds, real asset funds, private equity funds, commodity funds, private credit funds, and certain other private funds. These investments do not have observable market values. As such, each of these investments is valued at net asset value as determined by each fund's investment manager, which approximates fair value. The fair value of the System Plans' alternative investments in the Trust as of June 30, 2015, is reported in the fair value measurement table that follows. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 120 days. Due to redemption restrictions, investments of certain private funds, whose fair value was approximately $1,636,000 at June 30, 2015, cannot currently be redeemed. However, the potential for the System Plans to sell their interest in real asset funds and private equity funds in a secondary market prior to the end of the fund term does exist.

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. As of June 30, 2015, investment periods expire between July 2015 and June 2018. The remaining unfunded capital commitments of the Trust total approximately $272,000 for 61 individual contracts as of June 30, 2015.

The weighted-average asset allocation for the System Plans in the Trust at the end of fiscal 2015 and 2014 and the target allocation for fiscal 2016, by asset category, are as follows:

	Target Allocation	**Percentage of Plan Assets At Year-End**	
Asset Category	**2016**	**2015**	**2014**
Growth	50 %	**53 %**	53 %
Deflation	30	**29**	29
Inflation	20	**18**	18
Total	100 %	**100 %**	100 %

(Dollars in Thousands)

9. Retirement Plans (continued)

The System Plans' assets in the Other Trusts are invested in portfolios designed to best serve the participants of the System Plans' through a long-term investment strategy designed to ensure that funds are available to pay benefits as they become due and to maximize the total return at a prudent level of investment risk. The System Plans' assets invested in the Other Trusts are diversified among various assets classes based upon established investment guidelines.

	Target Allocation	Percentage of Plan Assets At Year-End	
Asset Category	**2016**	**2015**	**2014**
Cash	1 %	**2 %**	1 %
Growth	62	**66**	67
Income	32	**28**	28
Other	5	**4**	4
Total	100 %	**100 %**	100 %

(Dollars in Thousands)

9. Retirement Plans (continued)

The following tables summarize fair value measurements at June 30, 2015 and 2014, by asset class and by level, for the System Plans' assets and liabilities. As also discussed in the Fair Value Measurements note, the System follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritizes the inputs used to measure such fair values. The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to the System Plans' assets and liabilities as presented in the following tables.

	Level 1	Level 2	Level 3	Total
June 30, 2015				
Short-term investments	$ 388,255	$ -	$ -	$ 388,255
Derivatives receivable	4	34,712	5,443	40,159
U.S. government, state, municipal and agency obligations	-	1,304,665	-	1,304,665
Corporate and foreign fixed income securities	-	707,838	3,372	711,210
Asset-backed securities	-	176,458	19,610	196,068
Equity securities	1,648,055	309,259	1,345	1,958,659
Assets at net asset value:				
Corporate and foreign fixed income securities				28,531
Equity securities				57,027
Private equity and real estate funds				966,266
Hedge funds				1,462,938
Commodities funds and other investments				350,788
Other				119,960
Total				7,584,526
Derivatives payable	54	132,280	14,180	146,514
Investments sold, not yet purchased	2,146	-	-	2,146
Other liabilities				130,836
Total				279,496
Fair value of plan assets				$ 7,305,030

(Dollars in Thousands)

9. Retirement Plans (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2014				
Short-term investments	$ 191,495	$ 399	$ -	$ 191,894
Derivatives receivable	7	15,245	19,404	34,656
U.S. government, state, municipal and agency obligations	-	1,704,131	-	1,704,131
Corporate and foreign fixed income securities	-	673,696	1,820	675,516
Asset-backed securities	-	232,484	24,080	256,564
Equity securities	1,649,136	336,253	3,045	1,988,434
Assets at net asset value:				
Corporate and foreign fixed income securities				46,030
Equity securities				59,119
Private equity and real estate funds				909,980
Hedge funds				1,448,274
Commodities funds and other investments				295,563
Other				154,023
Total				7,764,184
Derivatives payable	26	160,907	2,980	163,913
Investments sold, not yet purchased	1,555	-	-	1,555
Other liabilities				133,601
Total				299,069
Fair value of plan assets				$ 7,465,115

(Dollars in Thousands)

9. Retirement Plans (continued)

For the years ended June 30, 2015 and 2014, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following:

	Net Derivatives	U.S. Government, State, Municipal and Agency Obligations	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities
June 30, 2015					
Beginning balance	**$ 16,424**	**$ -**	**$ 1,820**	**$ 24,080**	**$ 3,045**
Total actual return on assets	**(9,715)**	**-**	**(1,311)**	**(515)**	**(306)**
Purchases, issuances, and settlements	**(15,446)**	**-**	**7,716**	**898**	**(1,747)**
Transfers (out of) into Level 3	**-**	**-**	**(4,853)**	**(4,853)**	**353**
Ending balance	**$ (8,737)**	**$ -**	**$ 3,372**	**$ 19,610**	**$ 1,345**
Actual return on plan assets relating to plan assets still held at June 30, 2015	**$ (9,140)**	**$ -**	**$ (1,269)**	**$ (139)**	**$ (553)**

	Net Derivatives	U.S. Government, State, Municipal and Agency Obligations	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities
June 30, 2014					
Beginning balance	$ (227,929)	$ 1,266	$ 53,729	$ 22,838	$ 2,936
Total actual return on assets	123,117	23	5,783	1,182	353
Purchases, issuances, and settlements	(108,811)	(1,289)	(9,038)	16,599	(351)
Transfers (out of) into Level 3	230,047	-	(48,654)	(16,539)	107
Ending balance	$ 16,424	$ -	$ 1,820	$ 24,080	$ 3,045
Actual return on plan assets relating to plan assets still held at June 30, 2014	$ 16,515	$ -	$ 23	$ 869	$ 555

(Dollars in Thousands)

9. Retirement Plans (continued)

The Trust has entered into a series of interest rate swap agreements with a net notional amount of $1,820,850. The combined targeted duration of these swaps and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 72% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

The expected long-term rate of return on the System Plans' assets is based on historical and projected rates of return for current and planned asset categories in the investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Information about the expected cash flows for the System Plans follows:

Expected employer contributions 2016	$ 33,526
Expected benefit payments:	
2016	502,237
2017	499,576
2018	509,519
2019	516,788
2020	521,206
2021-2025	2,531,883

The contribution amount above includes expected amounts paid to Trusts. The benefit payment amounts above reflect the total benefits expected to be paid from Trusts.

9. Retirement Plans (continued)

Other Postretirement Benefit Plans

In addition to the retirement plan described above, certain Health Ministries sponsor postretirement benefit plans that provide healthcare benefits to qualified retirees who meet certain eligibility requirements. The total benefit obligation of these plans at June 30, 2015 and 2014 is $44,274 and $44,473, respectively. The net asset included in pension and other postretirement liabilities in the accompanying Consolidated Balance Sheets at June 30, 2015, is $2,040, while the net obligation included in pension and other postretirement liabilities in the accompanying Consolidated Balance Sheets at June 30, 2014, is $756. The change in the plans' assets and benefit obligations recognized in unrestricted net assets during the year ended June 30, 2015, was a decrease of $3,633.

Defined-Contribution Plans

System entities participate in contributory and noncontributory defined-contribution plans covering all eligible associates. There are three primary types of contributions to these plans: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and, for certain entities, increases over specified periods of employee service. These benefits are funded annually, and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period, and participants become fully vested in these employer contributions immediately. Expenses for the defined-contribution plans were $284,866 and $280,223 during 2015 and 2014, respectively.

10. Self-Insurance Programs

Certain System hospitals and other entities participate in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. The System provides its self-insurance through various trust funds and captive insurance companies. Actuarially determined amounts, discounted at 6% for the System, are contributed to the trust funds and the captive insurance companies to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported, which are discounted at 6% in 2015 and 2014 for the System. Those entities not participating in the self-insured programs are insured under separate policies.

Professional and General Liability Programs

Professional and general liability coverage is provided on a claims-made or occurrence basis through a wholly owned onshore trust and through Ascension Health Insurance (AHIL), a direct subsidiary of Ascension Risk Services.

The wholly owned onshore trust has a self-insured retention up to $10,000 per occurrence with no aggregate. Excess coverage is provided through AHIL with limits up to $205,000. AHIL retains $5,000 per incident and $5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first $25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Sunflower Assurance, Inc. (Sunflower) was acquired when Via Christi Health joined the System. Prior to acquisition, Sunflower provided excess coverage with limits up to $75,000 above the primary coverage for Via Christi Health and retained 10% of the first reinsurance layer of $10,000 on a quota share basis. The remaining excess coverage was reinsured by commercial carriers. As of October 1, 2013, Via Christi Health's primary and excess medical professional and general liability and employed physician programs were integrated into the System trust and AHIL. After January 1, 2014, the employer stop loss and employee life insurance coverage provided by Sunflower to Via Christi Health were not renewed and are in run off.

10. Self-Insurance Programs (continued)

Effective July 1, 2014, the reinsurance of Ascension's independent physician professional liability program with ProAssurance Corporation (ProAssurance), the System's partner insurance company, was transferred from AHIL to Sunflower.

Also effective July 1, 2014, all employed physicians and certain entities in the states of Indiana, Kansas, Pennsylvania, and Wisconsin are provided coverage by ProAssurance on a fronted basis and are reinsured through AHIL. These entities and physicians are provided professional liability coverage with limits in compliance with participation in the Patient Compensation Funds. The Patient Compensation Funds apply to claims in excess of the primary self-insured limit, except the Fund in Kansas, which only covers claims up to the first $1,000 and then the trust and AHIL cover amounts above $1,000.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is professional and general liability expense of $105,037 and $99,343 for the years ended June 30, 2015 and 2014, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are professional and general liability loss reserves of $566,134 and $604,846 at June 30, 2015 and 2014, respectively. Beginning July 1, 2014, Sunflower offered physician professional liability coverage through insurance or reinsurance arrangements to nonemployed physicians practicing at the System's various facilities, primarily in Michigan, Indiana, Texas, Florida, Illinois and Alabama. Coverage is offered to physicians with limits ranging from $100 per claim to $1,000 per claim with various aggregate limits. Beginning July 1, 2014, AHIL offered similar coverage to employed physicians in the states of Indiana, Kansas, Pennsylvania and Wisconsin.

Workers' Compensation

Workers' compensation coverage is provided on an occurrence basis through a grantor trust. The self-insured trust provides coverage up to $1,500 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members. Prior to October 1, 2013, workers' compensation coverage for Via Christi Health, Ministry, and St. John Health System, a subsidiary of Ascension Health, (collectively the former Marian Health System) was self-insured or commercially insured up to various limits and excess insurance against catastrophic loss was obtained through commercial insurers. Beginning October 1, 2013, the former Marian Health System is provided coverage under the self-insured trust. Premium payments made to the trust are expensed and represent claims reported and claims incurred but not reported.

(Dollars in Thousands)

10. Self-Insurance Programs (continued)

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is workers' compensation expense of $44,746 and $41,144 for the years ended June 30, 2015 and 2014, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are workers' compensation loss reserves of $137,239 and $132,464 at June 30, 2015 and 2014, respectively.

11. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:	
2016	$ 177,165
2017	161,943
2018	118,608
2019	83,352
2020	60,697
Thereafter	178,836
Total	$ 780,601

Certain System entities are lessees under operating lease agreements for the use of space in buildings owned by third parties, including medical office buildings (MOBs) and medical and information technology equipment. In addition, certain System entities have subleased space within buildings where the entity has a current operating lease commitment. Certain System entities are also lessors under operating lease agreements, primarily ground leases related to third-party-owned MOBs on land owned by the System entity.

(Dollars in Thousands)

11. Lease Commitments (continued)

The System's future minimum noncancelable payments associated with operating leases where a System entity is the lessee, as well as future minimum noncancelable receipts associated with operating leases where a System entity is the sublessor or lessor, are presented in the table that follows. Future minimum payments and receipts relate to noncancelable leases with terms of one year or more.

	Future Payments Where the System is Lessee	Future Receipts Where the System is Sublessor/ Lessor	Net Future Payments (Receipts)
Year ending June 30:			
2016	$ 177,165	$ 45,074	$ 132,091
2017	161,943	37,000	124,943
2018	118,608	29,869	88,739
2019	83,352	23,617	59,735
2020	60,697	18,039	42,658
Thereafter	178,836	290,266	(111,430)
Total	$ 780,601	$ 443,865	$ 336,736

Rental expense under operating leases amounted to $383,752 and $388,794 in 2015 and 2014, respectively.

12. 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.

In March 2013, the System and some of its subsidiaries were named as defendants to litigation surrounding the Church Plan status of its System Plans. On May 9, 2014, the United States District Court, Eastern District of Michigan, Southern Division, issued its Decision and Order Granting Defendants' Motion to Dismiss, which effectively dismissed the case against the System. On June 11, 2014, the plaintiff in the case filed a Notice of Appeal. On March 17, 2015, the Sixth Circuit granted the parties motion to stay and a limited remand to the District Court to approve settlement of the lawsuit. The System does not believe that this matter will have a material adverse effect on the System's financial position or results of operations.

In September 2010, Ascension Health received a letter from the U.S. Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICD) were provided to certain Medicare beneficiaries in accordance with national coverage criteria. The DOJ's investigation spans a time frame beginning in 2003. Effective June 26, 2015, the DOJ and Ascension Health entered into a Settlement Agreement, thereby settling all issues alleged as part of the investigation. The release in the Settlement Agreement extends through March 31, 2015 and includes all of Ascension Health's individual hospitals subject to the investigation.

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 $31,380 and $37,623 at June 30, 2015 and 2014, 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 $79,107.

The System entered into agreements with sponsors for support through January 2017. The System's obligation under these agreements totals $17,867 at June 30, 2015, and is included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheet.

(Dollars in Thousands)

12. Contingencies and Commitments (continued)

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 $191,600.

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 June 30, 2015:

Hospital de la Concepción 2000 Series A debt guarantee	$ 28,235
St. Vincent de Paul Series 2000 A debt guarantee	28,300
Other guarantees and commitments	22,474

Supplementary Information

Ernst & Young LLP
The Plaza in Clayton
Suite 1300
190 Carondelet Plaza
St. Louis, MO 63105-3434

Tel: +1 314 290 1000
Fax: +1 314 290 1882
ey.com

Report of Independent Auditors on Supplementary Information

The Board of Directors
Ascension Health Alliance d/b/a Ascension

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Details of Consolidated Balance Sheets and Details of Consolidated Statement of Operations and Changes in Net Assets for Consolidated Indiana 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

September 9, 2015

Ascension

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

Years Ended June 30, 2015 and 2014

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

	Year Ended June 30,	
	2015	**2014**
Traditional charity care provided	**$ 527,386**	$ 580,606
Unpaid cost of public programs for persons living in poverty	**788,311**	641,981
Other programs for persons living in poverty and other vulnerable persons	**142,296**	117,990
Community benefit programs	**492,287**	480,866
Care of persons living in poverty and other community benefit programs	**$ 1,950,280**	$ 1,821,443

Ascension

Details of Consolidated Balance Sheet
(Dollars in Thousands)

June 30, 2015

	Consolidated Ascension	Consolidated Ascension less Health Ministry Presented	Reclassification	Consolidated Indiana
Assets				
Current assets:				
Cash and cash equivalents	$ 688,228	$ 620,503	$ -	$ 67,725
Short-term investments	146,822	109,600	-	37,222
Accounts receivable, less allowances for uncollectible accounts	2,520,115	2,125,220	-	394,895
Inventories	324,423	281,102	-	43,321
Due from brokers	148,865	148,865	-	-
Estimated third-party payor settlements	226,122	216,252	-	9,870
Other	580,495	507,253	-	73,242
Total current assets	4,635,070	4,008,795	-	626,275
Long-term investments	15,052,196	12,094,065	2,853,989	104,142
Interest in investments held by Ascension	-	-	(2,853,989)	2,853,989
Property and equipment, net	8,273,930	7,649,528	-	624,402
Other assets:				
Investment in unconsolidated entities	789,693	706,859	-	82,834
Capitalized software costs, net	790,881	716,448	-	74,433
Other	1,421,408	1,185,439	-	235,969
Total other assets	3,001,982	2,608,746	-	393,236
Total assets	$ 30,963,178	$ 26,361,134	$ -	$ 4,602,044

	Consolidated Ascension	Consolidated Ascension less Health Ministry Presented	Reclassification	Consolidated Indiana
Liabilities and net assets				
Current liabilities:				
Current portion of long-term debt	$ 84,985	$ 79,330	$ -	$ 5,655
Long-term debt subject to short-term remarketing arrangements	1,176,790	1,176,790	-	-
Accounts payable and accrued liabilities	2,314,922	2,110,666	-	204,256
Estimated third-party payor settlements	416,908	370,306	-	46,602
Due to brokers	192,752	192,752	-	-
Current portion of self-insurance liabilities	247,356	238,059	-	9,297
Other	254,208	171,135	-	83,073
Total current liabilities	4,687,921	4,339,038	-	348,883
Noncurrent liabilities:				
Long-term debt (senior and subordinated)	5,010,118	4,557,419	-	452,699
Self-insurance liabilities	513,856	513,856	-	-
Pension and other postretirement liabilities	620,939	501,986	-	118,953
Other	1,197,716	1,122,433	-	75,283
Total noncurrent liabilities	7,342,629	6,695,694	-	646,935
Total liabilities	12,030,550	11,034,732	-	995,818
Net assets:				
Unrestricted				
Controlling interest	16,749,323	13,273,502	-	3,475,821
Noncontrolling interests	1,572,608	1,524,039	-	48,569
Unrestricted net assets	18,321,931	14,797,541	-	3,524,390
Temporarily restricted	417,909	353,688	-	64,221
Permanently restricted	192,788	175,173	-	17,615
Total net assets	18,932,628	15,326,402	-	3,606,226
Total liabilities and net assets	$ 30,963,178	$ 26,361,134	$ -	$ 4,602,044

Ascension

Details of Consolidated Statement of Operations and Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2015

	Consolidated Ascension	Consolidated Ascension less Health Ministry Presented	Consolidated Indiana
Operating revenue:			
Net patient service revenue	$ 19,857,725	$ 16,968,326	$ 2,889,399
Less provision for doubtful accounts	1,101,118	995,028	106,090
Net patient service revenue, less provision for doubtful accounts	18,756,607	15,973,298	2,783,309
Other revenue	1,782,196	1,661,533	120,663
Total operating revenue	20,538,803	17,634,831	2,903,972
Operating expenses:			
Salaries and wages	8,518,165	7,481,030	1,037,135
Employee benefits	1,733,798	1,478,871	254,927
Purchased services	1,256,530	881,121	375,409
Professional fees	1,268,911	1,146,375	122,536
Supplies	2,903,487	2,489,974	413,513
Insurance	158,786	140,876	17,910
Interest	196,013	181,774	14,239
Depreciation and amortization	949,477	845,932	103,545
Other	2,707,929	2,451,094	256,835
Total operating expenses before impairment, restructuring, and nonrecurring gains (losses), net	19,693,096	17,097,047	2,596,049
Income from operations before self-insurance trust fund investment investment return and impairment restructuring and non recurring gains (losses), net	845,707	537,784	307,923
Self-insurance trust fund investment return	(15,137)	(15,137)	-
Impairment, restructuring, and nonrecurring expenses	(134,022)	(128,424)	(5,598)
Income from operations	696,548	394,223	302,325
Nonoperating gains (losses):			
Investment return	36,455	59,122	(22,667)
Loss on extinguishment of debt	(992)	(992)	-
Loss on interest rate swaps	(23,596)	(23,578)	(18)
Income (loss) from unconsolidated entities	5,210	13,872	(8,662)
Other	(75,852)	(66,376)	(9,476)
Total nonoperating gains (losses), net	(58,775)	(17,952)	(40,823)
Excess of revenues and gains over expenses and losses	637,773	376,271	261,502
Less noncontrolling interests	75,177	39,069	36,108
Excess of revenues and gains over expenses and losses attributable to controlling interest	562,596	337,202	225,394

	Consolidated Ascension	Consolidated Ascension less Health Ministry Presented	Consolidated Indiana
Unrestricted net assets, controlling interest:			
Excess of revenues and gains over expenses and losses	$ 562,596	$ 337,202	$ 225,394
Transfer (to) from sponsors and other affiliates, net	(14,877)	54,994	(69,871)
Membership interest changes, net	-	-	-
Net assets released from restrictions for property acquisitions	38,008	34,484	3,524
Pension and other postretirement liability adjustments	(513,220)	(449,270)	(63,950)
Change in unconsolidated entities' net assets	(15,874)	(15,874)	-
Other	558	759	(201)
Increase in unrestricted net assets, controlling interest, before loss from discontinued operations	57,191	(37,705)	94,896
Loss from discontinued operations	(44,058)	(44,058)	-
Increase (decrease) in unrestricted net assets, controlling interest	13,133	(81,763)	94,896
Unrestricted net assets, noncontrolling interest:			
Excess of revenues and gains over expenses and losses	75,177	39,069	36,108
Distributions of capital	(195,794)	(159,459)	(36,335)
Contributions of capital	47,192	47,192	-
Membership interest changes, net	(5,824)	(5,824)	-
Other	(4,249)	(5,329)	1,080
Increase (decrease) in unrestricted net assets, noncontrolling interest	(83,498)	(84,351)	853
Temporarily restricted net assets, controlling interest:			
Contributions and grants	117,547	104,834	12,713
Investment return	6,491	4,944	1,547
Net assets released from restrictions	(98,959)	(91,601)	(7,358)
Other	1,604	1,700	(96)
Increase (decrease) in temporarily restricted net assets, controlling interest	26,683	19,877	6,806
Permanently restricted net assets, controlling interest:			
Contributions	6,087	4,082	2,005
Investment return	1,278	1,333	(55)
Other	(6,192)	(2,818)	(3,374)
Increase (decrease) in permanently restricted net assets, controlling interest	1,173	2,597	(1,424)
Increase (decrease) in net assets	(42,509)	(143,640)	101,131
Net assets, beginning of year	18,975,137	15,470,042	3,505,095
Net assets, end of year	$ 18,932,628	$ 15,326,402	$ 3,606,226