<u>DISCLOSURE STATEMENT</u>

February 4, 2019

<u>St. Joseph of the Pines</u>

Belle Meade | Pine Knoll

100 Gossman Drive, Suite B, Southern Pines, NC 28387
Telephone Number
(910) 246-3100
Facsimile Number
(910) 246-3187

DISCLOSURE STATEMENT UNDER THE PROVISIONS OF ARTICLE 64 OF CHAPTER 58 OF THE GENERAL STATUTES OF NORTH CAROLINA

This Statement is required to be delivered to a contracting party before the execution of a contract for the provision of continuing care as required under said Article.

This Statement has been filed with the Department of Insurance of the State of North Carolina but has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.

Copies of the standard forms of contract for continuing care used by St. Joseph of the Pines, Inc. for Belle Meade and Pine Knoll are attached hereto as a part of this Statement.

By:

Lori Portfleet, President
St. Joseph of the Pines, Inc.

The last day through which this statement may be delivered if not earlier revised is July 3, 2020.

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I. Organization Information

A. Sponsor

St. Joseph of the Pines, Inc. ("SJP" or "St. Joseph" or "Corporation") is a not-for-profit corporation that owns and operates two retirement communities on separate campuses and eight affordable housing facilities in North Carolina. SJP was incorporated in 1948 and has been in continuous operation since that time. The mission of the Corporation, a part of Trinity Health, is "to serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities."

Trinity Health Corporation ("Trinity") is a multi-institutional, Catholic health organization with 94 hospitals and 109 continuing care facilities, PACE programs, home care agencies and outpatient centers in 22 states, our 133,000 colleagues are ready to serve you.

The Corporation is affiliated with the Roman Catholic Church. The sole member of the Corporation is Trinity, an Indiana nonprofit corporation.

A local Board of Directors, the members of which serve on a volunteer basis, governs SJP and is responsible for oversight of the corporation consistent with its fiduciary obligations. Trinity maintains a high level of authority over the entire health system and exercises this authority through certain reserved powers identified within SJP's corporate bylaws. Action such as approval of SJP's mission, strategic plan, operating plans and budgets are among the powers reserved to Trinity. Notwithstanding the foregoing, neither the Roman Catholic Church nor Trinity is responsible for the Corporation's financial or contractual obligations.

St. Joseph is dedicated to the care of the sick and needy and operates on the philosophy that all people, regardless of race, color, or creed, are entitled to high quality care in the attainment and maintenance of good health. St. Joseph has grown to include a wide variety of health care services and facilities.

B. Not-for-Profit Status

St. Joseph is classified by the Internal Revenue Service as a 501(c)(3) organization. This not-for-profit classification exempts the corporation from corporate income taxes and allows St. Joseph to receive charitable contributions that are tax deductible by the donor. Under Internal Revenue Service regulations, no earnings of the Corporation may be used for the benefit of, nor be distributed to, corporate directors, officers, or other private individuals. All excess funds remain with St. Joseph for use in its programs and services to residents.

C. Associations

St. Joseph maintains active memberships in the following associations:

- Leading Age
- National PACE Association

D. Accreditation

St. Joseph of the Pines is accredited as a Continuing Care Retirement Community as Person-Centered Long-Term Care Community by the Commission on Accreditation of Rehabilitative Facilities, which accredits continuing care retirement communities nationwide. The purpose of accreditation is to ensure that staff education and training is on-going; to provide an organized forum for the setting standards of excellence to continually improve services; and to promote quality and value within member organizations.

Accreditation is a continuous process and can be revoked whenever a community falls below a designated standard. Areas surveyed include every area which touches residents' lives, from financial management to dining services to health care.

E. Conflicts of Interest

There are no conflicts of interest that require disclosure in accordance with N.C.G.S. 58-64-20(a)(3)(b). No member of the board, officer or person managing the community on a day to day basis has a 10% or greater interest in any other entity or if any other entity has a 10% or greater interest in any member of the board, officer or person managing the community on a day to day basis has or will provide $500 or more in goods or services to the community. (Unless disclosed, no Board member or individual responsible for daily management shall operate business ventures which provide any good or services to the facility). N.C.G.S. 58-64-20(a)(3)(b).

F. Licensures

Belle Meade and Pine Knoll are licensed by the North Carolina Department of Insurance as a Continuing Care Retirement Community (CCRC). St. Joseph of the Pines, Inc. is certified by Medicare/Medicaid and licensed by the North Carolina Department of Health and Human Services for the Health Center, Coventry, Family Care Homes, Home Care, and LIFE St. Joseph of the Pines.

II. Facilities Introduction and Information

A. A brief description of SJP entities is as follows:

- **Belle Meade Campus** ("Belle Meade") is located at 100 Waters Drive and consists of two-hundred twelve (212) available independent living residential apartments in three-story buildings, cottages, homes, and a community center with common areas and amenities. As of June 30, 2018, Belle Meade had approximately 184 occupied residential living units.
- **The Pine Knoll Campus** ("Pine Knoll") began its operations in 1984 as St. Joseph of the Pines Villas. The 19-acre campus is located in Southern Pines at 590 Central Drive and is approximately one-point-five miles from Belle Meade. It consists of eighty-five (85) available independent living apartments and cottage homes and a community commons area with amenity space. As of June 30, 2018, Pine Knoll had approximately 66 occupied residential living units.
- **The Health Center** ("Health Center"), located at 103 Gossman Drive, is licensed for 176 nursing beds and is adjacent to Belle Meade. The Health Center includes a Rehabilitation and Memory Support Unit.
- **The Coventry** ("Coventry"), located at 105 Gossman Drive, is licensed as a (sixty) 60 bed Adult Care Home and is adjacent to Belle Meade.
- **Family Care Homes** ("Family Care Homes") are licensed for 18 beds (six per home) and include **Constance Cottage** located at 145 Waters Drive at Belle Meade, **Mary Manor** located at 147 Waters Drive at Belle Meade, and **The Pines** located at 125 Longleaf Road near the Pine Knoll Campus.
- **Home Care** ("Home Care") provides assistance with activities of daily living and companionship in home settings.
- **PACE** ("LIFE St. Joseph of the Pines") is a Program of All-Inclusive Care of the Elderly, assisting older adults living safely at home.

B. Biographical Information of St. Joseph of the Pines' Management

1. Robert Dickson, Vice President of Health Services

   Mr. Dickson oversees The Health Center, a 176-bed skilled nursing facility, The Coventry, a 60-bed assisted living facility and three Family Care Homes, all located in Southern Pines. Mr. Dickson served as director of nursing at The Health Center from 2006-2011 before leaving St. Joseph of the Pines to become vice president of clinical services at Meadowlark Hills in Manhattan, Kansas. He returned to SJP as executive director of the LIFE Center in Fayetteville in May 2012 before being promoted to his current position.

2. Russell Pait, Vice President-Human Resources

   Employed by SJP since 1995, Mr. Pait holds a Bachelor of Arts in Psychology from East Carolina University in Greenville, North Carolina. Mr. Pait has over twenty years of human resources experience in the management of home health, skilled nursing communities and CCRCs.

3. Stephen Phillips, Executive Director, Independent Living

   Mr. Phillips came to St. Joseph of the Pines in January 2013 with nearly three decades of experience in the hospitality and wellness industries. He holds a Masters degree in clinical Exercise Physiology from Northeastern University with a focus in exercise and aging.

4. Lori Portfleet, President

   Ms. Portfleet became president of St. Joseph of the Pines in January 2017 after serving as Interim President since August 2016. Ms. Portfleet has more than 25 years of health care experience to her new role, including stints as CEO of a 484-bed Hospital with an Attached Long Term Care Unit and president of Spectrum Health Continuing Care, both located in Michigan. Ms. Portfleet earned a Bachelor of Arts degree from Grand Rapids Baptist College and a Master of Public Health Administration degree from Grand Valley State University.

5. Kimberly Wessell, Director of Sales and Marketing

   Ms. Wessell is a Hamlet native who joined SJP in June 2017, bringing with her more than two decades of sales and marketing experience. Prior to her arrival, Ms. Wessell spent 10 years as a national integrated media sales executive for Valassis, Inc., where she consistently exceeded her annual sales quota and won numerous company awards. Ms. Wessell earned a Bachelor of Science Degree in Early Childhood Education with Reading Certification from East Carolina University, where she also studied Fashion Merchandising.

6. Msgr. Steven Worsley, MD, Mission and Spiritual Care Director

Msgr. Worsley holds a Doctorate of Medicine from Duke University, a License in Moral Theology from the Accademia Alfonsiana, a Master of Divinity from the University of Notre Dame and a Bachelor of Chemistry from the University of North Carolina at Chapel Hill. Previously a pastor and hospital vice president, he has also served as vicar for priests and director of pastoral services for the Diocese of Raleigh. He joined St. Joseph of the Pines in 2015.

C. Board of Directors

The Board of Directors ("Board") governs St. Joseph as a community-based, not-for-profit corporation.

The board serves on a volunteer basis and consists of sixteen (16) people, including two ex-officio members. Ex-officio trustees include the Ordinary of the Diocese of Raleigh or designee, two additional representatives of SPHA, and the president of St. Joseph of the Pines, Inc. All other board members are elected for a three-year term and may be re-elected to serve successive terms. Most board members reside in Moore County and are individuals with proven success in professional business or community activities.

John Burns
335 Swoope Drive
Southern Pines, NC 28387

Mr. Burns joined First Savings Bank in 1972 as president and chief executive officer. He currently holds the position as executive vice president of First Bank, also serving on the Board of Directors. As an active member of the local community, Mr. Burns has been charter president of the Aberdeen Jaycees, served on the Moore County Board of Education (1982-1990), acted as treasurer of the Sandhills Area Chamber of Commerce, been past president of the Kiwanis Club of the Sandhills, was Campaign Chairman of the United Way of Moore County, and sat on the SJP Board of Trustees from 2002-2007. Mr. Burns earned his Bachelor of Science degree in Business Administration from UNC Chapel Hill and is a graduate of the Graduate School of Banking of the South in Baton Rouge, LA.

Brian Canfield
P.O. Box 3000
Pinehurst, NC 28374

Brian Canfield has been the Chief Operating Officer (COO) at FirstHealth/Moore Regional Hospital since September 2012. Prior to joining FirstHealth, he served in the United States Army and retired as a Colonel after more than 28 years of active service in a variety of command and staff leadership positions in the United

States and overseas. Most recently he served as CEO/Commanding Officer for Womack Army Medical Center, Fort Bragg, North Carolina, U.S. Army Europe V CORPS Command Surgeon/NATO International Security Assistance Force (ISAF) Joint Command Medical Advisor in Kabul, Afghanistan, CEO/Commanding Officer for the 212th Combat Support Hospital and Commander, 30th Medical Command (Rear), Miesau, Germany. He also served as COO/Chief of Staff for D.D. Eisenhower Army Medical Center, Fort Gordon, Georgia, COO/Deputy Commander for Wurzburg Army Community Hospital and 67th Combat Support Hospital in Wurzburg, Germany, and VP/Director of Business Operations, Finance, Patient Administration and Managed Care Operations for Womack Army Medical Center, Fort Bragg, North Carolina.

John Capasso
Executive Vice President
Trinity Health
20555 Victory Parkway
Livonia, MI 48152

Mr. Capasso is currently the executive vice president of the Continuing Care Group at Trinity, which provides home health, hospice, senior living, nursing homes and Programs for the All-Inclusive Care for the Elderly. Prior to this role, he has served as the senior vice president of the Continuing Care Management Services Network at Catholic Health East (CHE) as well as president and chief executive officer of St. Joseph of the Pines. Prior to joining CHE, Mr. Capasso served in a variety of executive roles at Asbury Services in Gaithersburg, Maryland, and in positions in four acute care hospitals culminating in the role of assistant vice president, Professional Services, Holy Cross Hospital, Silver Spring, Maryland. Mr. Capasso holds a Master of Science in health services administration from George Washington University, a Bachelor of Arts in biology from Geneva College, Beaver Falls, PA, and is a certified health care executive with the American College of Healthcare Executives. He is also a licensed nursing home administrator.

Mitchell Capel, Sr.
235 Fairway Drive
Southern Pines, NC 28387

Mitchell G. Capel was born in and raised in Southern Pines, NC. He continued his educational studies at North Carolina A&T State University in Greensboro, NC and Howard University in Washington, D.C. studying Speech & Theater, Political Science and English. Mitchell was hired by Piedmont Airlines in 1985 (now American) and is still currently working in Inflight Services. In addition, Mitchell has been (and still is) an internationally known Storyteller, Writer and Motivational Speaker since 1985 teaching respect, character education, good morals and anti-drug messages to young audiences as the character "Gran'Daddy Junebug". He is the National Interpreter of Poet Laureate Paul Laurence Dunbar and has performed at venues nationwide including The Kennedy Center, The Smithsonian, and the Inauguration of President Barack Obama. He is currently on the board of directors of The Boys & Girls Club and a past board member and treasurer for The National Association of Black Storytellers (NABS).

Sister Mary Caritas
Providence Place, Apt. 334
5 Gamelin Street
Holyoke, MA 01040

Sister Caritas is Vice President, Sisters of Providence of Holyoke, MA. Sister Caritas has served on several Boards, including Catholic Health East. She has had extensive experience in aging services and has provided leadership in the development of Mary's Manor, the preeminent household model, SNF, located in Western Massachusetts. She has a Registered Nurse degree from Mercy Hospital School of Nursing and a M.Ed. from Tufts University.

Sister Julie Crane
35 Point Grove Road
Southwick, MA 01077

Julie Crane is a Sister of Providence, Holyoke, MA. After obtaining numerous degrees to further her studies in nursing, Sister Crane began working in health care in 1957 until her retirement in 2002. During that time she worked with all sorts of patients from newborns to the elderly, medical surgical nursing, and migrant camps to rehabilitation centers. Sister Crane also founded Healthcare for the Homeless in Springfield, MA in 1983 and has contributed to a handful of publications related to health care. Today, Sister Crane volunteers in and around her hometown with Head Start, Square One, Cross Town Quilters, Majestic Theater, Genesis Spiritual Life Center, and the American Red Cross for fire and disaster victims.

Michael Fiske
15 Muirfield Road
Pinehurst, NC 28374

Michael Fiske has traveled the world providing his expertise in sales and marketing as well as acquisitions and mergers. His travels include Bombay, China, Shanghai and Vietnam to name a few. Michael has held positions with JC Penny USA and the Textile Alliance. His education includes Colgate University and Columbia Graduate School – special development program for Chase Bank.

Lin Hutaff
25 Chinquapin Road, #15
Pinehurst, NC 28374

Lin Hutaff holds a Masters Degree in Mathematics from St. Louis University and a Bachelors Degree, Mathematics, St. Louis University. Lin has held positions with NCR Corporation specializing in Customer Relationship Management Solutions and IBM Corporation as a member of the Executive Briefing staff. The Executive Briefing Center served IBM's top 50 accounts worldwide. Presently Lin has her own Real Estate Firm.

Cheryl McNeill (Chair)
340 Lakewood Drive
Pinehurst, NC 28374

Ms. McNeill earned a Master of Science in Nursing from East Carolina University in Greenville, North Carolina. She has served as Nursing Education Coordinator at the Northwest Area Health Education Center in Winston-Salem, a clinical Assistant Professor at the University of Greensboro, and as professor of the Nursing Program at Sandhills Community College where she currently works as the Nursing Department Chair.

Lori Portfleet
100 Gossman Drive, Suite B
Southern Pines, NC 28387

Lori Portfleet was named President for St. Joseph of the Pines in January 2017 after serving as interim president since August 2016. Portfleet brings more than 25 years of health care experience to her new role, including stints as CEO of a 484-bed hospital and president of Spectrum Health Continuing Care, both located in Michigan. Portfleet earned a Bachelor of Arts degree from Grand Rapids Baptist College and a Master of Arts degree from Grand Valley State University.

Clare Ruggles
2265 Longleaf Drive West
Pinehurst, NC 28374

Ms. Ruggles has an in-depth understanding of financial management through her experience as an entrepreneur and positions with the University of Houston, Rice University and Price Waterhouse, among others. Ms. Ruggles is currently the Executive Director of Northern Moore Family Resource Center, a non-profit organization that supports children in their education and improving housing in a poor and rural community.

Derry Walker (Vice Chair)
590 Cental Drive, G-2, Pine Knoll
Southern Pines, NC 28387

After obtaining a Bachelor of Science in Communications from East Carolina University, Mr. Walker held positions in the Sales and Sales Management pharmaceutical industry. He has worked at Moore Memorial Hospital in various roles, including Public Relations Director, Director of Development, Vice President of Marketing, Interim CEO, Senior Vice President and Senior Development officer. After temporarily retiring in 2007, Mr. Walker returned to FirstHealth Moore Regional Hospital, where he currently works part-time in the Reid Heart Center's guest services. He is also a 25-year member of the Kiwanis Club of the Sandhills, Chairman of the "Moore for Tomorrow" committee, the United Way of Moore County Board of Directors and the Steering Committee for the Land Use Development for Pinehurst.

Matt West
203 Oakmont Circle
Pinehurst, NC 28374

Mr. West is currently the founder and CEO of Intangibles, LLC. His business experience includes serving as Vice President of Business Operations of the Carolina Hurricanes managing all sales, marketing, promotion and broadcasting. Mr. West has served on the board of the Museum of Life and Science, YMCA of Greater Durham and the First Tee of the Triangle. Mr. West has a degree in Political Science from Long Beach University.

Carla Williams, SPHR
190 Pinehurst Trace Drive
Pinehurst, NC 28374

Ms. Williams is a Human Resource professional with experience in the areas of Employee Relations, Administration, Policies and Procedures, Employment Law Compliance, Selection and Placement, Compensation and Performance Management, Labor Relations, Supervisory and Management Training, Recognition Programs, Risk Management and International Human Resources, to name a few. Ms. Williams is currently Senior Vice President, Human Resources, Pinehurst Resort and Country Club.

D. Criminal Violation Statement

No board member or individual responsible for the management of SJP has been convicted of a felony, pleaded no contest to a felony charge, or been held liable in a civil action by final judgment in cases in which the felony or civil charge has involved fraud, embezzlement, misappropriation or fraudulent conversion of property. Likewise, no board member or individual responsible for the management of SJP is subject to a current injunctive or restrictive court order or within the past five (5) years have had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department involving the business activity of operating a retirement home, assisted living or skilled nursing facility.

E. Location and Description of Physical Property

The Belle Meade campus is located on a 100-acre property off Camp Easter Road at 100 Waters Drive in Southern Pines, North Carolina. The property has been owned and maintained by St. Joseph of the Pines, Inc. since 1991. Belle Meade opened in 1999 and includes a clubhouse, four buildings housing a total of 172 apartment residences, 28 cottage duplexes, and 20 freestanding homes.

The Pine Knoll campus is located on a 19-acre property at 590 Central Drive in Southern Pines, North Carolina. The property has been owned and maintained by St. Joseph of the Pines, Inc. since 1948. The Pine Knoll campus, formally St Joseph of the Pines Villas, opened in 1984 and currently includes 73 apartment residences and 18 cottage units.

Assisted living and skilled nursing home services for Belle Meade and Pine Knoll residents are provided in the Coventry and Health Center, respectively, located adjacent to Belle Meade.

F. Residents Association

All residents are eligible for membership in the Resident Association. The Residents Association meets periodically and is often joined by Management. Management works closely with the residents through its committees. Each department manager meets routinely with the appropriate resident committees.

III. Facility Policies

A. Resident Health Criteria

Within 60 days prior to the occupancy date, a prospective resident will submit a physical examination report made by his/her personal physician. The report must state that the resident is in good health, can move about independently, and is able to take care of him or herself in daily living without assistance. In addition, the St. Joseph of the Pines Health Evaluation Team will conduct an evaluation of the prospective resident to determine appropriate placement.

SJP may require the prospective resident to undergo a second physical examination by SJP's Medical Director or by another physician approved by SJP. The resident will be responsible for the cost of such physical examination. If the results of the examination report(s) differ materially from the information disclosed in the Application for Residency Form and Personal Health History Form, SJP retains the right to decline residency and to terminate the Residency Agreement.

B. Financial and Insurance Criteria

All residents must have sufficient assets and income to pay the financial obligation under the Residency Agreement and to meet ordinary current and future living expenses of the resident. Beyond the Confidential Financial Statement, SJP may require the prospective Resident to furnish additional financial information as may be needed. All Residents must secure and keep in force during the term of the Residency Agreement health insurance approved by SJP (e.g., supplemental insurance). Residents eligible for Medicare/Medicaid must apply for and secure the maximum benefits available under Medicare Parts A and B and provide copies of policies and/or Medicare coverage upon admission or upon eligibility.

C. Execution of Certain Forms

Residents will, from time to time as appropriate, take such action and execute such forms as are necessary to secure the payment to any hospital, skilled nursing facility, or other provider of services, or to any physician (including reimbursement to the corporation for services rendered) of any and all amounts payable in respect of services to Resident and for which benefits, such as Medicare and Medicaid, are available, or may be available in the future.

D. Execution of Power of Attorney

Residents will grant to a family member or other responsible individual a durable power of attorney to act on behalf of the resident with respect to the resident's other rights and obligations under the Residency Agreement. Evidence of such provision will be made available to a representative of SJP prior to the resident's occupancy.

E. Age Requirements

Admission is restricted to persons sixty-two (62) years of age or older; if the Resident is a couple, at least one member of the couple must be sixty-two (62) years of age at the time of occupancy.

F. Cancellation/Termination in Relation to Refunds

1. Termination Prior to Occupancy

You may rescind the Agreement within 30 days following the later of the execution of the Agreement or the receipt of a disclosure statement of the Corporation. You are not required to move into the Residential Unit before the expiration of the 30-day period.

If You die before physically occupying a unit in the facility, or if, on account of illness, injury, or incapacity, before physically occupying a unit in the facility, You are precluded from ever physically occupying a Residential Unit under the terms of the Agreement for continuing care, this Agreement is automatically canceled.

For rescinded or canceled Agreements under this section, You or Your legal representative shall receive a refund of the Deposit and Entrance Fee paid or Membership Fee paid to the Corporation, as applicable, less (i) periodic charges specified in this Agreement and applicable only to the period a Residential Unit was actually occupied by You; (ii) those nonstandard costs specifically incurred by the Corporation at Your request and described in the Agreement (i.e. including but not limited to costs required to return the Residential Unit to its original condition (normal wear and tear excepted); plus any costs owed by You to the Corporation; plus any costs required to remove and dispose of or store personal belongings left in the Residential Unit) ; (iii) nonrefundable fee of $250 which is a processing fee of the Deposit; and (iv) a reasonable service charge not to exceed the greater of one thousand dollars ($ 1,000) or two percent (2%) of the Entrance Fee paid or Membership Fee, as applicable.

2. <u>Voluntary Termination After Occupancy</u>

You may rescind the Agreement within 30 days following the later of the execution of the Agreement or the receipt of a disclosure statement of the Corporation. Also, at any time after occupancy, the Resident may terminate the Residency Agreement by giving SJP thirty (30) days written notification. The Refund Option selected as indicated on the Residency Agreement will determine the amount refunded to the Resident.

a. <u>Standard Refund Option</u>

The Resident will receive a refund amount equal to the Entrance Fee paid less two percent (2%) for each month of residency during the first 49 months of occupancy and less an administrative charge of the greater of one thousand dollars ($1000.00) or two percent (2%) of the Entrance Fee; and less the periodic charges specified in the Agreement and applicable only to the period of occupancy by You; and less any other unpaid fees. Any refund due to You will be made no later than Your Residential Unit having been reserved by a prospective Resident, and such prospective Resident having paid the Entrance Fee. Any other unpaid fees to the Corporation shall reduce any refund.

b. <u>50% Refund Option</u>

The Resident will receive a refund equal to the Fifty Percent (50%) Refund Entrance Fee less two percent (2%) for each month of residency for up to twenty four (24) months of occupancy; and less an administrative charge of the greater of one thousand dollars ($1000.00) or two percent (2%) of the Entrance Fee; and less the periodic charges specified in the Agreement and applicable only to the period of occupancy by You; and less any other unpaid fees. The refund will never be less than Fifty Percent (50%) of the Fifty Percent Refund Entrance Fee, less the periodic charges specified in the Agreement, and applicable only to the period of occupancy by You. Upon termination of the Agreement, any refund will be made no later than Your Residential Unit having been reserved by a prospective Resident, and such prospective Resident having paid the Entrance Fee. Any other unpaid fees to the Corporation shall reduce any refund. This Option must be elected at time of closing or within ninety (90) days of closing date.

c. <u>90% Refund Option</u>

The Resident will receive a refund amount equal to the Ninety Percent (90%) Refund Entrance Fee less two percent (2%) for each month of residency for up to four months of occupancy and less an administrative charge of the greater of one thousand dollars ($1000.00) or two percent (2%) of the Entrance Fee; and less the periodic charges specified in the Agreement and applicable only to the period of occupancy by You The refund will never be less than Ninety Percent (90%) of the Ninety Percent Refund Entrance Fee, less the periodic charges specified in the Agreement, and applicable only to the period of occupancy by You, and less any other unpaid fees. Upon termination of the Agreement, any refund due will be made no later than Your Residential Unit having been reserved by a prospective Resident, and such prospective Resident having paid the Entrance Fee. Any other unpaid fees to the Corporation shall reduce any refund. This Option must be elected at time of closing or within ninety (90) days of closing date.

3. <u>Termination Upon Death</u>

In the event of a Resident's death after occupancy, the Residency Agreement will terminate and the refund of the Entrance Fee paid will be determined by the arrangements made by the Resident as indicated on the signed Residency Agreement.

4. <u>Termination by St. Joseph</u>

SJP may terminate the Residency Agreement if there has been a material misrepresentation or omission made by the Resident in his or her Application for Residency and associated forms; if the Resident fails to make payment of any fees or expenses due SJP within sixty (60) days of due date; if the Resident does not abide by the rules and regulations adopted by the community; or if the Resident breaches any of the terms and conditions of the Residency Agreement. In the event of termination by any of these causes, the refund will be determined by the arrangements made with the Resident upon entering into the Residency Agreement.

G. Moves

The resident may transfer from one residence to another or from independent living to assisted living or skilled nursing, on a permanent or temporary basis. SJP must approve all changes in the accommodations and all decisions are binding. A transfer fee may be assessed for resident moves between independent living units.

In the event that two Residents occupy a residence under the terms of the Residency Agreement, upon the permanent transfer to the Health Center, the Coventry or other health care facility, or in the event of the termination of the Residency Agreement with respect to one of such Residents, the Residency Agreement will continue in effect as to the remaining or surviving Resident who will have the option of retaining the same residence, in which event there will be no addition to or refund of the entrance fee, or the surviving resident may move to a less spacious residence. If a co-Resident terminates the Residency Agreement by death or otherwise, the remaining Resident will pay the monthly fee for single occupancy associated with the occupied residence.

SJP will have authority to determine if a Resident should be transferred from an independent living residence to assisted living or skilled nursing care or from one level of care to another level of care. Such determination will be based on the professional opinion of Management and/or the Medical Director and will be made only after consultation to the extent practical with the Resident and/or a representative of the family.

H. Marriage During Occupancy/New Second Occupant

1. Resident

In the event that a Resident wishes to marry and share a residence with another Resident, or share a residence with another Resident, they may occupy either residence and choose to surrender the other residence, subject to the approval of SJP. A refund will be payable with respect to the residence surrendered, based on the selected refund option for such surrendered residence less the current second person fee/periodic charge applicable only to the period the non-surrendered residence was actually occupied by the surrendering Resident as prorated on a per-diem basis.

2. Non-Resident

In the event that a Resident wishes to marry and share a residence with a non-Resident, or share a residence with a non-Resident, the non-Resident spouse/occupant may occupy the residence with the Resident only if he or she meets the current residency criteria, executes a Residency Agreement, and pays the subsequent second person entrance fee as determined by Management. Upon entry, the Resident and the new spouse/occupant will pay the double occupancy monthly fee associated with the occupied residence. Should the new spouse/occupant not meet the requirements for entry, the non Resident spouse/occupant must vacate the residence within 30 days.

I. Financial Hardship

It is the intent of SJP to permit a resident to reside in the community if the resident is no longer capable of paying the prevailing fees and charges as a result of financial hardship occurring after occupancy, provided such difficulties are not the result of willful or unreasonable dissipation of the resident's finances. SJP will give careful consideration to subsidizing the fees and charges payable by the resident so long as such subsidies can be made without impairing the ability of SJP to attain its objectives while operating on a sound financial basis. SJP may request that the resident make every effort to obtain assistance from all available resources both private and public. When a resident dies, the estate, if any, will be liable to SJP for the full amount of the subsidy received during the resident’s time of residency.

IV. Facility Services

A. Independent Living Services

Residents are entitled to enjoy the following services, programs, amenities, and common areas, which are supported by the initial Entrance Fee and an ongoing Monthly Fee.

a. Amenities/Programs:

Belle Meade

1. Public and private dining rooms for parties and other functions
2. A lounge area for use by residents for social and other activities
3. A swimming pool and fitness room equipped with exercise equipment
4. A beauty salon/barber shop
5. A library where an assortment of books and current periodicals can be checked out by residents
6. A game room for cards, chess and other table games
7. A multi-purpose room, craft room and woodworking shop, where residents can participate in private or group activities
8. A branch office of a local FDIC insured bank
9. Paved sidewalks for resident exercise and a wellness trail

10. An ecumenical chapel for worship
11. A putting green, practice golf range, shuffle board and croquet courts
12. A pickle ball court for resident use
13. Golf membership at eight local golf courses available for a nominal monthly fee

Pine Knoll

1. Public and private dining rooms for parties and other functions
2. A lounge area for use by residents for social and other activities
3. A beauty salon/barber shop
4. A library where an assortment of books and current periodicals can be checked out by residents
5. A billiards room
6. A theater
7. A game room for cards, chess and other table games
8. A multi-purpose room, where residents can participate in private or group activities
9. Paved sidewalks for resident exercise and a wellness trail
10. An ecumenical chapel for worship
11. Golf membership at eight local golf courses available for a nominal monthly fee

b. Services:

Belle Meade

1. A monthly discretionary credit allowance
2. All utilities
3. Emergency call devices will be provided and twenty-four (24) hour emergency call response.
4. Housekeeping service
5. Trash removal
6. Interior and exterior maintenance of Residence and common areas
7. Health and exercise programs in the indoor pool, fitness center and in other open areas
8. Scheduled transportation to medical appointments
9. Scheduled activities
10. Receptionist/Concierge
11. Routine landscaping
12. Lighted parking areas
13. Guest parking
14. Personal storage space
15. General liability and property insurance coverage (residents are encouraged to consider personal property insurance coverage)

Pine Knoll

1. A monthly discretionary credit allowance

2. All utilities
3. Emergency call devices will be provided and twenty-four (24) hour emergency call response.
4. Housekeeping service
5. Trash removal
6. Interior and exterior maintenance of Residence and common areas
7. Scheduled transportation to medical appointments
8. Scheduled activities
9. Receptionist/Concierge
10. Routine landscaping
11. Lighted parking areas
12. Guest parking
13. Personal storage space
14. General liability and property insurance coverage (residents are encouraged to consider personal property insurance coverage)

B. Healthcare Benefit

If you are in need of temporary care in the Health Center or in Assisted Living, it will be provided for the first fourteen (14) days of a stay in any calendar year in the Health Center or Assisted Living after consultation between the Corporation's Medical Director, Your physician, You, and Your spouse (if any) or immediate family. During such period, You shall continue to pay the Monthly Fee for the Residential Unit.

The Corporation offers two Healthcare Benefit Options as part of the Residency Agreement for Belle Meade and Pine Knoll, as set forth below.

1. **Extensive Benefit:** Upon determination by Management that Your stay in the Health Center or Assisted Living is permanent, You agree to vacate the Residential Unit, and You will no longer pay the Monthly Fee for Your Residential Unit. Instead, You shall receive a fifty percent (50%) discount from the published per diem fee at the time You transfer to either Assisted Living or nursing care. Resident's short- and long-term skilled nursing needs are provided in the Health Center through the standard accommodation of a semi-private room. A private room may be provided for a surcharge and is based on availability.

2. **Fee-for-service:** Upon determination by Management that Your stay in the Health Center or Assisted Living is permanent, You agree to vacate the Residential Unit, and You will no longer pay the Monthly Fee for Your Residential Unit and, instead, shall pay the then current, published per diem fee for either assisted living or nursing care. Resident's short- and long-term skilled nursing needs are provided in the Health Center through the standard accommodation of a semi-private room. A private room may be provided for a surcharge and is based on availability.

You agree that the Corporation will have the right and ability to file for any health care reimbursement available to You on Your behalf.

C. Services Available at Extra Charge

In addition to the standard services included in the Monthly Fee, SJP will make available: delivery of meals to residences, catering for special occasions, beauty salon/barber shop services, additional housekeeping and maintenance services, and transportation at additional costs.

Independent Living Ancillary Charges	
BEAUTY/BARBER SHOP	**COST**
	Varies upon selection
ADDITIONAL HOUSEKEEPING	
1 Hour	$60.00
ADDITIONAL MAINTENANCE	
1 Hour	$60.00
CATERING	
Varies upon selection	
Delivery of meals to residents	$4.00

Physician services are available at the Neese Clinic located adjacent to the Belle Meade campus. The Neese Clinic is operated by Pinehurst Medical Center. Residents will pay for medical clinic services as they would for other private health care.

D. Continuum Services Available

1. Assisted Living

Assisted living is available for residents who need assistance with activities of daily living. Residents will receive three meals a day, snacks, assistance with bathing and dressing, medication, medical treatments, support services, housekeeping and laundry services.

Coventry	Qty	Square Footage	2018	2017	2016	2015	2014	2013
Studio - 1st Floor	30	301	$ 5,784	$ 5,643	$ 5,479	$ 5,319	$ 5,144	$ 4,970
Apartment - 2nd Floor	10	651	$ 6,466	$ 6,309	$ 6,125	$ 5,947	$ 5,751	$ 5,557
	40	% Change	2.5%	3.0%	3.0%	3.4%	3.5%	3.0%
		Average $ Change	$ 145	$ 169	$ 165	$ 180	$ 179	$ 237
2nd Person	10% discount on 1st Person rate							

2018 Coventry Private Pay Daily Room Rate			
	Quantity	Sq Footage	Rate
Studio - 1st Floor	30	301	$ 190.16
Apartment - 2nd Floor	10	651	$ 212.58

Assisted Living services are also provided in a Family Care Home environment, there are currently 16 Units and 18 Beds available. The Coventry Assisted Living building includes a Memory Support unit. There are currently 78 licenses available for Assisted Living: 60 at the Coventry and 18 at the Family Care Homes.

2. Skilled Nursing Services

The Health Center is licensed to provide services in 176 skilled nursing beds. Residents' short- and long- term skilled nursing needs are provided in the Health Center through the standard accommodation of a semi-private room. A private room may be provided for a surcharge and is based on availability.

Health Center	Quantity	2018	2017	2016	2015	2014	2013
Private Pay Daily Room Rate	167	$ 319	$ 310	$ 295	$ 281	$ 268	$ 259
	% change	2.9%	5.1%	5.0%	4.9%	3.5%	3.2%
	Average daily $ change	$ 9	$ 15	$ 14	$ 13	$ 9	$ 8

V. Facility Fees

A. Residency Agreement Deposit

Upon approval for Admission, and within ten (10) days of notification of approval, a prospective resident is required to make a deposit equal to 10 percent (10%) of the Standard Entrance Fee described in the Residency Agreement. At this time, the $1,000 Reservation Deposit will be applied to the Resident's payment of the 10% deposit. The Residency Agreement Deposit is fully refundable for thirty (30) days, less an administrative charge of two hundred and fifty dollars ($250), from the execution date of the Residency Agreement or the receipt of a disclosure statement that meets the requirement of North Carolina General Statutes, whichever is later.

B. Entrance Fee and Monthly Fee

Residents will pay an initial Entrance Fee and an ongoing Monthly Fee, both of which are partially tax-deductible under current tax law. The entrance fee is a payment that assures the resident a place in the community for life; payment of a membership fee provides this same assurance. A membership fee is an option detailed in the Residency Agreement; this option affords a lower entry fee counterbalanced with a higher monthly fee.

Schedule of past Independent Living Monthly Fees with % and dollar amount of annual increases:

Belle Meade	Quantity	Square Footage	2018	2017	2016	2015	2014	2013
Bristol	3	800	$2,367	$2,309	$2,605	$2,564	$2,480	$2,398
Somerset	26	962	$2,635	$2,570	$2,849	$2,804	$2,712	$2,623
Wellington	27	1,205	$3,024	$2,950	$3,212	$3,161	$3,058	$2,957
Cotswold	55	1,366	$3,285	$3,205	$3,455	$3,400	$3,288	$3,180
Avington	21	1,454	$3,345	$3,263	$3,587	$3,530	$3,414	$3,302
Dorset I	11	1,518	$3,349	$3,267	$3,683	$3,624	$3,505	$3,390
Dorset II	21	1,620	$3,641	$3,553	$3,836	$3,776	$3,652	$3,532
Keswick	4	1,906	$4,065	$3,966	$4,266	$4,199	$4,061	$3,927
Combo	4	2,323	$4,542	$4,431	$4,892	$4,814	$4,656	$4,503
Prescott Cottage	11	2,060	$4,036	$3,938	$3,861	$3,800	$3,675	$3,554
Essex Cottage	13	1,973	$4,328	$4,222	$4,139	$4,073	$3,940	$3,810
Sterling Cottage	14	2,322	$4,736	$4,620	$4,592	$4,519	$4,371	$4,227
Windsor Home	2	1,632	$3,878	$3,783	$3,709	$3,651	$3,531	$3,415
Hampstead Home	8	1,799	$4,127	$4,026	$3,947	$3,885	$3,758	$3,634
	220							
		% change	2.5%	-4.8%	1.6%	3.4%	3.4%	5.0%
	Average $ change		$85	($210)	$57	$116	$113	$157
Second Person Fee			$ 1,312	$ 1,280	$ 1,255	$ 1,235	$ 1,194	$ 1,155

Pine Knoll	Quantity	Square Footage	2018	2017	2016	2015	2014	2013
Halsford	7	300	$1,767	$1,724	$1,847	$1,818	$1,758	$1,700
Lampford	18	573	$1,899	$1,852	$2,232	$2,197	$2,125	$2,055
Upton	15	720	$2,190	$2,137	$2,442	$2,405	$2,325	$2,249
Newland	8	836	$2,290	$2,234	$2,660	$2,617	$2,531	$2,448
Ashmore	8	1,295	$3,333	$3,252	$3,312	$3,260	$3,153	$3,049
Scotsgrove	4	1,344	$3,428	$3,345	$3,415	$3,361	$3,251	$3,144
Kingston	8	1,618	$3,603	$3,515	$3,551	$3,495	$3,380	$3,269
Woodleigh	8	1,211	$3,178	$3,101	$3,312	$3,161	$3,058	$2,957
Bickleigh	10	1,322	$3,386	$3,304	$3,324	$3,272	$3,164	$3,060
Ashleigh	1	1,347	$3,713	$3,622	$3,551	$3,495	$3,380	$3,269
Kingsford	1	1,381	$3,783	$3,691	$3,619	$3,562	$3,445	$3,332
Dunsford	1	1,443	$3,855	$3,761	$3,687	$3,630	$3,510	$3,395
Fernhill	1	1,733	$4,285	$4,180	$4,098	$4,033	$3,900	$3,772
	90							
		% change	2.5%	-3.2%	1.8%	3.4%	3.4%	3.2%
	Average $ change		$65	($204)	$53	$91	$88	$122
Second Person Fee			$ 1,073	$ 1,047	$ 1,026	$ 1,010	$ 977	$ 945

C. Adjustments in the Monthly Fee

SJP retains the right to adjust the Monthly Fee, fee-for-service charges, and any other fees and charges, as necessary to meet the financial obligations of the Corporation. In the event that it should be determined that SJP is required to pay sales tax or ad valorem taxes upon its property, the Monthly Fee may be adjusted to reflect the amount of such taxes. SJP may make any such adjustments in the Monthly Fee or other charges upon sixty (60) days written notice to residents.

D. Fee Change Policies

Fees are generally changed once annually but may be changed at any time. At least sixty (60) days' notice is provided to residents before new fees take effect. The objective in setting fees is to keep them at the lowest feasible rates consistent with sound fiscal practices and maintenance of the quality of service. Notification of any adjustment in the Monthly Fee will be given to all residents at least sixty (60) days prior to the actual adjustment.

E. Options Costs

Residents may request structural changes to their units and, if approved, must make an advance deposit of the construction cost, and upon move out the Resident may be required to return the unit to its original condition. The Corporation may charge (with advance notice to You upon your selection of custom features) a non refundable "upfit fee" to You as a result of Your custom features, in the sole discretion of the Corporation. The upfit fee shall correlate to the anticipated cost of returning the Residential Unit to its original condition upon vacating of the Unit by You.

VI. Financial Information

A. Financial Statement Summary

St. Joseph of the Pines, Inc. ended fiscal year 2018 with an operating income of $1.5 Million. A copy of the audited financial statements is included.

B. Compliance with Operating Reserve Requirement

North Carolina State law requires that existing CCRCs provide for a minimum operating reserve. The North Carolina Department of Insurance requires that an operating reserve calculated on the total operating costs of the facility forecasted for the 12-month period following the period reported in the most recent disclosure statement shall be maintained.

SJP Independent Living and Assisted Living occupancy was eighty-five percent (85%) as of June 30, 2018. The Pine Knoll Independent Living campus ended

2018 with an occupancy of seventy-nine percent (79%) with 67 of the 85 available units occupied/unoccupied but reserved, the Belle Meade Independent Living campus ended 2018 ninety-two percent (92%) occupied with 195 of 212 available units occupied/unoccupied but reserved, the Coventry Assisted Living building was seventy-three percent (73%) occupied and the Family Care Homes (Assisted Living) were sixty-one (61%) occupied. SJP is poised to meet the ninety (90%) occupancy target in this coming fiscal year.

SJP is required to maintain a minimum operating reserve of $8.539 million for the 2018 fiscal year.

Operating Reserve Requirement

Projected FY18 Adjusted Operating Costs (*in thousands)*	$ 17,193
Occupancy Factor	x 50%
Total Operating Reserve Required	$8,596

The invested funds identified to meet the operating reserve requirement are managed through the Treasury Services department of Trinity. The Treasury Services department is responsible for managing approximately $8.878 billion in investments and contracts with experienced consultants that assist with the oversight of the various fund managers.

C. Amortization of Entrance Fees

Entrance Fees are fees used to help cover costs of providing services to a resident over one's lifetime. As such, the Entrance Fee is not recorded as revenue in the year it is paid, but rather is deferred over time and recognized as income over the estimated life expectancy of the residents in accordance with generally accepted accounting principles.

C. Contracts for Continuing Care

An estimated 380 residents of the facility are provided services by SJP pursuant to contracts for continuing care.

D. 2018 Variances from Previous Forecast

St. Joseph of the Pines operations consists of six lines of service:

Independent Living	PACE
Assisted Living	Home Care
Skilled Nursing	HUD Property Management

Operating Margin

St. Joseph of the Pines operating income exceeded the forecasted operating margin of $2.6 million or 4.5% by $113,000; actual operations resulted in an operating income of $2.7 million or 4.6%.

Total Operating Revenues

Total operating revenues were forecasted at $61.8 million. Actual operating revenues were $61.3 million. The favorable performance was driven by growth in the PACE program.

Total Operating Expenses

Total operating expenses were forecasted at $57.9 million. Actual operating expenses were $59.8 million. The organization was unfavorable to the forecasted operating expenses primarily due to growth in the PACE program and unanticipated repair costs.

Independent Living

- Monthly Service Fee income was forecasted at $17.6 million, while actual Service Fee income for 2018 was $16.7 million, the unfavorable variance driven by less growth than projected.

- Entrance Fee amortization forecast was $4.0 million; actual realized entrance fee amortization was unfavorable at $3.7 million. Fee amortization is the portion of the entrance fee that is recognized into revenue annually as the entrance fee amortization may not be fully realized upon entrance.

- Maintenance costs were forecasted at $4.1 million, actual expense was $5.0 million, as a result of unanticipated facility-wide repairs.

*10% or greater was the threshold for materiality

Balance Sheet					
	2018 Forecast	2018 Actual	$ Variance	% Variance	* Variance Explanation
Current Assets:					
Cash & Cash Equivalents	$ 11,655	$ 17,268	$ 5,613	48%	Interchanged with Statutory Operating Reserve Investments
Patient accounts receivable (AR), net	8,407	5,834	$ (2,573)	-31%	Lower than anticipated PACE receivable at year-end
Prepaid expenses, inventories and other current assets	329	274	$ (55)	-17%	Less expenses prepaid at end of fiscal year than anticipated
Total current assets	20,391	23,376	2,985	15%	
Assets Limited as to Use:					
Statutory Operating Reserve Investments	15,112	10,526	$ (4,586)	-30%	Interchanged with Cash & Cash Equivalents
Other Restricted Investments	229	1,195	$ 966	422%	Increase in designated funds
	15,341	11,721	$ (3,620)	-24%	
Property, Plant and Equipment	136,701	138,140	$ 1,439	1%	
Less: accumulated depreciation	73,602	73,829	$ 227	0%	
Net Property, Plant and equipment	63,099	64,311	1,212	2%	
Other Assets:					
Other long-term assets	2,599	816	$ (1,783)	-69%	Capitalized investments reflected as PPE
Total other assets	2,599	816	(1,783)	-69%	
Total assets	101,430	100,224	(1,206)	-1%	
Liabilities and Net Assets					
Current Liabilities:					
Current portion of long term debt	971	832	$ (139)	-14%	Shift between LTD and current portion
Accounts Payable (AP) and accrued expenses	7,179	8,984	$ 1,805	25%	Increase in due to affiliates at year-end
Other accrued liabilities	1,749	1,278	$ (471)	-27%	PACE program IBNR lower than projected
Total current liabilities	9,899	11,094	1,195	12%	
Deferred revenues - refundable	6,399	7,486	$ 1,087	17%	Lower resident prepayment of monthly fees at year-end than anticipated
Deferred revenues - nonrefundable	26,972	24,581	$ (2,391)	-9%	
Long-term debt	46,767	46,906	$ 139	0%	
Other long-term liabilities	300	285	$ (15)	-5%	
Total deferred revenues and long-term liabilities	80,438	79,258	(1,180)		
Total liabilities	90,337	90,352	15	0%	
Net Assets (Deficit)					
Unrestricted	10,864	9,616	$ (1,248)	-11%	Lower than projected net income
Temporarily restricted	229	256	$ 27	12%	Restricted contributions received
Permanently restricted	-	-	$ -	0%	
Total net assets (deficit)	11,093	9,872	(1,221)	-11%	
Total liabilities and net assets (deficit)	101,430	100,224	(1,206)	-1%	

*10% or greater was the threshold for materiality

Statement of Operations					
	2018 Forecast	2018 Actual	$ Variance	% Variance	* Variance Explanation
Revenues, gains and other support:					
Monthly fees	17,602	16,730	$ (872)	-5%	
Amortization of entrance fees	3,977	3,678	$ (299)	-8%	
Health Care Revenues	17,296	16,506	$ (790)	-5%	
PACE Revenue	22,559	23,993	$ 1,434	6%	
Contributions and gifts	100	26	$ (74)	-74%	Increased contributions toward the Mission
Other operating revenues	285	371	$ 86	30%	Investment market inprovements
Total unrestricted revenues, gains and other support	61,819	61,304	(515)	-1%	
Expenses:					
Health Care	12,122	11,231	(891)	-7%	
PACE	16,810	17,912	1,102	7%	
Dietary	6,770	7,061	291	4%	
Administrative	8,223	8,272	49	1%	
Maintenance	4,069	4,955	886	22%	Increase in unanticipated repairs
Laundry (Linen)	66	100	34	52%	Laundry costs related to PACE reported in PACE line
Housekeeping	1,222	1,325	103	8%	
Depreciation and amortization	5,514	5,758	244	4%	
Interest	1,767	1,831	64	4%	
Other Operating expenses	1,349	1,346	(3)	0%	
Total expenses	57,912	59,791	1,879	3%	
Operating (loss) income	3,907	1,513	(2,394)	-61%	
		2.5%			
Non-operating gains (losses)	-	1,146	$ 1,146	0%	Investment income unbudgeted resulting in favorability
Increase (Decrease) in Unrestricted Net Assets	3,907	2,659	$ (1,248)	-32%	
Increase (Decrease) in Restricted Net Assets		27			
Nets assets (deficit), beginning of year	7,186	7,186	$ -	0%	
Net assets (deficit), end of year	11,093	9,872	(2,394)	-22%	

Statement of Cash Flows					
	2018 Forecast	2018 Actual	$ Variance	% Variance	* Variance Explanation
Changes in net assets	$ 3,907	$ 2,659	$ (2,394)	-61%	Lower than projected operating income
Adjustments to reconcile changes in nets assets to cash:					
Entrance fees received	3,977	3,152	$ (825)	-21%	Turnover of residents less than forecasted
Amortization of entrance fees	(3,977)	(3,152)	$ 825	-21%	Turnover of residents less than forecasted
Depreciation and amortization	5,514	5,758	$ 244	4%	
Changes in operating assets and liabilities:					
Patient accounts receivable	(257)	2,317	$ 2,574	-1002%	Lower than anticipated PACE receivable at year-end
Prepaid expenses inventory and other current assets	(10)	43	$ 53	-530%	Less expenses prepaid at end of fiscal year than anticip
Accounts payable and accrued expenses	(73)	1,732	$ 1,805	-2473%	Increase in due to affiliates at year-end
Other LT liabs	43	(1)	$ (44)	-102%	Annuities remained consistent
Net cash provided by operating activities	9,124	12,508	2,281	(41)	
Cash flows from investing activities:					
Change in investments and assets limited as to use	(726)	(2,894)	$ (2,168)	299%	Investments shifted into cash and equivalents
Purchases of property and equipment	(5,514)	(6,970)	$ (1,456)	26%	Increased capital investments in facilities
Net cash used in investing activities	(6,240)	(9,864)	$ (3,624)	58%	
Cash flows from financing activities:					
Belle Meade and Pine Knoll payments on Long term debt	(903)	(903)	$ -	0%	
Related party borrowings	(1,784)	(5)	$ 1,779	-100%	Corporate debt program
Other Payments on long-term debt	-	-	$ -	0%	
Net cash used in financing activities	(2,687)	(908)	1,779	-66%	
Net increase (decrease) in cash and cash equivalents	197	1,736	$ 1,539	780%	
Cash and cash equivalents, beginning	11,458	15,532	$ 4,074	36%	
Cash and cash equivalents, ending	11,655	17,268	$ 5,613	48%	
Cash payments for interest	1,767	1,985	$ 218	12%	

ST. JOSEPH of the PINES

Interim Financial Statements
December 31, 2018

St. Joseph of the Pines

Balance Sheet (in 000's)

For the Six Months Ending December 31, 2018

ASSETS		**LIABILITIES AND NET ASSETS**	
Current assets:		**Current liabilities:**	
Cash and investments	$ 9,964	Accounts payable	$ 1,398
Net patient accounts receivable	3,750	Wages and accrued liabilities	4,661
Other accounts receivable	1,683		6,059
Inventory	158	**Other liabilities**	
Prepaid expenses & other	281	Long-term debt	46,490
Total current assets	15,836	Deferred revenue	23,321
		Other long-term liabilities	6,917
Other assets:			76,728
Assets whose use is limited	11,251		
Property and equipment, net	63,452	**Net assets:**	
Other long-term assets	813	Unrestricted net assets	8,265
	75,516	Restricted net assets	300
Total assets	**$ 91,352**	**Total liabilities & net assets**	**$ 91,352**

St. Joseph of the Pines

Income Statement (in 000's)

For the Six Months Ending December 31, 2018

Revenue	
Net patient service revenue	$ 6,568
Capitation revenue	11,563
Other revenue	11,902
Total current assets	30,033
Expenses	
Salaries and benefits	12,740
Supplies	3,374
Purchased services	7,284
Depreciation and amortization	2,768
Interest expense	930
Other expenses	2,914
	30,010
Net operating income	23
Investment gains (losses)	(1,373)
Expenses in excess of revenue	**$ (1,350)**

St. Joseph of the Pines

Statement of Cash Flows (in 000's)

For the Six Months Ending December 31, 2018

Beginning balance	$ 853
Decrease in net assets	(1,307)
Depreciation and amortization	2,768
Amortization of deferred fees	(1,076)
Bad debt	829
Change in market value of investments	1,393
Changes in operating assets and liabilities	(6,670)
Cash used in operating activities	(4,063)
Purchases of property & equipment	(1,902)
Proceeds from investments	6,360
Cash provided by investing activities	4,458
Repayments of long-term debt	(416)
Cash used in financing activities	(416)
Net decrease in cash and cash equivalents	(21)
Ending balance cash and equivalents	**$ 832**

Trinity Health

Consolidated Financial Statements as of and for the
years ended June 30, 2018 and 2017,
Supplemental Consolidating Schedules as of and for
the year ended June 30, 2018
and Independent Auditors' Reports

TRINITY HEALTH

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Deloitte.

Deloitte & Touche LLP
200 Renaissance Center
Suite 3900
Detroit, MI 48243-1313
USA

Tel: +1 313 396 3000
Fax: +1 313 396 3618
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trinity Health Corporation
Livonia, Michigan

We have audited the accompanying consolidated financial statements of Trinity Health Corporation and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of BayCare Health System, the Corporation's investment which is accounted for by the use of the equity method. The accompanying consolidated financial statements of the Corporation include its investment in the net assets of BayCare Health System of $2.8 billion and $2.4 billion as of June 30, 2018, and 2017, respectively, and its equity method income from BayCare Health System of $296.4 million and $360.1 million for the years ended June 30, 2018 and 2017, respectively. The combined financial statements of BayCare Health System for the years ended December 31, 2017 and 2016, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for BayCare Health System, is based on the reports of the other auditors and the procedures that we considered necessary in the circumstances with respect to the inclusion of the Corporation's equity investment and equity method income in the accompanying consolidated financial statements taking into consideration the differences in fiscal years. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2018 and 2017, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 26, 2018

TRINITY HEALTH

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2018 AND 2017
(In thousands)

ASSETS	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 971,726	$ 1,008,197
Investments	3,846,190	3,526,204
Security lending collateral	275,228	332,972
Assets limited or restricted as to use - current portion	352,231	328,712
Patient accounts receivable, net of allowance for doubtful accounts of $480.8 million and $428.9 million at June 30, 2018 and 2017, respectively	2,070,567	1,877,860
Estimated receivables from third-party payors	213,563	260,856
Other receivables	360,477	360,051
Inventories	292,945	274,830
Assets held for sale	67,793	-
Prepaid expenses and other current assets	172,819	172,051
Total current assets	8,623,539	8,141,733
ASSETS LIMITED OR RESTRICTED AS TO USE - noncurrent portion:		
Held by trustees under bond indenture agreements	6,865	7,139
Self-insurance, benefit plans and other	865,949	823,948
By Board	3,881,021	3,709,246
By donors	498,871	460,491
Total assets limited or restricted as to use - noncurrent portion	5,252,706	5,000,824
PROPERTY AND EQUIPMENT - Net	8,025,580	7,853,456
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	3,493,495	3,105,173
GOODWILL	438,460	301,043
OTHER ASSETS	361,920	336,854
TOTAL ASSETS	$ 26,195,700	$ 24,739,083

LIABILITIES AND NET ASSETS	2018	2017
CURRENT LIABILITIES:		
Commercial paper	$ 99,904	$ 99,861
Short-term borrowings	711,020	1,039,840
Current portion of long-term debt	276,295	192,680
Accounts payable and accrued expenses	1,548,741	1,404,413
Salaries, wages and related liabilities	863,143	820,014
Payable under security lending agreements	275,228	332,972
Liabilities held for sale	32,440	-
Estimated payables to third-party payors	395,970	331,585
Current portion of self-insurance reserves	272,842	269,874
Total current liabilities	4,475,583	4,491,239
LONG-TERM DEBT - Net of current portion	5,982,141	5,269,862
SELF-INSURANCE RESERVES - Net of current portion	1,002,274	980,624
ACCRUED PENSION AND RETIREE HEALTH COSTS	688,259	1,315,991
OTHER LONG-TERM LIABILITIES	703,427	695,940
Total liabilities	12,851,684	12,753,656
NET ASSETS:		
Unrestricted net assets	12,581,754	11,282,433
Noncontrolling ownership interest in subsidiaries	176,156	173,703
Total unrestricted net assets	12,757,910	11,456,136
Temporarily restricted net assets	388,624	345,974
Permanently restricted net assets	197,482	183,317
Total net assets	13,344,016	11,985,427
TOTAL LIABILITIES AND NET ASSETS	$ 26,195,700	$ 24,739,083

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

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2018 AND 2017
(In thousands)

	2018	2017
UNRESTRICTED REVENUE:		
Patient service revenue, net of contractual and other allowances	$ 16,406,252	$ 15,747,094
Provision for bad debts	(574,954)	(548,965)
Net patient service revenue less provision for bad debts	15,831,298	15,198,129
Premium and capitation revenue	1,067,582	1,039,749
Net assets released from restrictions	50,510	39,826
Other revenue	1,396,015	1,350,141
Total unrestricted revenue	18,345,405	17,627,845
EXPENSES:		
Salaries and wages	7,949,446	7,594,863
Employee benefits	1,525,511	1,510,144
Contract labor	296,611	242,018
Total labor expenses	9,771,568	9,347,025
Supplies	2,983,635	2,880,802
Purchased services	2,083,761	2,059,267
Depreciation and amortization	857,154	870,289
Occupancy	748,346	744,444
Medical claims	406,330	417,054
Interest	224,882	207,152
Other	868,437	835,673
Total expenses	17,944,113	17,361,706
OPERATING INCOME BEFORE OTHER ITEMS	401,292	266,139
Asset impairment charges	(264,366)	(248,070)
Restructuring costs	-	(36,184)
OPERATING INCOME (LOSS)	136,926	(18,115)
NONOPERATING ITEMS:		
Investment earnings	488,715	859,934
Equity in earnings of unconsolidated affiliates	328,353	376,642
Change in market value and cash payments of interest rate swaps	25,671	52,955
(Loss) gain from early extinguishment of debt	(39,857)	792
Inherent contributions related to acquisitions	1,903	65,103
Other, including income taxes	7,419	(488)
Total nonoperating items	812,204	1,354,938
EXCESS OF REVENUE OVER EXPENSES	949,130	1,336,823
EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	(47,619)	(45,599)
EXCESS OF REVENUE OVER EXPENSES, net of noncontrolling interest	$ 901,511	$ 1,291,224

	2018	2017
UNRESTRICTED NET ASSETS:		
Unrestricted net asset attributable to Trinity Health:		
Excess of revenue over expenses	$ 901,511	$ 1,291,224
Net assets released from restrictions for capital acquisitions	31,900	37,695
Net change in retirement plan related items - consolidated organizations	394,751	372,579
Net change in retirement plan related items - unconsolidated organizations	(14,501)	4,123
Other	(14,340)	8,165
Increase in unrestricted net assets before discontinued operations	1,299,321	1,713,786
Discontinued operations:		
Gain from operations	-	4,919
Loss on disposals and settlement of debt	-	(12,651)
Increase in unrestricted net assets attributable to Trinity Health	1,299,321	1,706,054
Unrestricted net asset attributable to noncontrolling interests:		
Excess of revenue over expenses attributable to noncontrolling interests	47,619	45,599
Noncontrolling interests related to acquisitions	9,454	2,500
Dividends	(44,142)	(52,190)
Other	(10,478)	(8,801)
Increase (decrease) in unrestricted net assets attributable to noncontrolling interests	2,453	(12,892)
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	112,140	83,378
Net investment gain	12,367	17,140
Net assets released from restrictions	(82,410)	(77,521)
Acquisitions	-	2,874
Other	553	(6,548)
Increase in temporarily restricted net assets	42,650	19,323
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions for endowment funds	7,350	1,805
Net investment gain	7,266	7,892
Acquisitions	-	16,960
Other	(451)	(928)
Increase in permanently restricted net assets	14,165	25,729
INCREASE IN NET ASSETS	1,358,589	1,738,214
NET ASSETS - BEGINNING OF YEAR	11,985,427	10,247,213
NET ASSETS - END OF YEAR	$ 13,344,016	$ 11,985,427

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

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017
(In thousands)

	2018	2017
OPERATING ACTIVITIES:		
Increase in net assets	$ 1,358,589	$ 1,738,214
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	857,154	870,289
Provision for bad debts	574,954	548,965
Asset impairment charges	264,366	248,070
Restructuring costs, net of payments	-	23,484
Inherent contributions related to acquisitions	(1,903)	(65,103)
Loss (gain) on extinguishment of debt	39,857	(792)
Change in net unrealized and realized gains on investments	(412,822)	(822,835)
Change in market values of interest rate swaps	(42,682)	(71,236)
Undistributed equity in earnings of unconsolidated affiliates	(384,534)	(407,057)
Deferred retirement items - consolidated organizations	(394,751)	(372,579)
Deferred retirement items - unconsolidated organizations	14,501	(4,123)
Noncash items, including net losses on disposal - discontinued operations	-	10,280
Increase in noncontrolling interests related to acquisitions	(9,454)	(2,500)
Restricted contributions and investment income received	(57,852)	(9,516)
Restricted net assets acquired	-	(19,834)
Other adjustments	43,934	34,412
Changes in:		
Patient accounts receivable	(711,324)	(536,942)
Other assets	(65,283)	(5,346)
Accounts payable and accrued expenses	137,817	(84,096)
Estimated receivables from third-party payors	47,294	(12,678)
Estimated payables to third-party payors	26,181	(48,914)
Self-insurance reserves and other liabilities	5,095	55,325
Accrued pension and retiree health costs	(261,678)	(256,668)
Total adjustments	(331,130)	(929,394)
Net cash provided by operating activities	$ 1,027,459	$ 808,820

	2018	2017
INVESTING ACTIVITIES:		
Purchases of investments	$ (4,029,440)	$ (3,446,670)
Proceeds from sales of investments	3,877,168	3,574,923
Purchases of property and equipment	(1,124,533)	(1,113,262)
Proceeds from disposal of property and equipment	7,431	8,094
Acquisitions, net of cash acquired	(261,023)	5,610
Proceeds from the sale of divestitures	5,009	8,989
Change in investments in unconsolidated affiliates	(10,460)	(16,410)
Net repayments from affiliates	6,665	6,108
Decrease in assets limited as to use and other	7,237	9,306
Net cash used in investing activities	(1,521,946)	(963,312)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	1,331,051	426,973
Repayments of debt	(865,374)	(235,460)
Net change in commercial paper	(1,769)	(47,075)
Dividends paid	(44,142)	(52,190)
Proceeds from grant received	-	20,000
Proceeds from restricted contributions and restricted investment income	47,670	9,516
Increase in financing costs and other	(9,420)	(3,758)
Net cash provided by financing activities	458,016	118,006
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,471)	(36,486)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,008,197	1,044,683
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 971,726	$ 1,008,197
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (net of amounts capitalized)	$ 230,784	$ 211,260
New capital lease obligations for buildings and equipment	2,452	1,360
Accruals for purchases of property and equipment and other long-term assets	184,024	124,056
Unsettled investment trades and purchases	75,394	28,622
Unsettled investment trades and sales	22,220	18,043
(Decrease) increase in security lending collateral	(57,744)	70,937
Decrease (increase) in payable under security lending agreements	57,744	(70,937)

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

1. ORGANIZATION AND MISSION

Trinity Health Corporation, an Indiana nonprofit corporation headquartered in Livonia, Michigan, and its subsidiaries ("Trinity Health" or the "Corporation"), controls one of the largest health care systems in the United States. The Corporation is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services, including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care and rehabilitation services located in 22 states. The operations are organized into Regional Health Ministries, National Health Ministries and Mission Health Ministries ("Health Ministries"). The mission statement for the Corporation is as follows:

We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Community Benefit Ministry – Consistent with our mission, Trinity Health provides medical care to all patients regardless of their ability to pay. In addition, Trinity Health provides services intended to benefit those who are poor and vulnerable, including those persons who cannot afford health insurance or other payments, such as co-pays and deductibles because of inadequate resources and/or are uninsured or underinsured; and works to improve the health status of the communities in which it operates. In addition to the 6 million people Trinity Health touches directly with clinical care, our mission extends to reach another 30 million people who live in our communities. Much of our mission is carried out through clinical services serving those who are poor and vulnerable, such as our street outreach programs to meet the needs of our homeless populations. Trinity Health is building on the legacy of our founders by making a transformational shift from being primarily focused on traditional episodic care to emphasizing total population health, which includes contributing to the overall health and well-being of our communities.

The following summary has been prepared in accordance with the Catholic Health Association of the United States' ("CHA"), *A Guide for Planning and Reporting Community Benefit, 2015 Edition*.

The quantifiable costs of the Corporation's community benefit ministry for the years ended June 30 are as follows (in thousands):

	2018	2017
Ministry for those who are poor and underserved:		
Financial assistance	$ 189,662	$ 185,880
Unpaid cost of Medicaid and other public programs	594,136	608,318
Programs for those who are poor and the underserved:		
Community health services	28,951	27,321
Subsidized health services	54,484	53,329
Financial contributions	19,751	18,932
Community building activities	2,693	1,488
Community benefit operations	6,103	4,333
Total programs for those who are poor and underserved	111,982	105,403
Ministry for those who are poor and underserved	895,780	899,601
Ministry for the broader community:		
Community health services	15,297	14,307
Health professions education	148,241	138,519
Subsidized health services	46,381	44,532
Research	3,702	5,302
Financial contributions	28,462	29,222
Community building activities	1,846	1,958
Community benefit operations	2,964	4,818
Ministry for the broader community	246,893	238,658
Community benefit ministry	$ 1,142,673	$ 1,138,259

The Corporation provides a significant amount of uncompensated care to its uninsured and underinsured patients, which is reported as bad debt at cost and not included in the amounts reported above. During the years ended June 30, 2018 and 2017, the Corporation reported bad debt at cost (determined using a cost-to-charge ratio applied to the provision for bad debts) of $173.8 million and $161.7 million, respectively.

Ministry for those who are poor and underserved represents the financial commitment to seek out and serve those who need help the most, especially those who are poor, the uninsured and the indigent. This is done with the conviction that health care is a basic human right.

Ministry for the broader community represents the cost of services provided for the general benefit of the communities in which the Corporation operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not intended to be financially self-supporting.

Financial assistance represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a financial assistance patient in accordance with the Corporation's established policies as further described in Note 4. The cost of financial assistance is calculated using a cost-to-charge ratio methodology.

Unpaid cost of Medicaid and other public programs represent the cost (determined using a cost-to-charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Community health services are activities and services carried out to improve community health and well-being, for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or funding. Some examples include community health education, free immunization services, free or low-cost prescription medications and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Health professions education includes the unreimbursed cost of training health professionals, such as medical residents, nursing students, technicians and students in allied health professions.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services or the services would otherwise not be available in sufficient amount. Examples of services include free-standing community clinics, hospice care, mobile units and behavioral health services.

Research includes unreimbursed clinical and community health research and studies on health care delivery, which is generalizable and shared with the public.

Financial contributions are made by the Corporation on behalf of the poor and underserved to community agencies and restricted to support community benefit activities. These amounts include special system-wide funds used to improve community health and well-being as well as resources contributed directly to programs, organizations and foundations for efforts on behalf of the poor and underserved. Amounts included here also represent certain in-kind donations.

Community building activities include programs that address the root causes of health problems and focus on policy, systems and environmental changes. Examples include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, advocacy for community health improvement, develop leadership skills training and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and/or asset assessments and other costs associated with community benefit strategy and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation, and all wholly-owned, majority-owned and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments that are not controlled by the Corporation are accounted for using the equity method of accounting. The equity share of income or losses from investments in unconsolidated affiliates is recorded in other revenue if the unconsolidated affiliate is operational and projected to make routine and regular cash distributions; otherwise, the equity share of income or losses from investments in unconsolidated affiliates is recorded in nonoperating items in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any.

The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances, provision for bad debts and financial assistance; premium revenue; recorded values of investments, derivatives and goodwill; evaluation of long-lived assets for impairment; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension and retiree health liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Investments – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, hedge funds and other investments structured as limited liability corporations or partnerships. Commingled funds and hedge funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values or based on net asset value, which is calculated using the most recent fund financial statements. Limited liability corporations and partnerships are accounted for under the equity method.

Investment Earnings – Investment earnings include interest, dividends, realized gains and losses and unrealized gains and losses. Also included are equity earnings from investment funds accounted for using the equity method. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Corporation's board of directors ("Board") for debt redemption, assets held for borrowings under the intercompany loan program, assets held by grant-making foundations, assets deposited in trust funds by a captive insurance company for self-insurance purposes and interest and dividends earned on life plan communities advance entrance fees, in accordance with industry practices, are included in other revenue in the consolidated statements of operations and changes in net assets. Investment earnings from all other investments and Board-designated funds are included in nonoperating investment income unless the income or loss is restricted by donor or law.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rates, equity downside risk and other exposures. The Corporation's policies prohibit trading in derivative financial instruments on a speculative basis. The Corporation recognizes all derivative instruments in the consolidated balance sheets at fair value.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day, the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day the market value of the collateral is less than the required value, additional collateral is obtained as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheets and is up to 105% of the market value of securities loaned. As of June 30, 2018 and 2017, the Corporation had securities loaned of $486.3 million and $452.0 million, respectively, and received collateral (cash and noncash) totaling $472.0 million and $463.1 million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in nonoperating investment income in the consolidated statements of operations and changes in net assets. In addition, certain pension plans participate in securities lending programs with the Northern Trust Company, the plans' agent.

Assets Limited as to Use – Assets set aside by the Board for future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statements of operations and changes in net assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted-average cost method.

Assets and Liabilities Held for Sale – The Corporation has classified certain assets as assets held for sale in the consolidated balance sheets when the assets have met applicable criteria for this classification. The Corporation has also classified as held for sale those liabilities related to assets held for sale.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes capital lease and internal-use software amortization. The useful lives of these assets range from 2 to 50 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Goodwill – Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Asset Impairments –

> ***Property and Equipment*** – The Corporation evaluates long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the assets, the impairment recognized is calculated as the carrying value of the long-lived assets in excess of the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the assets.
>
> ***Goodwill*** – Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Estimates of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows.

Other Assets – Other assets include long-term notes receivable, reinsurance recovery receivables, definite- and indefinite-lived intangible assets other than goodwill and prepaid retiree health costs. The net balances of definite-lived intangible assets include noncompete agreements, physician guarantees and other definite-lived intangible assets with finite lives amortized using the straight-line method over their estimated useful lives, which generally range from 2 to 10 years. Indefinite-lived intangible assets primarily include trade names, which are tested annually for impairment.

Short-Term Borrowings – Short-term borrowings include puttable variable rate demand bonds supported by self-liquidity or liquidity facilities considered short-term in nature.

Other Long-Term Liabilities – Other long-term liabilities include deferred compensation, asset retirement obligations, interest rate swaps and deferred revenue from entrance fees. Deferred revenue from entrance fees are fees paid by residents of facilities for the elderly upon entering into continuing care contracts, which are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, net of the portion that is refundable to the resident.

Temporarily and Permanently Restricted Net Assets – Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payors and Net Patient Service Revenue – The Corporation has agreements with third-party payors that provide for payments to the Corporation's Health Ministries at amounts different from established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payors and other changes in estimates are included in net patient service revenue and estimated receivables from and payables to third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation's employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation's Health Ministries or other health care providers. Gross patient service revenue has been reduced by an allowance for self-insured employee health benefits, which represents revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Allowance for Doubtful Accounts – The Corporation recognizes a significant amount of patient service revenue at the time the services are rendered even though the Corporation does not assess the patient's ability to pay at that time. As a result, the provision for bad debts is presented as a deduction from patient service revenue (net of contractual provisions and discounts). For uninsured and underinsured patients that do not qualify for financial assistance, the Corporation establishes an allowance to reduce the carrying value of such receivables to their estimated net realizable value. This allowance is established based on the aging of accounts receivable and the historical collection experience by the Health Ministries for each type of payor. A significant portion of the Corporation's provision for doubtful accounts relates to self-pay patients, as well as co-payments and deductibles owed to the Corporation by patients with insurance.

Premium and Capitation Revenue – The Corporation has certain Health Ministries that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accrued expenses in the consolidated balance sheets.

Certain of the Corporation's Health Ministries have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's Health Ministries are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the Health Ministry is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheets.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified with accrued expenses in the consolidated balance sheets. The liability is estimated based on actuarial studies, historical reporting and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries which are included in the consolidated financial statements. The Corporation includes penalties and interest, if any, with its provision for income taxes in other nonoperating items in the consolidated statements of operations and changes in net assets.

Excess of Revenue Over Expenses – The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), net change in retirement plan related items, discontinued operations and cumulative effects of changes in accounting principles.

Forthcoming Accounting Pronouncements –

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)."* In August 2015, the FASB amended the guidance to defer the effective date of this standard by one year. ASU No. 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Corporation has completed its evaluation of the requirements of the new standard to ensure that it has processes, systems and internal controls in place to collect the necessary information to implement the standard, which will be effective for the Corporation beginning July 1, 2018. The modified retrospective method will be used to adopt ASU No. 2014-09 on July 1, 2018. For health care operations, the Corporation will apply a portfolio approach to apply the new model to classes of payors with similar characteristics and will analyze cash collection trends over an appropriate collection look-back period, depending on the payor. Adoption of ASU No. 2014-09 will result in changes to the presentation for and disclosure of revenue related to uninsured or self-pay patients as under ASU No. 2014-09, the estimated uncollectible amounts due from these patients are generally considered a direct reduction to unrestricted revenue and, correspondingly, result in a material reduction in the amounts presented separately as provision for bad debts. The Corporation has completed the assessment of the impact of the new standard on various reimbursement programs that represent variable consideration and believes that accounting for these programs under the new standard is substantially consistent with historical accounting practices. These include supplemental state Medicaid programs, disproportionate share payments and settlements with third-party payors. While the adoption of ASU No. 2014-09 will have a material effect on the presentation of unrestricted revenue in the consolidated statements of operations and will impact certain disclosures, it will not materially impact the financial position, results of operations or cash flows of the Corporation.

In February 2016, the FASB issued ASU No. 2016-02, *"Leases."* This guidance introduces a lessee model that brings substantially all leases onto the consolidated balance sheet. The main difference between the guidance in ASU No. 2016-02 and current GAAP is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. Recognition of these leases' assets and liabilities will have a material impact on the Corporation's consolidated balance sheet upon adoption. This guidance is effective for the Corporation beginning July 1, 2019. The Corporation is still evaluating the impact this guidance will have on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *"Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,"* which amends the requirements related to the presentation of the components of net periodic benefit cost in the statement of operations for an entity's sponsored defined benefit pension and other postretirement plans. This guidance is effective for the Corporation beginning July 1, 2019. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, *"Premium Amortization on Purchased Callable Debt Securities,"* which shortens the amortization period for certain callable debt securities held at a premium to be amortized to the earliest call date. Under current GAAP, the premium is generally amortized to the maturity date. This guidance is effective for the Corporation beginning July 1, 2020. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *"Presentation of Financial Statements of Not-For-Profit Entities."* This guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. Specifically, this guidance reduces the three classifications of net assets on the balance sheet to two classifications. This guidance is effective for the Corporation for the annual reporting period ending June 30, 2019 and for interim reporting periods beginning July 1, 2019. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements. While the adoption of ASU No. 2016-14 will have a material effect on the amounts presented as categories in net assets in the consolidated statements of operations and changes in net assets and will impact certain disclosures, it will not materially impact the Corporation's financial position, results of operations or cash flows.

In November 2016, the FASB issued ASU No. 2016-18 *"Restricted Cash,"* which adds and clarifies guidance in the presentation of changes in restricted cash on the statement of cash flows and requires restricted cash to be included with cash and cash equivalents in the statement of cash flows. This guidance does not provide a definition of restricted cash. This guidance is effective for the Corporation beginning July 1, 2019. The Corporation is still evaluating the impact this guidance may have on the consolidated statements of cash flows.

In August 2016, the FASB issued ASU No. 2016-15, "*Classification of Certain Cash Receipts and Cash Payments."* This guidance adds and clarifies guidance on the classification of certain cash receipts and payments in the consolidated statement of cash flows. This guidance is effective for the Corporation beginning July 1, 2019. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, "*Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities.*" This guidance changes the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities; this guidance also simplifies the application of the hedge accounting guidance. This guidance is effective for the Corporation beginning July 1, 2019. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS, DIVESTITURES AND DISCONTINUED OPERATIONS

Investments in Unconsolidated Affiliates – The Corporation and certain of its Health Ministries have investments in entities that are recorded under the cost and equity methods of accounting. As of June 30, 2018 and 2017, the Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 1.0% to 50.4% and 2.7% to 51.0%, respectively. The Corporation's share of equity earnings from entities accounted for under the equity method was $410.5 million and $433.8 million for the years ended June 30, 2018 and 2017, respectively, of which $82.1 million and $57.1 million, respectively, is included in other revenue and $328.4 million and $376.6 million, respectively, is included in nonoperating items in the consolidated statements of operations and changes in net assets. The most significant of these investments include the following:

BayCare Health System – The Corporation has a 50.4% interest in BayCare Health System Inc. and Affiliates ("BayCare"), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement ("JOA") among the not-for-profit, tax-exempt members of the CHE BayCare Participants, Morton Plant Mease Health Care, Inc., and South Florida Baptist Hospital, Inc. (collectively, the "Members"). BayCare consists of three community health alliances located in the Tampa Bay area of Florida, including St. Joseph's-Baptist Healthcare Hospital, St. Anthony's Health Care, and Morton Plant Mease Health Care. The Corporation has the right to appoint nine of the 21 voting members of the Board of Directors of BayCare; therefore, the Corporation accounts for BayCare under the equity method of accounting. As of June 30, 2018 and 2017, the Corporation's investment in BayCare totaled $2,759 million and $2,447 million, respectively.

Gateway Health Plan – The Corporation has a 50% interest in Gateway Health Plan, L.P. and subsidiaries ("GHP"), a Pennsylvania limited partnership. GHP has two general partners, Highmark Ventures Inc., formerly known as Alliance Ventures, Inc., and Mercy Health Plan (a wholly owned subsidiary of the Corporation), each owning 1%. In addition to the general partners, there are two limited partners, Highmark Inc. and Mercy Health Plan, each owning 49%. As of June 30, 2018 and 2017, the Corporation's investment in GHP totaled $207.9 million and $170.3 million, respectively.

Catholic Health System, Inc. – The Corporation has a 50% interest in Catholic Health System, Inc. and subsidiaries ("CHS") with the Diocese of Buffalo holding the remaining 50%. CHS, formed in 1998, is a not-for-profit integrated delivery health care system in western New York. The Corporation held a one-third interest in CHS until May 1, 2017, when Ascension Health System withdrew its sponsorship and corporate membership in CHS, which increased the Corporation's interest from one-third to 50%. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York: Mercy Hospital of Buffalo, Kenmore Mercy Hospital, Sisters of Charity Hospital, and St. Joseph Hospital. As of June 30, 2018 and 2017, the Corporation's investment in CHS totaled $86.6 million and $85.2 million, respectively.

Emory Healthcare/St. Joseph's Health System – The Corporation has a 49% interest in Emory Healthcare/St. Joseph's Health System ("EH/SJHS"). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph's Hospital of Atlanta and John's Creek Hospital. As of June 30, 2018 and 2017, the Corporation's investment in EH/SJHS totaled $113.7 million and $90.6 million, respectively.

Mercy Health Network – The Corporation has a 50% interest in Mercy Health Network ("MHN"), a nonstock-basis membership corporation with Catholic Health Initiatives ("CHI") holding the remaining 50% interest. MHN is the sole member of Wheaton Franciscan Services, Inc. ("WFSI"). WFSI operates three hospitals in Iowa: Covenant Medical Center located in Waterloo, Sartori Memorial Hospital located in Cedar Falls and Mercy Hospital of Franciscan Sisters located in Oelwein. Effective March 1, 2016, the

Corporation and CHI amended and restated their existing MHN JOA that governs certain of their legacy operations in Iowa to strengthen MHN's management responsibilities over the Iowa operations, to jointly acquire health care operations in Iowa and contiguous markets, and to provide for greater financial, governance and clinical integration.

The JOA provides for the Corporation and CHI to maintain ownership of their respective assets in Iowa while agreeing to operate the Corporations' Iowa hospitals in collaboration with CHI's Mercy Hospital Medical Center, Des Moines, Iowa, as one organization with common governance and management. MHN has developed a regional health care network that provides for a collaborative effort in the areas of community health care development, enhanced access to health services for the poor and sharing of other common goals. Under the JOA, the Corporation and CHI equally share adjusted operating cash flow from Iowa operations, which commenced in July 2016. For the years ended June 30, 2018, and 2017, other expense includes a charge of $11.9 million and $4.9 million, respectively, related to the cash flow sharing agreement. As of June 30, 2018 and 2017, the Corporation's investment in MHN totaled $89.5 million and $94.2 million, respectively.

Condensed consolidated balance sheets of BayCare, GHP, CHS, EH/SJHS and MHN as of June 30 are as follows (in thousands):

	2018				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Total assets	$ 7,636,800	$ 1,110,648	$ 1,167,006	$ 514,789	$ 277,175
Total liabilities	$ 1,976,618	$ 695,165	$ 919,050	$ 287,833	$ 95,673

	2017				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Total assets	$ 7,004,163	$ 1,028,120	$ 1,127,664	$ 467,148	$ 267,763
Total liabilities	$ 1,962,261	$ 687,510	$ 882,229	$ 281,171	$ 71,001

Condensed consolidated statements of operations of BayCare, GHP, CHS, EH/SJHS and MHN for the years ended June 30 are as follows (in thousands):

	2018				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Revenue, net	$ 3,714,049	$ 2,538,078	$ 1,151,008	$ 509,373	$ 365,764
Excess of revenue over expenses	$ 587,888	$ 82,270	$ 25,086	$ 37,465	$ (16,115)

	2017				
	BayCare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Revenue, net	$ 3,503,224	$ 2,491,710	$ 1,119,170	$ 550,326	$ 365,378
Excess of revenue over expenses	$ 714,418	$ 38,771	$ 13,794	$ 24,194	$ 5,790

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, GHP, CHS, EH/SJHS and MHN for the years ended June 30 (in thousands):

	2018				
	BayCare	GHP	CHS	EH/SJHS	MHN
Other revenue	$ -	$ 42,037	$ -	$ -	$ (6,215)
Equity in earnings of unconsolidated organizations	296,354	-	12,543	22,495	-
Other changes in unrestricted net assets	8,125	(8,936)	(11,151)	-	-
Total	$ 304,479	$ 33,101	$ 1,392	$ 22,495	$ (6,215)

	2017				
	BayCare	GHP	CHS	EH/SJHS	MHN
Other revenue	$ -	$ 20,283	$ -	$ -	$ 3,160
Equity in earnings of unconsolidated organizations	360,067	-	6,363	11,287	-
Other changes in unrestricted net assets	7,780	(2,192)	5,460	(1,365)	-
Total	$ 367,847	$ 18,091	$ 11,823	$ 9,922	$ 3,160

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method excluding BayCare, GHP, CHS, EH/SJHS and MHN as of and for the years ended June 30 are as follows (in thousands):

	2018					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 70,038	$ 218,821	$ 52,003	$ 75,560	$ 684,176	$ 1,100,598
Total liabilities	$ 51,116	$ 97,123	$ 20,815	$ 30,830	$ 347,034	$ 546,918
Revenue, net	$ 16,391	$ 277,352	$ 85,617	$ 52,892	$ 1,522,794	$ 1,955,046
Excess (deficiency) of revenue over expenses	$ 2,604	$ 30,738	$ 24,470	$ (2,762)	$ 43,516	$ 98,566

	2017					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 71,410	$ 202,953	$ 53,811	$ 101,596	$ 671,569	$ 1,101,339
Total liabilities	$ 53,920	$ 95,207	$ 21,595	$ 58,266	$ 328,073	$ 557,061
Revenue, net	$ 22,423	$ 222,524	$ 88,956	$ 47,054	$ 1,542,945	$ 1,923,902
Excess (deficiency) of revenue over expenses	$ 8,410	$ 24,530	$ 23,056	$ (11,697)	$ 48,840	$ 93,139

Acquisitions:

Saint Mary's Health System ("SMHS") – On August 1, 2016, the Corporation became, through its Trinity Health Of New England, Inc. subsidiary, the sole corporate member of SMHS, a regional health care system located in Waterbury, Connecticut, as part of a member substitution. As a result of this transaction, the Corporation recognized an inherent contribution of $56.0 million for the year ended June 30, 2017, in the consolidated statement of operations and changes in net assets. Summarized consolidated balance sheet information for SMHS at August 1, 2016, is shown below (in thousands):

Cash, cash equivalents, and investments	$	18,252	Accounts payable and accrued expenses	$	39,735
Patient accounts receivable, net		31,029	Accrued pension and retiree health costs		89,167
Other current assets		10,662	Other long-term liabilities		26,203
Assets limited or restricted as to use,			Total liabilities acquired	$	155,105
current portion		3,465			
Property and equipment		100,686	Unrestricted net assets	$	55,994
Assets limited or restricted as to use,			Unrestricted noncontrolling interest		2,500
noncurrent portion		62,150	Total unrestricted net assets		58,494
Other assets		5,859	Temporarily restricted net assets		1,978
Total assets acquired	$	232,103	Permanently restricted net assets		16,526
			Total net assets	$	76,998

For the year ended June 30, 2018 and the 11-month period ended June 30, 2017, SMHS reported revenue of $351.9 million and $291.3 million, respectively. SMHS reported a deficiency of revenue over expenses of $4.2 million for the year ended June 30, 2018 and an excess of revenue over expenses of $4.2 million for the 11-month period ended June 30, 2017 in the consolidated statements of operations.

MacNeal Hospital and MacNeal Health Providers ("MacNeal") – On March 1, 2018, the Corporation's Loyola University Health System ("Loyola"), through a wholly controlled subsidiary, purchased the assets of MacNeal Hospital, located in Berwyn, Illinois, and certain other healthcare operations affiliated with the hospital from an affiliate of Tenet Healthcare Corporation. MacNeal is a health care system that includes a 368-bed community hospital, clinical laboratory, physician medical group, real estate management company, accountable care organization and clinically integrated network. The acquisition of MacNeal will expand Loyola's delivery network for people-centered care, which includes population health and community health. As a result of this transaction, the Corporation recognized goodwill of $142.4 million as cash consideration paid exceeded net assets acquired. The amounts recorded are subject to a post-closing reconciliation adjustment to the purchase price as stipulated in the Asset Purchase Agreement. The transaction costs accrued and paid totaled $2.0 million, primarily for legal and consulting services, and are included in purchased services in the consolidated statement of operations and changes in net assets. The Corporation is still in the process of assessing the economic characteristics of certain assets acquired and liabilities assumed. The Corporation expects to substantially complete this assessment through the period ended March 1, 2019, and may adjust the amounts recorded as of March 31, 2018, to reflect revised evaluations.

Summarized consolidated balance sheet information for MacNeal at March 1, 2018, is shown below (in thousands):

Cash, cash equivalents, and investments	$	226	Current portion of long-term debt	$	926
Patient accounts receivable, net		51,238	Accounts payable and accrued expenses		21,463
Other receivables		4,670	Salaries, wages and related liabilities		14,679
Inventory		5,073	Estimated payables to third-party payors		38,204
Prepaid expenses and other current assets		889	Long-term debt		654
Property and equipment		121,790	Other long-term liabilities		1,238
Investment in unconsolidated affiliates		500	Total liabilities acquired	$	77,164
Excess cost over net asset acquisition		142,357			
Other intangible assets		3,500	Total unrestricted net assets	$	256,364
Other assets		3,285			
Total assets acquired	$	333,528			

For the four-month period ended June 30, 2018, MacNeal reported revenue of $116.3 million and deficiency of revenue over expenses of $1.0 million in the consolidated statement of operations.

Divestitures and Pending Transactions:

Saint Michael's Medical Center ("St. Michael's") – On August 10, 2015, St. Michael's and certain of its affiliates voluntarily filed for reorganization under Chapter 11 of the Bankruptcy Code. The consolidated financial statements for all periods present the operations of St. Michael's as discontinued operations as the transaction was in process prior to the adoption of ASU No. 2014-8 "*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*." Pursuant to court approved procedures, effective May 1, 2016, the Corporation sold substantially all of the health care operations and assets of St. Michael's to Prime Healthcare Services.

On January 12, 2017, the bankruptcy court issued an order confirming joint Chapter 11 Plan of Orderly Liquidation of St. Michael's and Affiliated Debtors; effective as of April 17, 2017. Pursuant to the Plan the remaining assets and liabilities and control of St. Michael's and its affiliated debtors were transferred to a Liquidating Trustee to implement the Plan. As a result, St. Michael's was deconsolidated from the Corporation's financial statements resulting in a further loss on disposal of $12.0 million recorded in the consolidated statement of changes in net assets for the year ended June 30, 2017. As of August 1, 2017, the St. Michael's Board of Directors was dissolved, and the Directors and Officers relieved of their positions. Effective August 11, 2017 the Articles of Incorporation of St. Michael's were amended to remove Maxis Health System ("Maxis"), a subsidiary of the Corporation, as the sole corporate member of St. Michael's, thereby formally severing the remaining indirect control relationship between the Corporation and St. Michael's.

Membership Transfer Agreement Lourdes Health System ("Lourdes") – On June 4, 2018, Maxis, a wholly-controlled subsidiary of Trinity Health, executed a Membership Transfer agreement with Virtua Health, Inc. ("Virtua") to transfer the membership interests of Our Lady of Lourdes Health Care Services, Inc. (the Lourdes legal entity) from Maxis to Virtua including substantially all of the health care operations and certain assets and working capital of Lourdes. Lourdes includes Our Lady of Lourdes Medical Center (Camden, NJ) and Lourdes Medical Center of Burlington County (Willingboro, NJ) and their affiliated operations. As a result, certain assets and liabilities met the criteria to be classified as held for sale in accordance with the guidance in the FASB's Accounting Standards Codification 360, "*Property, Plant and Equipment*." $67.8 million of assets were reclassified as "assets held for sale" in current assets and related liabilities of $32.4 million were reclassified as "liabilities held for sale" in current liabilities in the accompanying consolidated balance sheet as of June 30, 2018. These assets and liabilities were recorded at the lower of their carrying amount or their fair value less estimated costs to sell. As further described in Note 5, an asset impairment charge of $69.9 million was recorded in the statement of operations to write-down fixed assets held for sale to their estimated fair value, less estimated costs to sell, as a result of the planned divestiture of these assets. For the years ended June 30, 2018 and 2017, the Corporation's consolidated statements of operations and changes in net assets included revenue of $564.2 million and $557.8 million, respectively, and deficiency of revenue over expenses of $93.6 million and $52.4 million respectively, related to the operations of Lourdes. After the impairment charge, the Corporation estimates any additional loss on sale will not be material to its results of operations or financial position. The closing of the transaction remains subject to regulatory and canonical approvals, as well as other customary closing conditions, the timing of which is uncertain.

4. NET PATIENT SERVICE REVENUE

A summary of the payment arrangements with major third-party payors is as follows:

Medicare – Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid – Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other – Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

Financial Assistance – The Corporation provides services to all patients regardless of ability to pay. In accordance with the Corporation's policy, a patient is classified as a financial assistance patient based on income eligibility criteria as established by the Federal Poverty Guidelines. Charges for services to patients who meet the Corporation's guidelines for financial assistance are not reflected in the accompanying consolidated financial statements.

Patient service revenues, net of contractual and other allowances (but before the provision for bad debts), recognized during the years ended June 30 are as follows (in thousands):

	2018	2017
Medicare	$ 6,321,196	$ 6,100,637
Blue Cross	3,427,570	3,265,415
Medicaid	2,603,890	2,406,736
Uninsured	453,003	420,400
Commercial and Other	3,600,593	3,553,906
Total	$ 16,406,252	$ 15,747,094

A summary of net patient service revenue before provision for bad debts for the years ended June 30 is as follows (in thousands):

	2018	2017
Gross charges:		
Acute inpatient	$ 22,207,469	$ 21,426,622
Outpatient, nonacute inpatient and other	26,922,391	25,196,819
Gross patient service revenue	49,129,860	46,623,441
Less:		
Contractual and other allowances	(32,010,880)	(30,193,661)
Financial assistance charges	(712,728)	(682,686)
Net patient service revenue before provision for bad debts	$ 16,406,252	$ 15,747,094

5. LONG-LIVED ASSETS

Property and Equipment:

A summary of property and equipment as of June 30 is as follows (in thousands):

	2018	2017
Land	$ 354,787	$ 360,356
Buildings and improvements	9,277,115	9,068,510
Equipment	6,194,869	6,160,546
Capital leased assets	160,685	179,814
Total	15,987,456	15,769,226
Accumulated depreciation and amortization	(9,068,253)	(8,839,049)
Construction in progress	1,106,377	923,279
Property and equipment, net	$ 8,025,580	$ 7,853,456

As of June 30, 2018, commitments for capital projects of approximately $490.4 million were outstanding. Significant commitments are primarily for facility expansion at existing campuses and related infrastructures at the following Health Ministries: Mount Carmel Health System in Columbus, Ohio – $179.9 million; Mercy Health Campus in Muskegon, Michigan – $121.7 million; and St. Peter's Health Partner in Albany, New York – $44.1 million. The remaining amount is due to several smaller projects across the Corporation.

The following table details the Corporation's committed capital spending in conjunction with acquisitions of affiliates:

RHM	Capital Commitment	Commitment Period Ending	Capital Spending through June 30, 2018
St. Joseph's Hospital Health Center, Syracuse, NY	$60 million over 4 years, $110 million if performance metrics are achieved	June 30, 2019	$95 million
St. Francis Hospital and Medical Center, Hartford, CT	$275 million over 5 years if performance metrics are achieved	June 30, 2020	$139 million

Goodwill:

The following table provides information on changes in the carrying amount of goodwill, which is included in the accompanying consolidated financial statements of the Corporation as of June 30 (in thousands):

	2018	2017
As of July 1:		
Goodwill	$ 331,024	$ 315,070
Accumulated impairment loss	(29,981)	(10,225)
Total	301,043	304,845
Goodwill acquired during the year	156,593	15,954
Reclassification to assets held for sale	(19,176)	-
Impairment loss	-	(19,756)
Total	$ 438,460	$ 301,043
As of June 30:		
Goodwill	$ 468,441	$ 331,024
Accumulated impairment loss	(29,981)	(29,981)
Total	$ 438,460	$ 301,043

Impairments:

During the year ended June 30, 2018, the Corporation recorded impairment charges of $264.4 million in the consolidated statement of operations and changes in net assets. $107.8 million of impairments were due to the Corporation's decision to move to a single, enterprise-wide electronic health record and revenue cycle management system platform. The integrated system will enable the health system to improve experiences for patients and clinicians. The project is expected to begin in fiscal year 2019. As discussed in Note 3, $69.9 million of the impairments are due to the planned divestiture of the Corporation's Lourdes subsidiary. $86.7 million of the impairments were primarily at three Health Ministries across the Corporation where material adverse trends in the most recent estimates of future undiscounted cash flows indicated that the carrying value of the long-lived assets were not recoverable from estimated future cash flows. The Corporation believes the most significant factors contributing to the continuing adverse financial trends in these locations include reduction in volumes and shifts in payor mix. The total impairments were comprised of $15.7 million of land, $244.4 million of property and equipment, and $4.3 million of intangible and other assets.

During the year ended June 30, 2017, the Corporation recorded impairment charges of $248.1 million in the consolidated statement of operations and changes in net assets. Material adverse trends in the most recent estimates of future discounted and undiscounted cash flows of certain locations indicated that the carrying value of the long-lived assets, at these locations, were not recoverable from estimated future cash flows. The Corporation believes the most significant factors contributing to the continuing adverse financial trends in these locations include reductions in patient volumes and shifts in payor mix. Impairments were recorded primarily at three Health Ministries across the Corporation. The total impairments were comprised of $216.4 million property and equipment and $31.7 million of goodwill, intangible and other assets.

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of short-term borrowings and long-term debt as of June 30 is as follows (in thousands):

	2018	2017
Short-term borrowings:		
Variable rate demand bonds with contractual maturities through 2048. Interest payable monthly at rates ranging from 0.74% to 1.82% during 2018 and 0.37% to 0.95% during 2017	$ 711,020	$ 1,039,840
Long-term debt:		
Tax-exempt revenue bonds and refunding bonds:		
Fixed-rate term and serial bonds, payable at various dates through 2048. Interest rate ranges from 2.00% to 8.38% during 2017 and 2018	$ 4,288,594	$ 3,756,426
Variable-rate term bonds, payable at various dates through 2051. Interest rate ranges from 1.15% to 2.95% during 2018 and 0.80% to 1.80% during 2017	834,812	837,222
Taxable revenue bonds:		
Fixed-rate term, payable in 2045. Interest rate of 4.13% during 2018 and 2017	481,515	350,000
Variable-rate term bonds, payable at various dates through 2051. Interest rate ranges from 1.68% to 2.43% during 2018 and 1.23% to 1.50% during 2017	54,680	54,680
Notes payable to banks. Interest payable at rates ranging from 1.44% to 8.00% during 2018 and 0.90% to 5.00% during 2017, fixed and variable, payable in varying monthly installments through 2032	30,693	30,570
Capital lease obligations (excluding imputed interest of $28.9 million at June 30, 2018 and $40.7 million at June 30, 2017)	81,618	104,385
Mortgage obligations. Interest payable at rates ranging from 3.05% to 5.75% during 2018 and 3.35% to 6.25% during 2017	78,396	86,120
Other	55,270	51,245
Total long-term debt	5,905,578	5,270,648
Less current portion, net of current discounts	(276,295)	(192,680)
Unamortized debt issuance costs	(37,838)	(35,836)
Unamortized premiums, net	390,696	227,730
Long-term debt, net of current portion	$ 5,982,141	$ 5,269,862

Contractually obligated principal repayments on short-term borrowings and long-term debt are as follows (in thousands):

	Short-Term Borrowings	Long-Term Debt
Years ending June 30:		
2019	$ 24,350	$ 276,295
2020	19,395	117,374
2021	16,810	443,733
2022	17,735	117,413
2023	16,395	274,134
Thereafter	616,335	4,676,629
Total	$ 711,020	$ 5,905,578

A summary of interest costs on borrowed funds primarily under the revenue bond indentures during the years ended June 30 is as follows (in thousands):

	2018	2017
Interest costs incurred	$ 240,748	$ 217,719
Less capitalized interest	(15,866)	(10,567)
Interest expense included in operations	$ 224,882	$ 207,152

Obligated Group and Other Requirements – The Corporation has debt outstanding under a master trust indenture dated October 3, 2013, as amended and supplemented, the amended and restated master indenture (ARMI"). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are joint and several obligations of the obligated group established thereunder (the "Obligated Group," which currently consists of the Corporation). Proceeds from tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Proceeds from taxable bonds are to be used to finance corporate purposes. Certain Health Ministries of the Corporation constitute designated affiliates and the Corporation covenants to cause each designated affiliate to pay, loan or otherwise transfer to the Obligated Group such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Obligated Group and the designated affiliates are referred to as the Trinity Health Credit Group.

The Trinity Health Credit Group does not include certain affiliates that borrow on their own or are (or may become) members of a separate New York obligated group, but which are included in the Corporation's consolidated financial statements. St. Peter's Hospital of the City of Albany currently is the obligated group agent of an obligated group created under that certain master trust indenture dated as of January 1, 2008, among St. Peter's Hospital of the City of Albany; St Peter's Health Partners; Memorial Hospital, Albany, New York; Samaritan Hospital of Troy, New York; Seton Health System, Inc.; Sunnyview Hospital and Rehabilitation Center; the Capital Region Geriatric Center, Inc.; Hawthorne Ridge, Inc.; and Manufacturers and Traders Trust Company, as master trustee. In addition, St. Joseph's Hospital Health Center, Syracuse, New York, acquired on July 1, 2015, is not a designated affiliate and is not part of the Trinity Health Credit Group.

Pursuant to the ARMI, the Obligated Group agent (which is the Corporation) has caused the designated affiliates representing, when combined with the Obligated Group members, at least 85% of the consolidated net revenues of the Trinity Health Credit Group to grant to the master trustee security interests in their pledged property which security interests secure all obligations issued under the ARMI. There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum historical debt-service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any material designated affiliate (a designated affiliate whose total revenues for the most recent fiscal year exceed 5% of the combined total revenues of the Corporation for the most recent fiscal year). Long-term debt outstanding as of June 30, 2018 and 2017, that has not been secured under the ARMI is generally collateralized by certain property and equipment.

Further, Mercy Health System of Chicago ("MHSC") has a $56.5 million mortgage loan outstanding at June 30, 2018, that is insured by the US Department of Housing and Urban Development ("HUD"). MHSC's payment obligations under the two mortgage notes evidencing this loan are guaranteed by the Corporation. The mortgage loan agreements with HUD contain various covenants, including those relating to limitations on incurring additional debt, transactions with affiliates, transferring or disposing of designated property, use of funds and other assets of the mortgaged property, financial performance, required reserves, insurance coverage, timely submission of specified financial reports and restrictions on prepayment of the mortgage loan. MHSC and the Corporation provided covenants to HUD not to interfere in the performance of MHSC's obligations under the HUD-insured loan documents. MHSC is not a designated affiliate and is not part of the Trinity Health Credit Group.

Commercial Paper – The Corporation's commercial paper program is authorized for borrowings up to $600 million. As of June 30, 2018 and 2017, the total amount of commercial paper outstanding was $99.9 million. Proceeds from this program are to be used for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio. The interest rate charged on borrowings outstanding during the years ended June 30, 2018 and 2017, ranged from 1.03% to 2.03% and 0.40% to 1.28%, respectively.

Liquidity Facilities – In September 2016, the Corporation renewed its series 2013B credit agreement, and in September 2017, renewed its series 2013C credit agreement. The series 2013B and the series 2013C credit agreements are in addition to the series 2013D credit agreement (collectively, the "Credit Agreements"), each between the Corporation and U.S. Bank National Association, which acts as an administrative agent for a group of lenders under each of the Credit Agreements. The Credit Agreements establish a revolving credit facility for the Corporation, under which that group of lenders agree to lend to the Corporation amounts that may fluctuate from time to time and totaled $931 million as of June 30, 2018. Amounts drawn under the Credit Agreements can only be used to support the Corporation's obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. As of June 30, 2018, of the $931 million available balance, $285 million expires in July 2019, $325 million expires in July 2020 and $321 million expires in July 2021. The Credit Agreements are secured by obligations under the ARMI. As of June 30, 2018 and 2017, there were no amounts outstanding on these Credit Agreements. See Note 14 for further discussion of liquidity facilities.

In addition, in September 2017, the Corporation renewed a three-year general purpose credit facility of $200 million. As of June 30, 2018 and 2017, there were no amounts outstanding under this credit facility.

Standby Letters of Credit – The Corporation has entered into various standby letters of credit totaling $56.9 million and $56.7 million as of June 30, 2018 and 2017, respectively. These standby letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs and for unemployment liabilities. There were no draws on the letters of credit during the years ended June 30, 2018 and 2017.

Transactions – In October 2016, the Corporation remarketed $50 million in tax-exempt, variable-rate hospital revenue bonds under the ARMI, pursuant to a continuing covenant agreement with a private purchaser which provides for a 10-year mandatory tender period (subject to mandatory tender on October 1, 2026).

During January 2017, the Trinity Health Credit Group issued $344.2 million par value in tax-exempt fixed-rate hospital revenue bonds at a premium of $26.1 million under the ARMI. Proceeds were used partially to refund $66.5 million of certain tax-exempt bonds and pay down $54.8 million of then outstanding taxable commercial paper obligations. The remaining proceeds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, renovation and equipping of health facilities and to pay related costs of issuance.

In October 2017, the Corporation remarketed $50 million in tax-exempt, variable-rate hospital revenue bonds (the "Series 2011A bonds") under the ARMI, pursuant to a continuing covenant agreement with a private purchaser which provides for a three-year mandatory tender period (subject to mandatory tender on October 2, 2020).

During December 2017, the Trinity Health Credit Group issued $986.1 million par value in tax-exempt fixed-rate hospital revenue bonds at a premium of $137.0 million under the ARMI. Proceeds were used to refund $504.4 million of certain tax-exempt bonds and pay down $217.5 million of then outstanding taxable commercial paper obligations in December 2017. The remaining proceeds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, and renovation and equipping of health facilities. The Corporation advance refunded the bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee-held escrow accounts are invested in U.S. government securities.

Also during December 2017, tax-exempt bonds of $204 million were converted from variable-rate to fixed-rate bonds. Concurrently during December 2017, the Trinity Health Credit Group issued $131.5 million of additional bonds under the existing taxable fixed-rate bonds that were originally issued in 2015, at a premium of $7.2 million. Proceeds were used to refund $56.0 million of the tax-exempt bonds. Remaining proceeds were used to finance corporate purposes of the Corporation and its affiliates and to pay certain costs of issuance. The Corporation advance refunded the tax-exempt bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee-held escrow accounts are invested in U.S. government securities. In January 2018, tax-exempt bonds of $49.2 million were converted from variable-rate to fixed-rate bonds.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation operates a wholly owned insurance company, Trinity Assurance, Ltd. ("TAL"). TAL qualifies as a captive insurance company and provides certain insurance coverage to the Corporation's Health Ministries under a centralized program. The Corporation is self-insured for certain levels of general and professional liability, workers' compensation and certain other claims. The Corporation has limited its liability by purchasing other coverages from unrelated third-party commercial insurers. TAL has also limited its liability through commercial reinsurance arrangements.

Effective August 1, 2016, TAL policies include the facilities and individuals that were previously insured with Saint Mary's Indemnity Company, LLC ("SMICL"), a captive insurance company domiciled in the state of Vermont, whose sole member is SMHS. SMICL did not, nor does it intend to, write or renew any insurance business after July 31, 2016. SMICL was merged into TAL on March 1, 2017 at which time all losses previous to August 1, 2016, for SMICL were assumed by TAL.

The Corporation's current self-insurance program includes $15 million per occurrence for the primary layers of professional liability as well as $10 million per occurrence for general and hospital government liability, $5 million per occurrence for miscellaneous errors and omissions liability, and $1 million per occurrence for management liability (directors' and officers' and employment practices), network security and privacy liability and certain other coverages. In addition, through TAL and its various commercial reinsurers, the Corporation maintains integrated excess liability coverage with separate annual limits for professional/general liability and management liability, network security and privacy liability. The Corporation self-insures $750,000 per occurrence for workers' compensation in most states, with commercial insurance providing coverage up to the statutory limits, and self-insures up to $500,000 per occurrence for first-party property damage with commercial insurance providing additional coverage.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses, which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation's expenses and available industry-wide data. The Corporation discounts the reserves to their present value using a discount rate of 3%. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary. The changes to the estimated self-insurance reserves were determined based upon the annual independent actuarial analyses.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are known incidents occurring through June 30, 2018, that may result in the assertion of additional claims and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of legal counsel, believes that the excess liability, if any, should not materially affect the consolidated financial statements of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain Health Ministries that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of June 30, 2018 and 2017, the assets under these plans totaled $230.4 million and $198.7 million, respectively, and liabilities totaled $240.3 million and $212.0 million, respectively, which are included in self-insurance, benefit plans and other assets and other long-term liabilities in the consolidated balance sheets.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. These programs are funded by employee voluntary contributions, subject to legal limitations. Employer contributions to these plans include nonelective contributions of 3% of eligible compensation, and varying levels of matching contributions based on employee service. The employees direct their voluntary contributions and employer contributions among a variety of investment options. Contribution expense under the plans totaled $336.2 million and $315.8 million for the years ended June 30, 2018 and 2017, respectively.

Noncontributory Defined Benefit Pension Plans ("Pension Plans") – The Corporation maintains qualified, Pension Plans under which benefit accruals are frozen for all employees. Certain nonqualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants.

Certain plans are subject to the provisions of the Employee Retirement Security Act of 1974 ("ERISA"). The majority of the plans sponsored by the Corporation are intended to be "Church Plans," as defined in the Code Section 414(e) and Section 3(33) of the ERISA, as amended, which have not made an election under Section 410(d) of the Code to be subject to ERISA. The Corporation's adopted funding policy for all of its qualified church plans, which is reviewed annually, is to fund the current normal cost or service cost based on the accumulated benefit obligations and amortization of any under or over funding.

Postretirement Health Care and Life Insurance Benefits ("Postretirement Plans") – The Corporation sponsors both funded and unfunded contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The Postretirement Plans cover certain hourly and salaried employees who retire from certain Health Ministries. Medical benefits for these retirees are subject to deductibles and copayment provisions. The funded plans provide benefits to certain retirees at fixed dollar amounts in health reimbursement account arrangements for Medicare eligible participants.

Plan Acquisitions – As discussed in Note 3, the Corporation acquired SMHS on August 1, 2016, including all related benefit plans. SMHS maintains one qualified, noncontributory defined benefit pension plan that is intended to be a "Church Plan." The plan was frozen to new entrants in 1997 and curtailed to eliminate future benefit accruals in 2004.

The following table sets forth the changes in projected benefit obligations, accumulated postretirement obligations and changes in plan assets and funded status of the plans for both the Pension Plans and Postretirement Plans for the years ended June 30 (in thousands):

	2018	2017	2018	2017
	Pension Plans		Postretirement Plans	
Change in Benefit Obligations:				
Benefit obligation, beginning of year	$ 7,713,581	$ 7,715,344	$ 135,753	$ 142,255
Service cost	-	909	168	283
Interest cost	313,868	312,814	5,342	5,479
Actuarial gains	(388,277)	(68,664)	(11,326)	(5,713)
Benefits paid	(448,425)	(396,143)	(6,243)	(6,635)
Medicare Part D reimbursement	-	-	68	84
Curtailments	-	(5,688)	-	-
Plan acquisitions	-	155,009	-	-
Benefit obligation, end of year	7,190,747	7,713,581	123,762	135,753
Change in Plan Assets:				
Fair value of plan assets, beginning of year	6,433,395	5,906,184	106,168	97,440
Actual return on plan assets	363,810	620,494	10,999	11,993
Employer contributions	184,380	236,060	2,582	3,370
Benefits paid	(448,425)	(396,143)	(6,243)	(6,635)
Plan acquisitions	-	66,800	-	-
Fair value of plan assets, end of year	6,533,160	6,433,395	113,506	106,168
Unfunded amount recognized June 30	$ (657,587)	$ (1,280,186)	$ (10,256)	$ (29,585)
Recognized in other long-term assets	$ 435	$ -	$ 19,981	$ 6,220
Recognized in accrued pension and retiree health costs	$ (658,022)	$ (1,280,186)	$ (30,237)	$ (35,805)

Actuarial gains during 2018 are due primarily to increases in discount rates used to measure plan liabilities and changes in mortality assumptions. Actuarial gains during 2017 are due primarily to increases in the discount rates used to measure plan liabilities.

The accumulated benefit obligation and fair value of plan assets for the qualified defined benefit pension plans for the years ended June 30 are as follows (in thousands):

	2018	2017
	Pension Plans	
Accumulated benefit obligation	$ 7,190,428	$ 7,713,045
Fair value of plan assets	6,533,160	6,433,395
Funded status	$ (657,268)	$ (1,279,650)

Components of net periodic benefit income for the years ended June 30 consisted of the following (in thousands):

	2018	2017	2018	2017
	Pension Plans		Postretirement Plans	
Service cost	$ -	$ 909	$ 168	$ 283
Interest cost	313,868	312,814	5,342	5,479
Expected return on assets	(440,103)	(410,158)	(7,735)	(7,078)
Amortization of prior service credit	(9,057)	(9,057)	(501)	(562)
Recognized net actuarial loss (gain)	77,869	86,701	(183)	(11)
Net periodic benefit income	$ (57,423)	$ (18,791)	$ (2,909)	$ (1,889)

The amounts in unrestricted net assets, including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows (in thousands):

	Pension Plans		
	Net Loss (Gain)	Prior Service Credit	Total
Balance at July 1, 2016	$ 2,967,101	$ (134,727)	$ 2,832,374
Curtailments	(5,688)	-	(5,688)
Reclassified into net periodic benefit cost	(86,701)	9,057	(77,644)
Arising during the year	(279,157)	-	(279,157)
Balance at June 30, 2017	$ 2,595,555	$ (125,670)	$ 2,469,885
Reclassified into net periodic benefit cost	(77,869)	9,057	(68,812)
Arising during the year	(311,976)	-	(311,976)
Balance at June 30, 2018	$ 2,205,710	$ (116,613)	$ 2,089,097

	Postretirement Plans			All Plans
	Net Loss (Gain)	Prior Service Credit	Total	Grand Total
Balance at July 1, 2016	$ 6,299	$ (3,268)	$ 3,031	$ 2,835,405
Curtailments	-	-	-	(5,688)
Reclassified into net periodic benefit cost	11	562	573	(77,071)
Arising during the year	(10,663)	-	(10,663)	(289,820)
Balance at June 30, 2017	$ (4,353)	$ (2,706)	$ (7,059)	$ 2,462,826
Reclassified into net periodic benefit cost	183	501	684	(68,128)
Arising during the year	(14,647)	-	(14,647)	(326,623)
Balance at June 30, 2018	$ (18,817)	$ (2,205)	$ (21,022)	$ 2,068,075

The following are estimated amounts to be amortized from unrestricted net assets into net periodic benefit cost during year ended June 30, 2019 (in thousands):

	Pension Plans	Postretirement Plans
Amortization of prior service credit	$ (5,428)	$ (421)
Recognized net actuarial loss (gain)	67,716	(1,187)
Total	$ 62,288	$ (1,608)

Assumptions used to determine benefit obligations and net periodic benefit cost as of and for the years ended June 30 were as follows:

	2018	2017	2018	2017
	Pension Plans		Postretirement Plans	
Benefit Obligations:				
Discount rate	4.15% - 4.60%	3.95% - 4.35%	3.75% - 4.55%	3.60% - 4.20%
Rate of compensation increase	N/A	2.50%	N/A	N/A
Net Periodic Benefit Cost:				
Discount rate	3.95% - 4.35%	3.75% - 5.20%	3.60% - 4.20%	3.40% - 4.40%
Expected long-term return on plan assets	7.00%	7.00%	7.50%	7.50%
Rate of compensation increase	N/A	2.50%	N/A	N/A

Approximately 72% of the Corporation's pension plan liabilities were measured using a 4.50% and 4.20% discount rate as of June 30, 2018 and 2017, respectively.

The Corporation utilizes a pension liability driven investment strategy in determining its asset allocation and long-term rate of return for plan assets. This risk management strategy uses a glide path methodology based on funded status to initiate asset allocation changes across the efficient frontier. Efficient frontier analysis models the risk and return trade-offs among asset classes while taking into consideration the correlation among the asset classes. Historical market returns and risks are examined as part of this process, but risk-based adjustments are made to correspond with modern portfolio theory. Long-term historical correlations between asset classes are used, consistent with widely accepted capital markets principles. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. The long-term rate of return is established using the efficient frontier analysis approach with proper consideration of asset class diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonableness and appropriateness.

Health Care Cost Trend Rates – Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The postretirement benefit obligation includes assumed health care cost trend rates as of June 30 as follows:

	2018	2017
Medical and drugs, pre-age 65	7.2%	7.5%
Medical and drugs, post-age 65	7.2%	7.5%
Ultimate trend rate	5.0%	5.0%
Year rate reaches the ultimate rate	2026	2026

A one-percentage point change in assumed health care cost trend rates would have the following effects as of June 30, 2018 (in thousands):

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on postretirement benefit obligation	$ 3,314	$ (2,835)
Effect on total of service cost and interest cost components	$ 164	$ (138)

The Corporation's investment allocations as of June 30 by investment category are as follows:

	Pension Plans 2018	Pension Plans 2017	Postretirement Plans 2018	Postretirement Plans 2017
Investment Category:				
Cash and cash equivalents	3%	3%	1%	1%
Marketable securities:				
U.S. and non-U.S. equity securities	12%	7%	-	-
Equity mutual funds	5%	6%	-	-
Debt securities	34%	34%	22%	25%
Other investments:				
Commingled funds	24%	27%	77%	74%
Hedge funds	18%	18%	-	-
Private equity funds	4%	5%	-	-
Total	100%	100%	100%	100%

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value and small and large capitalizations. Other investments, such as hedge funds, interest rate swaps and private equity are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements and periodic asset/liability studies. For the majority of the Corporation's pension plan investments, the combined target investment allocation as of June 30, 2018, was global and traditional equity securities 39%; long/short equity 8%; fixed-income obligations 35%; hedge funds 11%; alternative debt 5%; and cash 2%.

The following tables summarize the Pension Plans' and Postretirement Plans' assets measured at fair value as of June 30 (in thousands). See Note 10 for definitions of Levels 1, 2 and 3 of the fair value hierarchy.

	2018			
Pension Plans:	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Cash and cash equivalents	$ 161,162	$ 9,176	$ -	$ 170,338
Equity securities	755,918	100	-	756,018
Debt securities				
Government and government agency obligations	-	814,823	-	814,823
Corporate bonds	-	1,344,248	-	1,344,248
Asset backed securities	-	68,698	-	68,698
Exchange traded/mutual funds				
Equity funds	311,707	-	-	311,707
Fixed-income funds	58,149	-	-	58,149
Private equity	-	-	2,421	2,421
Other	(17,895)	-	-	(17,895)
Subtotal	$ 1,269,041	$ 2,237,045	$ 2,421	$ 3,508,507
Investments measured at net asset value:				
Commingled funds				
Equity funds				1,535,149
Fixed-income funds				12,479
Hedge funds				1,204,394
Private equity				272,631
Total assets				$ 6,533,160
Postretirement Plans:				
Exchange traded/mutual funds				
Short-term investment funds	$ 1,254	$ -	$ -	$ 1,254
Fixed-income funds	24,310	-	-	24,310
Other	4,174	-	-	4,174
Subtotal	$ 29,738	$ -	$ -	$ 29,738
Investment measured at net asset value:				
Equity commingled fund				83,768
Total assets				$ 113,506

	2017			
Pension Plans:	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Cash and cash equivalents	$ 172,134	$ 2,755	$ -	$ 174,889
Equity securities	447,227	100	-	447,327
Debt securities				
Government and government agency obligations	-	665,241	-	665,241
Corporate bonds	-	1,425,466	-	1,425,466
Asset backed securities	-	62,106	-	62,106
Exchange traded/mutual funds				
Equity funds	384,215	-	-	384,215
Fixed-income funds	58,526	-	-	58,526
Private equity	-	-	4,275	4,275
Other	(6,617)	-	-	(6,617)
Subtotal	$ 1,055,485	$ 2,155,668	$ 4,275	$ 3,215,428
Investments measured at net asset value:				
Commingled funds				
Equity funds				1,736,705
Fixed-income funds				6,295
Hedge funds				1,179,981
Private equity				294,986
Total assets				$ 6,433,395
Postretirement Plans:				
Exchange traded/mutual funds				
Short-term investment funds	$ 983	$ -	$ -	$ 983
Fixed-income funds	26,095	-	-	26,095
Other	210	-	-	210
Subtotal	$ 27,288	$ -	$ -	$ 27,288
Investment measured at net asset value:				
Equity commingled fund				78,880
Total assets				$ 106,168

Unfunded capital commitments related to private equity investments totaled $47.3 million and $43.7 million as of June 30, 2018 and 2017, respectively.

See Note 10 for the Corporation's methods and assumptions to estimate the fair value of equity and debt securities, mutual funds, commingled funds and hedge funds.

Private Equity – These assets include two private equity funds that invest primarily in Europe, both directly and on the secondary market. These funds are valued based on competitive bid evaluation.

Other – Represents unsettled transactions relating primarily to purchases and sales of plan assets, accrued income and derivatives. Due to the short maturity of these assets and liabilities, the fair value approximates the carrying amounts. The fair value of the derivatives is estimated utilizing the terms of the derivative instruments and publicly available market yield curves. The Pension Plans' investment policies specifically prohibit the use of derivatives for speculative purposes.

The Corporation's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from Levels 1 and 2 during the years ended June 30, 2018 and 2017.

The following table summarizes the changes in Level 3 Pension Plan assets for the years ended June 30 (in thousands):

		Private Equity
Balance at July 1, 2016	$	5,405
Realized gain		869
Unrealized loss		(344)
Settlements		(1,655)
Balance at June 30, 2017	$	4,275
Realized gain		775
Unrealized loss		(645)
Settlements		(1,984)
Balance at June 30, 2018	$	2,421

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions – The Corporation expects to contribute approximately $130 million to its Pension Plans and $3 million to its Postretirement Plans during the year ended June 30, 2019, under the Corporation's stated funding policies.

Expected Benefit Payments – The Corporation expects to pay the following for pension benefits for the year ending June 30, which reflect expected future service as appropriate, and expected postretirement benefits, before deducting the Medicare Part D subsidy (in thousands):

		Pension Plans		Postretirement Plans		Postretirement Medicare Part D Subsidy
Years ending June 30:						
2019	$	502,131	$	9,517	$	62
2020		470,962		9,610		58
2021		473,330		9,598		53
2022		475,703		9,536		49
2023		479,170		9,388		44
Years 2024 - 2028		2,315,403		43,832		156

9. COMMITMENTS AND CONTINGENCIES

Operating Leases – The Corporation leases various land, equipment and facilities under operating leases. Total rental expense, which includes provisions for maintenance in some cases, was $224.1 million and $249.1 million for the years ended June 30, 2018 and 2017, respectively.

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2018, that have initial or remaining lease terms in excess of one year (in thousands):

Years ending June 30:		
2019	$	174,934
2020		148,095
2021		127,098
2022		111,417
2023		87,248
Thereafter		192,467
Total	$	841,259

Litigation and Settlements – The Corporation is involved in litigation and regulatory investigations arising in the ordinary course of doing business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results of operations.

Health Care Regulatory Environment - The health care industry is subject to numerous and complex laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, privacy, government health care program participation requirements and government reimbursement for patient services, fraud and abuse requirements, and requirements for tax-exempt organizations. Compliance with such laws and regulations is complex and can be subject to future government interpretation as well as regulatory enforcement actions, including fines, penalties and exclusion from government health care programs, such as Medicare and Medicaid. The Corporation and its Health Ministries periodically receive notices from governmental agencies requesting information regarding billing, payment or other reimbursement matters initiating investigations, or indicating the existence of whistleblower litigation. The health care industry in general is experiencing an increase in these activities as federal and state governments increase their enforcement activities and institute new programs designed to identify potential irregularities in reimbursement or quality of patient care. Based on the information received to date, management does not believe the ultimate resolution of these matters will have a material adverse effect on the Corporation's future consolidated financial position or results of operations.

10. FAIR VALUE MEASUREMENTS

The Corporation's consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis in the Corporation's consolidated balance sheets include cash, cash equivalents, security lending collateral, equity securities, debt securities, mutual funds, commingled funds, hedge funds and derivatives. Defined benefit retirement plan assets are measured at fair value on an annual basis; see Note 8 for further details. Liabilities measured at fair value on a recurring basis for disclosure only include debt.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of nonperformance risk.

To determine fair value, the Corporation uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Corporation assesses the inputs used to measure fair value using a three-level hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The fair value hierarchy is as follows:

Level 1 – Quoted (unadjusted) prices for identical instruments in active markets

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar instruments in active markets
- Quoted prices for identical or similar instruments in nonactive markets (few transactions, limited information, noncurrent prices, high variability overtime, etc.)
- Inputs other than quoted prices that are observable for the instrument (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3 – Unobservable inputs that cannot be corroborated by observable market data

Valuation Methodologies – Exchange-traded securities whose fair value is derived using quoted prices in active markets are classified as Level 1. In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. The inputs to these models depend on the type of security being priced, but are typically benchmark yields, credit spreads, prepayment spreads, reported trades and broker-dealer quotes, all with reasonable levels of transparency. Generally, significant changes in any of those inputs in isolation would result in a significantly different fair value measurement. The Corporation classifies these securities as Level 2 within the fair value hierarchy. The Corporation also has certain investments that are classified as Level 3. These investments are primarily valued using competitive bid evaluations or cost, if it approximates fair value.

The Corporation maintains policies and procedures to value instruments using the best and most relevant data available. The Corporation has not adjusted the prices obtained. Third-party administrators do not provide access to their proprietary valuation models, inputs and assumptions. Accordingly, the Corporation reviews the independent reports of internal controls for these service providers. In addition, on a quarterly basis, the Corporation performs reviews of investment consultant industry peer group benchmarking and supporting relevant market data. Finally, all of the fund managers have an annual independent audit performed by an accredited accounting firm. The Corporation reviews these audited financials for ongoing validation of pricing used. Based on the information available, the Corporation believes that the fair values provided by the third-party administrators and investment fund managers are representative of prices that would be received to sell the assets.

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

Following is a description of the valuation methodologies the Corporation used for instruments recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – The carrying amounts reported in the consolidated balance sheets approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheet. Included in this category is commercial paper. The fair value of commercial paper is based on amortized cost. Commercial paper is designated as Level 2 investments with significant observable inputs, including security cost, maturity and credit rating.

Security Lending Collateral – The security lending collateral is invested in a Northern Trust sponsored commingled collateral fund, which is composed primarily of short-term securities. The fair value amounts of the commingled collateral fund are determined using the calculated net asset value per share (or its equivalent) for the fund with the underlying investments valued using techniques similar to those used for instruments noted below.

Equity Securities **–** Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded or are estimated using quoted market prices for similar securities.

Debt Securities **–** Debt securities are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

Exchange-Traded/Mutual Funds **–** Exchange-traded funds are valued at the closing price reported on the applicable exchange on which the fund is traded or estimated using quoted market prices for similar securities. Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding and multiplied by the number of shares owned.

Commingled Funds **–** Commingled funds are developed for investment by institutional investors only and, therefore, do not require registration with the Securities and Exchange Commission. Commingled funds are recorded at fair value based on net asset value, which is calculated using the most recent fund financial statements.

Hedge Funds **–** Hedge funds utilize either a direct or a "fund-of-funds" approach resulting in diversified multistrategy, multimanager investments. Underlying investments in these funds may include equity securities, debt securities, commodities, currencies and derivatives. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

The Corporation classifies its equity and debt securities, mutual funds, commingled funds and hedge funds as trading securities. The amount of holding gains included in the excess of revenue over expenses related to securities still held as of June 30, 2018 and 2017, were $928.7 million and $757.7 million, respectively.

Equity Method Investments – Certain other investments are accounted for using the equity method. These investments are structured as limited liability corporations and partnerships and are designed to produce stable investment returns regardless of market activity. These investments utilize a combination of "fund-of-funds" and direct fund investment strategies resulting in a diversified multistrategy, multimanager investment approach. Some of these funds are developed by investment managers specifically for the Corporation's use and are similar to mutual funds, but are not traded on a public exchange. Underlying investments in these funds may include other funds, equity securities, debt securities, commodities, currencies and derivatives. Audited information is only available annually based on the limited liability corporations, partnerships or funds' year-end. Management's estimates of the fair values of these investments are based on information provided by the third-party administrators and fund managers or the general partners. Management obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. In addition to a review of external information provided, management's internal procedures include such things as review of returns against benchmarks and discussions with fund managers on performance, changes in personnel or process, along with evaluations of current market conditions for these investments. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed. Unfunded capital commitments related to equity method investments totaled $599.0 million and $439.5 million as of June 30, 2018 and 2017, respectively.

Interest Rate Swaps – The fair value of the Corporation's derivatives, which are mainly interest rate swaps, are estimated utilizing the terms of the swaps and publicly available market yield curves along with the Corporation's nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. These swap agreements are classified as Level 2 within the fair value hierarchy.

The following tables present information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded as of June 30, 2018 (in thousands):

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Assets:				
Cash and cash equivalents	$ 1,625,102	$ 57,831	$ -	$ 1,682,933
Security lending collateral	-	275,228	-	275,228
Equity securities	2,404,812	1,143	6,540	2,412,495
Debt securities:				
Government and government agency obligations	-	695,980	4,180	700,160
Corporate bonds	-	993,772	622	994,394
Asset backed securities	-	294,055	-	294,055
Bank loans	-	35,218	-	35,218
Other	-	11,484	-	11,484
Exchange traded/mutual funds:				-
Equity funds	688,434	-	-	688,434
Fixed income funds	95,713	-	-	95,713
Real estate investment funds	37,603	-	-	37,603
Other	92,856	-	-	92,856
Interest rate swaps	-	6,139	-	6,139
Subtotal	$ 4,944,520	$ 2,370,850	$ 11,342	$ 7,326,712
Equity method investments				1,317,827
Investments measured at net asset value:				
Commingled funds				1,296,703
Hedge funds				681,978
Total assets				$ 10,623,220
Liabilities:				
Interest rate swaps	$ -	$ 127,531	$ -	$ 127,531

The following tables present information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded as of June 30, 2017 (in thousands):

	2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	$ 1,568,148	$ 54,754	$ -	$ 1,622,902
Security lending collateral	-	332,972	-	332,972
Equity securities	1,829,262	2,306	5,468	1,837,036
Debt securities:				
Government and government agency obligations	-	730,319	5,310	735,629
Corporate bonds	-	972,127	1,019	973,146
Asset backed securities	-	222,466	-	222,466
Bank loans	-	31,361	-	31,361
Other	-	21,025	-	21,025
Exchange traded/mutual funds:				-
Equity funds	632,779	-	-	632,779
Fixed-income funds	99,146	-	-	99,146
Real estate investment funds	43,140	-	-	43,140
Other	79,970	-	-	79,970
Interest rate swaps	-	5,124	-	5,124
Subtotal	$ 4,252,445	$ 2,372,454	$ 11,797	$ 6,636,696
Equity method investments				1,164,378
Investments measured at net asset value:				
Commingled funds				1,511,026
Hedge funds				810,826
Total assets				$ 10,122,926
Liabilities:				
Interest rate swaps	$ -	$ 169,198	$ -	$ 169,198

The following table reconciles the information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis presented in the table above to amounts presented in the consolidated balance sheets as of June 30 (in thousands):

	2018	2017
Assets:		
Cash and cash equivalents	$ 971,726	$ 1,008,197
Investments	3,846,190	3,526,204
Security lending collateral	275,228	332,972
Assets limited or restricted as to use - current portion	352,231	328,712
Assets limited or restricted as to use - noncurrent portion:		
Held by trustees under bond indenture agreements	6,865	7,139
Self-insurance, benefit plans and other	865,949	823,948
By Board	3,881,021	3,709,246
By donor	498,871	460,491
Interest rate swaps in other long-term assets	6,139	5,124
Less items not recorded at fair value:		
Total unconditional promises to give, net	(54,427)	(55,857)
Reinsurance recovery receivable	(20,731)	(23,250)
Other, primarily beneficial interests in trusts	(5,842)	-
Total assets	$ 10,623,220	$ 10,122,926

The Corporation's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from Levels 1 and 2 during the years ended June 30, 2018 and 2017.

The following table summarizes the changes in Level 3 assets for the years ended June 30 (in thousands):

	Equity Securities	Government and Government Agency Obligations	Corporate Bonds	Total
Balance at July 1, 2016	$ 5,468	$ 1,433	$ 617	$ 7,518
Realized loss	-	(54)	(58)	(112)
Unrealized (loss) gain	-	(23)	141	118
Purchases	-	4,450	936	5,386
Settlements	-	(496)	(641)	(1,137)
Transfers from Level 2	-	-	24	24
Balance at June 30, 2017	$ 5,468	$ 5,310	$ 1,019	$ 11,797
Realized (loss) gain	-	(95)	63	(32)
Unrealized gain	1,072	270	26	1,368
Purchases	-	490	567	1,057
Settlements	-	(1,795)	(1,053)	(2,848)
Balance at June 30, 2018	$ 6,540	$ 4,180	$ 622	$ 11,342

Investments in Entities that Calculate Net Asset Value per Share – The Corporation holds shares or interests in investment companies at year-end, included in commingled funds and hedge funds, where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. There were no unfunded commitments as of June 30, 2018 and 2017. The fair value and redemption rules of these investments are as follows as of June 30 (in thousands):

	2018		
	Fair Value	**Redemption Frequency**	**Redemption Notice Period**
Commingled funds	$ 1,296,703	Daily and semi-monthly	2 - 3 days
Hedge funds	681,978	Monthly, quarterly, semi-annually, bi-annually	30 - 95 days
Total	$ 1,978,681		

	2017		
	Fair Value	**Redemption Frequency**	**Redemption Notice Period**
Commingled funds	$ 1,511,026	Daily and semi-monthly	2 - 3 days
Hedge funds	810,826	Monthly, quarterly, semi-annually, bi-annually	10 - 95 days
Total	$ 2,321,852		

The hedge fund category includes equity long/short hedge funds, multistrategy hedge funds and relative value hedge funds. Equity long/short hedge funds invest both long and short, primarily in US common stocks. Management of the fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. Multistrategy hedge funds pursue multiple strategies to diversify risks and reduce volatility. Relative value hedge fund's strategy is to exploit structural and technical inefficiencies in the market by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial or legal uncertainties. Investments representing approximately 0.5% and 3.5% of the value of the investments in this category as of June 30, 2018 and 2017, respectively, can only be redeemed bi-annually subsequent to the initial investment date. Investments representing 59.2% and 36.4% of the investments in this category as of June 30, 2018 and 2017, respectively, can only be redeemed at the rate of 25% per quarter.

The commingled fund category primarily includes investments in funds that invest in financial instruments of US and non-US entities, primarily bonds, notes, bills, debentures, currencies and interest rate and derivative products.

The composition of investment returns included in the consolidated statements of operations and changes in net assets for the years ended June 30 is as follows (in thousands):

	2018	2017
Dividend, interest income and other	$ 163,389	$ 135,510
Realized gain, net	266,841	102,794
Realized equity earnings, other investments	48,414	23,437
Change in net unrealized gain on investments	95,867	696,604
Total investment return	$ 574,511	$ 958,345
Included in:		
Operating income	$ 66,163	$ 73,379
Nonoperating items	488,715	859,934
Changes in restricted net assets	19,633	25,032
Total investment return	$ 574,511	$ 958,345

In addition to investments, assets restricted as to use include receivables for unconditional promises to give cash and other assets, net of allowances for uncollectible promises to give. Unconditional promises to give consist of the following as of June 30 (in thousands):

	2018	2017
Amounts expected to be collected in:		
Less than one year	$ 25,343	$ 24,572
One to five years	31,978	33,635
More than five years	4,491	7,183
	61,812	65,390
Discount to present value of future cash flows	(3,789)	(4,471)
Allowance for uncollectible amounts	(3,596)	(5,062)
Total unconditional promises to give, net	$ 54,427	$ 55,857

Patient Accounts Receivable, Estimated Receivables from Third-Party Payors and Current Liabilities – The carrying amounts reported in the consolidated balance sheets approximate their fair value.

Long-Term Debt – The carrying amounts of the Corporation's variable-rate debt approximate their fair values. The fair value of the Corporation's fixed-rate debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements. Under the fair value hierarchy, these financial instruments are valued primarily using Level 2 inputs. The fair value of the tax-exempt fixed-rate long-term revenue and refunding bonds was $4,674 million and $4,148 million as of June 30, 2018 and 2017, respectively. The related carrying value of the tax-exempt fixed-rate long-term revenue and refunding bonds was $4,289 million and $3,756 million as of June 30, 2018 and 2017, respectively. The fair value of the taxable fixed-rate long-term revenue bonds was $471 million and $361 million as of June 30, 2018 and 2017, respectively. The related carrying value of the taxable fixed-rate long-term revenue bonds was $482 million and $350 million as of June 30, 2018 and 2017, respectively. The fair values of the remaining fixed-rate capital leases, notes payable to banks and mortgage loans are not materially different from their carrying values.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Financial Instruments – In the normal course of business, the Corporation is exposed to market risks, including the effect of changes in interest rates and equity market volatility. To manage these risks, the Corporation enters into various derivative contracts, primarily interest rate swaps. Interest rate swaps are used to manage the effect of interest rate fluctuations.

Management reviews the Corporation's hedging program, derivative position and overall risk management on a regular basis. The Corporation only enters into transactions it believes will be highly effective at offsetting the underlying risk.

Interest Rate Swaps – The Corporation utilizes interest rate swaps to manage interest rate risk related to the Corporation's variable interest rate debt. Cash payments on interest rate swaps totaled $16.3 million and $19.6 million for the years ended June 30, 2018 and 2017, respectively, and are included in nonoperating income.

Certain of the Corporation's interest rate swaps contain provisions that give certain counterparties the right to terminate the interest rate swap if a rating is downgraded below specified thresholds. If a ratings downgrade threshold is breached, the counterparties to the derivative instruments could demand immediate termination of the swaps. Such termination could result in a payment from the Corporation or a payment to the Corporation depending on the market value of the interest rate swap.

Effect of Derivative Instruments on Excess of Revenue over Expenses – The Corporation has interest rate swaps not designated as hedging instruments which are included in the excess of revenue over expenses in the statement of operations. Net gains included in the change in market value and cash payments of interest rate swaps totaled $25.7 million and $53.0 million for the years ended June 30, 2018 and 2017, respectively.

Balance Sheet Effect of Derivative Instruments – The following table summarizes the estimated fair value of the Corporation's derivative financial instruments as of June 30 (in thousands):

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	Fair Value 2018	Fair Value 2017
Asset Derivatives:			
Interest rate swaps	Other long-term assets	$ 6,139	$ 5,124
Liability Derivatives:			
Interest rate swaps	Other long-term liabilities	$ 127,531	$ 169,198

The counterparties to the interest rate swaps expose the Corporation to credit loss in the event of nonperformance. As of June 30, 2018 and 2017, an adjustment for nonperformance risk reduced derivative assets by $0.2 million and $0.6 million and derivative liabilities by $6.4 million and $8.3 million, respectively.

12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets and permanently restricted net assets as of June 30 are available for the following purposes (in thousands):

	2018	2017
Temporarily Restricted Net Assets:		
Education and research	$ 28,338	$ 27,072
Building and equipment	129,971	108,475
Patient care	60,786	62,829
Cancer center/research	28,234	26,614
Services for elderly care	36,911	34,718
Other	104,384	86,266
Total	$ 388,624	$ 345,974
Permanently Restricted Net Assets:		
Hospital operations	$ 108,078	$ 102,516
Medical programs	9,947	10,344
Scholarship funds	7,032	6,075
Research funds	12,579	11,800
Community service funds	17,160	17,150
Other	42,686	35,432
Total	$ 197,482	$ 183,317

The Corporation's endowments consist of funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of endowment funds for a prudent level of risk. The Corporation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Corporation can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

The following table summarizes endowment net asset composition by type of fund as of June 30 (in thousands):

	2018			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$ 55,679	$ 197,482	$ 253,161
Board-designated endowment funds	87,590	-	-	87,590
Total endowment funds	$ 87,590	$ 55,679	$ 197,482	$ 340,751

	2017			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$ 64,067	$ 183,317	$ 247,384
Board-designated endowment funds	74,100	-	-	74,100
Total endowment funds	$ 74,100	$ 64,067	$ 183,317	$ 321,484

Changes in endowment net assets for the years ended June 30 include (in thousands):

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment net assets, July 1, 2016	$ 76,384	$ 44,728	$ 157,588	$ 278,700
Investment return:				
Investment income	6,558	1,737	1,675	9,970
Change in net realized and unrealized losses	1,096	6,487	6,217	13,800
Total investment return	7,654	8,224	7,892	23,770
Contributions	-	9,797	1,805	11,602
Appropriation of endowment assets for expenditures	(12,504)	(1,561)	(928)	(14,993)
Acquisitions	-	2,857	16,960	19,817
Other	2,566	22	-	2,588
Endowment net assets, June 30, 2017	74,100	64,067	183,317	321,484
Investment return:				
Investment income	2,056	3,040	2,309	7,405
Change in net realized and unrealized losses	3,512	2,202	4,957	10,671
Total investment return	5,568	5,242	7,266	18,076
Contributions	249	149	7,350	7,748
Appropriation of endowment assets for expenditures	(4,508)	(1,504)	-	(6,012)
Other	12,181	(12,275)	(451)	(545)
Endowment net assets, June 30, 2018	$ 87,590	$ 55,679	$ 197,482	$ 340,751

The table below describes the restrictions for endowment amounts classified as temporarily restricted net assets and permanently restricted net assets as of June 30 (in thousands):

		2018		2017
Temporarily Restricted Net Assets:				
Term endowment funds	$	5,245	$	4,183
The portion of perpetual endowment funds without a purpose restriction		410		410
The portion of perpetual endowment funds subject to a purpose restriction		50,024		59,474
Total endowment funds classified as temporarily restricted net assets	$	55,679	$	64,067
Permanently Restricted Net Assets:				
Investments for which income is unrestricted	$	149,360	$	145,187
Investments for which income is temporarily restricted		42,103		31,773
Endowments requiring income to be added to the original gift		6,019		6,357
Total	$	197,482	$	183,317

Funds with Deficiencies – Periodically, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Corporation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and/or continued appropriation for certain programs that was deemed prudent by the Corporation.

13. RESTRUCTURING CHARGES

During the year ended June 30, 2017, management authorized and committed the Corporation to undertake a comprehensive performance improvement plan to realign its cost structure. The Corporation had a workforce reduction as part of the plan. As a result of these actions, restructuring charges of $36.2 million were recorded in the consolidated statements of operations and changes in net assets. The restructuring charges are primarily for severance and termination benefits. As of June 30, 2018 the majority of these benefits have been paid.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2018, the date the consolidated financial statements were issued. The following subsequent events were noted:

St. Joseph Mercy Chelsea Hospital ("Chelsea") – Effective July 1, 2018, the Corporation, through its subsidiary Trinity Health - Michigan, sold a 49% noncontrolling membership interest to the Regents of the University of Michigan as part of a broader initiative to develop and implement new collaborations on a statewide basis throughout Michigan to improve the health of the communities that they serve and enhance the efficiencies and value of the systems' delivery of health care. The Corporation maintains control of Chelsea. For the years ended June 30, 2018 and 2017, the Corporation's consolidated statements of operations and changes in net assets included revenue of $159.8 million and $151.6 million, respectively, and excess of revenue over expenses of $5.0 million and $8.6 million respectively, related to the operations of Chelsea.

Liquidity Facilities – On August 30, 2018, the Corporation reduced the commitment amount from $931 million to $900 million under a single Credit Agreement. The amount is divided equally among three tranches ($300 million each), with maturity dates of August 2020, August 2021 and August 2022.

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Deloitte & Touche LLP
200 Renaissance Center
Suite 3900
Detroit, MI 48243-1313
USA

Tel: +1 313 396 3000
Fax: +1 313 396 3618
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL CONSOLIDATING SCHEDULES

To the Board of Directors of
Trinity Health Corporation
Livonia, Michigan

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules (the "Schedules") listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These Schedules are the responsibility of Trinity Health Corporation's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such Schedules have been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such Schedules directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such Schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

September 26, 2018

TRINITY HEALTH

Supplemental Condensed Consolidating Balance Sheets - Information

June 30, 2018

(In thousands)

	Saint Agnes Medical Center, Fresno	Saint Alphonsus Health System, Oregon-Idaho	Mercy Health Services, Iowa-Nebraska	Loyola University Health System, Chicago	Mercy Hospital and Medical Center, Chicago	Saint Joseph Regional Medical Center, South Bend	Trinity Health Michigan Region	Mount Carmel Health System, Columbus	Holy Cross Health, Inc. Silver Spring
ASSETS									
CURRENT ASSETS:									
Cash, cash equivalents and investments	$ 75,395	$ 208,510	$ 183,073	$ 249,513	$ 14,415	$ 79,805	$ 1,297,142	$ 689,993	$ 282,238
Assets limited as to use - current portion	128	342	657	10,977	3,961	291	4,857	783	1,048
Patient and other receivables, net	141,170	175,457	146,884	313,687	36,224	94,170	499,169	221,845	78,125
Assets held for sale	-	-	-	-	-	-	-	-	-
Other current assets	8,185	18,025	28,339	44,390	4,745	9,770	59,864	32,293	11,920
Total current assets	224,878	402,334	358,953	618,567	59,345	184,036	1,861,032	944,914	373,331
ASSETS LIMITED OR RESTRICTED AS TO USE-									
Noncurrent portion:									
Held in trust	-	8,463	19,701	33,081	5,038	6,280	48,644	20,070	593
By Board	303,290	81,480	225,665	1,624	-	-	514,300	447,799	2,000
By donors	9,175	7,083	9,787	42,456	3,179	10,377	71,322	18,018	3,693
Total assets limited or restricted as to use - noncurrent portion	312,465	97,026	255,153	77,161	8,217	16,657	634,266	485,887	6,286
PROPERTY AND EQUIPMENT, Net	199,300	547,439	272,842	634,116	35,413	328,849	1,453,036	986,229	453,484
OTHER ASSETS	30,138	83,612	315,135	253,968	2,948	35,328	315,864	157,968	72,601
TOTAL ASSETS	$ 766,781	$ 1,130,411	$ 1,202,083	$ 1,583,812	$ 105,923	$ 564,870	$ 4,264,198	$ 2,574,998	$ 905,702
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES, Excluding liabilities held for sale	$ 80,031	$ 117,013	$ 131,418	$ 334,298	$ 84,198	$ 54,177	$ 477,176	$ 354,445	$ 89,665
LIABILITIES HELD FOR SALE	-	-	-	-	-	-	-	-	-
LONG-TERM DEBT, Noncurrent portion	92,019	262,993	229,756	847,858	82,788	298,255	960,767	676,523	394,650
OTHER LIABILITIES	3,101	10,264	27,263	101,144	-	6,700	64,116	25,856	7,016
NET ASSETS:									
Unrestricted	582,328	732,714	803,305	247,291	(67,884)	195,070	2,687,098	1,499,373	409,630
Restricted	9,302	7,427	10,341	53,221	6,821	10,668	75,041	18,801	4,741
TOTAL LIABILITIES AND NET ASSETS	$ 766,781	$ 1,130,411	$ 1,202,083	$ 1,583,812	$ 105,923	$ 564,870	$ 4,264,198	$ 2,574,998	$ 905,702

TRINITY HEALTH

Supplemental Condensed Consolidating Balance Sheets - Information

June 30, 2018

(In thousands)

	St. Peter's Health Partners, Albany	St. Joseph Health, Inc., Syracuse	Trinity Health Of New England Corporation, Inc.,	Mercy Health System of SEPA, Philadelphia	St. Mary Medical Center, Langhorne	Lourdes Health System, Camden	St. Francis Medical Center, Trenton	Saint Francis Healthcare, Wilmington	St. Mary's Health Care System, Inc., Athens
ASSETS									
CURRENT ASSETS:									
Cash, cash equivalents and investments	$ 273,143	$ 72,371	$ 187,677	$ 115,440	$ 401,856	$ 32,752	$ 1,430	$ 16,920	$ 40,520
Assets limited as to use - current portion	8,765	9,240	2,456	-	-	-	35	-	1,111
Patient and other receivables, net	160,971	122,086	202,583	89,286	55,615	74,836	16,626	25,577	41,603
Assets held for sale	-	-	-	-	-	68,715	-	-	-
Other current assets	21,406	12,641	53,834	12,936	12,579	51	4,620	4,085	9,429
Total current assets	464,285	216,338	446,550	217,662	470,050	176,354	22,711	46,582	92,663
ASSETS LIMITED OR RESTRICTED AS TO USE -									
Noncurrent portion:									
Held in trust	22,135	4,291	7,552	236	1,457	4,720	-	-	1,717
By Board	176,106	14	30,845	10,000	12,915	-	1,881	-	17,958
By donors	86,477	4,300	121,432	4,594	9,815	-	1,684	324	4,777
Total assets limited or restricted as to use - noncurrent portion	284,718	8,605	159,829	14,830	24,187	4,720	3,565	324	24,452
PROPERTY AND EQUIPMENT, Net	602,645	295,110	644,046	97,710	204,364	1,010	1,510	27,734	120,277
OTHER ASSETS	61,625	27,424	127,250	257,268	25,739	27,208	6,610	7,319	14,030
TOTAL ASSETS	$ 1,413,273	$ 547,477	$ 1,377,675	$ 587,470	$ 724,340	$ 209,292	$ 34,396	$ 81,959	$ 251,422
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES, Excluding liabilities held for sale	$ 200,566	$ 130,902	$ 295,500	$ 124,958	$ 60,436	$ 67,103	$ 46,862	$ 35,710	$ 36,829
LIABILITIES HELD FOR SALE	-	-	-	-	-	32,440	-	-	-
LONG-TERM DEBT, Noncurrent portion	268,652	285,172	405,317	110,923	121,970	229,026	89,700	111,202	65,036
OTHER LIABILITIES	81,357	31,729	311,976	4,667	3,482	5,387	1,492	26	1,717
NET ASSETS:									
Unrestricted	765,489	86,091	241,046	340,484	528,667	(124,664)	(105,390)	(65,280)	142,930
Restricted	97,209	13,583	123,836	6,438	9,785	-	1,732	301	4,910
TOTAL LIABILITIES AND NET ASSETS	$ 1,413,273	$ 547,477	$ 1,377,675	$ 587,470	$ 724,340	$ 209,292	$ 34,396	$ 81,959	$ 251,422

TRINITY HEALTH

Supplemental Condensed Consolidating Balance Sheets - Information

June 30, 2018

(In thousands)

	Holy Cross Hospital, Inc., Ft. Lauderdale	Trinity Continuing Care Services	Trinity Home Health Services	Trinity Health PACE	Pittsburgh Mercy Health System Inc., Pittsburgh	Mercy Primary Care Center, Detroit	Trinity Health Consolidated Labs	Trinity Health Warde Lab LLC	Global Health Ministry
ASSETS									
CURRENT ASSETS:									
Cash, cash equivalents and investments	$ 29,596	$ 78,463	$ 14,743	$ 16,810	$ 14,141	$ 7,835	$ 5,176	$ 2,310	$ 3,961
Assets limited as to use - current portion	8,154	2,325	22	-	300	-	-	-	5
Patient and other receivables, net	82,776	52,803	19,983	5,885	30,073	59	4,510	2	(16)
Assets held for sale	-	-	-	-	-	-	-	-	-
Other current assets	8,563	2,629	399	245	455	-	2,921	-	4
Total current assets	129,089	136,220	35,147	22,940	44,969	7,894	12,607	2,312	3,954
ASSETS LIMITED OR RESTRICTED AS TO USE-									
Noncurrent portion:									
Held in trust	14,864	13,040	60	-	67	-	-	-	-
By Board	45,049	4,303	-	999	90,799	-	-	-	-
By donors	32,573	4,100	509	460	6,402	546	-	-	309
Total assets limited or restricted as to use - noncurrent portion	92,486	21,443	569	1,459	97,268	546	-	-	309
PROPERTY AND EQUIPMENT, Net	216,534	283,347	1,643	9,385	12,706	462	2,418	6,961	-
OTHER ASSETS	44,328	25,274	5,812	14,743	-	-	1,031	-	-
TOTAL ASSETS	$ 482,437	$ 466,284	$ 43,171	$ 48,527	$ 154,943	$ 8,902	$ 16,056	$ 9,273	$ 4,263
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES, Excluding liabilities held for sale	$ 60,154	$ 59,390	$ 18,623	$ 20,783	$ 6,108	$ 252	$ 7,761	$ 1	$ 945
LIABILITIES HELD FOR SALE	-	-	-	-	-	-	-	-	-
LONG-TERM DEBT, Noncurrent portion	163,859	244,720	522	21,617	854	-	2,201	-	-
OTHER LIABILITIES	42,017	105,213	61	489	350	-	181	-	-
NET ASSETS:									
Unrestricted	182,889	52,520	23,432	5,178	140,929	8,104	5,913	9,272	3,082
Restricted	33,518	4,441	533	460	6,702	546	-	-	236
TOTAL LIABILITIES AND NET ASSETS	$ 482,437	$ 466,284	$ 43,171	$ 48,527	$ 154,943	$ 8,902	$ 16,056	$ 9,273	$ 4,263

TRINITY HEALTH

Supplemental Condensed Consolidating Balance Sheets - Information

June 30, 2018

(In thousands)

	St. Joseph's Health System, Inc., Atlanta	Trinity Health Partners	Trinity Health ACO, Inc.	Allegany Franciscan Ministries	SJSA Foundation	Cadillac Foundation	Trinity Assurance Insurance Company	Investment in Baycare Health System	Investment in Catholic Health System, Inc.
ASSETS									
CURRENT ASSETS:									
Cash, cash equivalents and investments	$ 176,390	$ 21,639	$ 11,420	$ 119,584	$ 13,389	$ -	$ 8	$ -	$ -
Assets limited as to use - current portion	134	-	-	1,019	1,233	-	114,101	-	-
Patient and other receivables, net	1,257	-	9,263	20	-	-	3,284	-	-
Assets held for sale	-	-	-	-	-	-	-	-	-
Other current assets	237	-	(1,641)	9	37	-	12	-	-
Total current assets	178,018	21,639	19,042	120,632	14,659	-	117,405	-	-
ASSETS LIMITED OR RESTRICTED AS TO USE -									
Noncurrent portion:									
Held in trust	19	-	-	-	-	-	557,239	-	-
By Board	17,100	-	-	-	1,109	13,748	-	-	-
By donors	21,642	-	-	-	23,215	-	-	-	-
Total assets limited or restricted as to use - noncurrent portion	38,761	-	-	-	24,324	13,748	557,239	-	-
PROPERTY AND EQUIPMENT, Net	30,478	-	-	31	11	-	-	-	-
OTHER ASSETS	113,748	-	-	26	-	-	89	2,758,785	86,556
TOTAL ASSETS	$ 361,005	$ 21,639	$ 19,042	$ 120,689	$ 38,994	$ 13,748	$ 674,733	$ 2,758,785	$ 86,556
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES, Excluding liabilities held for sale	$ 3,431	$ -	$ 23,835	$ 7,515	$ 1,210	$ 495	$ 176,041	$ -	$ -
LIABILITIES HELD FOR SALE	-	-	-	-	-	-	-	-	-
LONG-TERM DEBT, Noncurrent portion	-	-	-	-	-	-	-	-	-
OTHER LIABILITIES	824	-	-	-	56	-	473,044	-	-
NET ASSETS:									
Unrestricted	331,875	21,639	(4,793)	113,174	13,372	13,253	25,648	2,726,736	83,982
Restricted	24,875	-	-	-	24,356	-	-	32,049	2,574
TOTAL LIABILITIES AND NET ASSETS	$ 361,005	$ 21,639	$ 19,042	$ 120,689	$ 38,994	$ 13,748	$ 674,733	$ 2,758,785	$ 86,556

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

	Mercy Health Services, North	St. Joseph Mercy, Port Huron	Saint Michael's Medical Center and Related Entities, Newark	St. James Mercy Health System, Inc., Hornell	Mercy Hospital, Inc., Miami	Maxis Health System	System Office	Eliminations and Other	**TRINITY HEALTH**
ASSETS									
CURRENT ASSETS:									
Cash, cash equivalents and investments	$ 10,522	$ -	$ -	$ 348	$ 72	$ (820)	$ 626,650	$ (281,286)	$ **5,093,144**
Assets limited as to use - current portion	-	-	-	-	-	-	180,287	-	**352,231**
Patient and other receivables, net	14	-	-	144	-	1	385,269	(446,634)	**2,644,607**
Assets held for sale	-	-	-	-	-	-	-	(922)	**67,793**
Other current assets	-	-	-	77	-	-	128,980	(26,275)	**465,764**
Total current assets	10,536	-	-	569	72	(819)	1,321,186	(755,117)	**8,623,539**
ASSETS LIMITED OR RESTRICTED AS TO USE -									
Noncurrent portion:									
Held in trust	-	-	-	-	4,895	-	98,652	-	**872,814**
By Board	-	-	-	-	-	5,194	1,876,843	-	**3,881,021**
By donors	-	-	-	-	-	-	622	-	**498,871**
Total assets limited or restricted as to use - noncurrent portion	-	-	-	-	4,895	5,194	1,976,117	-	**5,252,706**
PROPERTY AND EQUIPMENT, Net	-	-	-	477	-	-	556,013	-	**8,025,580**
OTHER ASSETS	-	-	-	204	4,123	-	6,045,278	(6,628,157)	**4,293,875**
TOTAL ASSETS	$ 10,536	$ -	$ -	$ 1,250	$ 9,090	$ 4,375	$ 9,898,594	$ (7,383,274)	$ **26,195,700**
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES, Excluding liabilities held for sale	$ 5,177	$ -	$ 173,434	$ 4,479	$ 31,358	$ 114	$ 1,860,426	$ (739,676)	$ **4,443,143**
LIABILITIES HELD FOR SALE	-	-	-	-	-	-	-	-	**32,440**
LONG-TERM DEBT, Noncurrent portion	-	-	-	78	-	5,877	5,760,389	(5,750,583)	**5,982,141**
OTHER LIABILITIES	-	-	-	1,203	-	-	1,973,913	(890,684)	**2,393,960**
NET ASSETS:									
Unrestricted	5,359	-	(173,434)	(4,510)	(22,268)	(1,616)	303,225	(3,349)	**12,757,910**
Restricted	-	-	-	-	-	-	641	1,018	**586,106**
TOTAL LIABILITIES AND NET ASSETS	$ 10,536	$ -	$ -	$ 1,250	$ 9,090	$ 4,375	$ 9,898,594	$ (7,383,274)	$ **26,195,700**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information

June 30, 2018

(In thousands)

	Saint Agnes Medical Center, Fresno	Saint Alphonsus Health System, Oregon-Idaho	Mercy Health Services, Iowa-Nebraska	Loyola University Health System, Chicago	Mercy Hospital and Medical Center, Chicago	Saint Joseph Regional Medical Center, South Bend	Trinity Health Michigan Region	Mount Carmel Health System, Columbus	Holy Cross Health, Inc. Silver Spring
Unrestricted revenue:									
Net patient service revenue less provision for bad debts	$ 506,005	$ 877,777	$ 842,956	$ 1,344,281	$ 222,850	$ 442,622	$ 3,186,417	$ 1,232,508	$ 543,464
Other	7,913	59,668	126,495	155,412	15,517	19,719	409,437	678,939	17,749
Total unrestricted revenue	513,918	937,445	969,451	1,499,693	238,367	462,341	3,595,854	1,911,447	561,213
Expenses:									
Labor costs	236,003	454,928	454,562	818,245	132,144	200,643	1,785,003	718,247	283,289
Purchased services	81,432	150,844	167,922	137,952	54,619	75,061	459,378	226,937	79,727
Depreciation, amortization and interest	30,492	66,004	63,115	86,332	10,488	38,929	207,720	109,983	53,779
Other	153,496	225,484	263,727	455,931	67,779	126,204	941,489	756,133	115,838
Total expenses	501,423	897,260	949,326	1,498,460	265,030	440,837	3,393,590	1,811,300	532,633
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	12,495	40,185	20,125	1,233	(26,663)	21,504	202,264	100,147	28,580
Other	-	(4,229)	(13,331)	-	(37,993)	(2,135)	-	-	-
OPERATING INCOME (LOSS)	12,495	35,956	6,794	1,233	(64,656)	19,369	202,264	100,147	28,580
NONOPERATING ITEMS:									
Investment income and interest rate swaps	23,103	14,788	24,459	13,709	(1,773)	5,102	101,819	57,793	14,600
Loss from early extinguishment of debt	-	-	-	-	-	-	-	-	-
Other	(38)	(72)	395	-	-	(114)	(359)	(777)	-
Total nonoperating items	23,065	14,716	24,854	13,709	(1,773)	4,988	101,460	57,016	14,600
EXCESS OF REVENUE OVER EXPENSES	35,560	50,672	31,648	14,942	(66,429)	24,357	303,724	157,163	43,180
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	(95)	(28,824)	-	(351)	-	(1,608)	(4,821)	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 35,560	$ 50,577	$ 2,824	$ 14,942	$ (66,780)	$ 24,357	$ 302,116	$ 152,342	$ 43,180
CHANGES IN NET ASSETS									
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 20,424	$ 35,055	$ (10,952)	$ 2,765	$ (67,067)	$ 12,258	$ 237,608	$ 110,124	$ 30,234
INCREASE IN RESTRICTED NET ASSETS	2,105	233	112	15,329	2,755	799	8,651	8,311	104
INCREASE (DECREASE) IN NET ASSETS	22,529	35,288	(10,840)	18,094	(64,312)	13,057	246,259	118,435	30,338
NET ASSETS, Beginning of year	569,101	704,853	824,486	282,418	3,249	192,681	2,515,880	1,399,739	384,033
NET ASSETS, End of year	$ 591,630	$ 740,141	$ 813,646	$ 300,512	$ (61,063)	$ 205,738	$ 2,762,139	$ 1,518,174	$ 414,371

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

	St. Peter's Health Partners, Albany	St. Joseph Health, Inc., Syracuse	Trinity Health Of New England Corporation, Inc.,	Mercy Health System of SEPA, Philadelphia	St. Mary Medical Center, Langhorne	Lourdes Health System, Camden	St. Francis Medical Center, Trenton	Saint Francis Healthcare, Wilmington	St. Mary's Health Care System, Inc., Athens
Unrestricted revenue:									
Net patient service revenue less provision for bad debts	$ 1,231,672	$ 660,433	$ 1,795,052	$ 594,568	$ 477,282	$ 497,019	$ 120,226	$ 156,752	$ 273,672
Other	105,927	36,098	110,524	151,186	62,418	67,190	34,014	30,000	11,691
Total unrestricted revenue	1,337,599	696,531	1,905,576	745,754	539,700	564,209	154,240	186,752	285,363
Expenses:									
Labor costs	770,250	380,689	1,067,377	409,677	249,505	318,457	68,994	90,266	140,388
Purchased services	168,190	94,995	231,410	127,310	87,567	119,656	47,034	35,574	52,059
Depreciation, amortization and interest	76,984	41,675	90,612	22,096	32,751	27,128	4,487	9,626	16,883
Other	323,928	178,176	500,051	129,899	137,329	125,284	33,597	41,921	67,782
Total expenses	1,339,352	695,535	1,889,450	688,982	507,152	590,525	154,112	177,387	277,112
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(1,753)	996	16,126	56,772	32,548	(26,316)	128	9,365	8,251
Other	(13,984)	(3,856)	(9,281)	-	-	(69,890)	(1,770)	-	-
OPERATING INCOME (LOSS)	(15,737)	(2,860)	6,845	56,772	32,548	(96,206)	(1,642)	9,365	8,251
NONOPERATING ITEMS:									
Investment income and interest rate swaps	24,189	3,699	9,363	7,853	22,877	3,327	(851)	(518)	1,267
Loss from early extinguishment of debt	-	-	-	-	-	-	-	-	(33)
Other	(341)	(49)	(54)	(58)	(24)	(80)	(91)	-	-
Total nonoperating items	23,848	3,650	9,309	7,795	22,853	3,247	(942)	(518)	1,234
EXCESS OF REVENUE OVER EXPENSES	8,111	790	16,154	64,567	55,401	(92,959)	(2,584)	8,847	9,485
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	(3,950)	-	-	(4,758)	(605)	(1,913)	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 8,111	$ (3,160)	$ 16,154	$ 64,567	$ 50,643	$ (93,564)	$ (4,497)	$ 8,847	$ 9,485
CHANGES IN NET ASSETS									
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (64)	$ 9,116	$ 37,344	$ 51,592	$ 44,566	$ (105,160)	$ (4,891)	$ 6,646	$ 8,353
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	6,120	(663)	9,264	384	(10,487)	(2,385)	(41)	173	604
INCREASE (DECREASE) IN NET ASSETS	6,056	8,453	46,608	51,976	34,079	(107,545)	(4,932)	6,819	8,957
NET ASSETS, Beginning of year	856,642	91,221	318,274	294,946	504,373	(17,119)	(98,726)	(71,798)	138,883
NET ASSETS, End of year	$ 862,698	$ 99,674	$ 364,882	$ 346,922	$ 538,452	$ (124,664)	$ (103,658)	$ (64,979)	$ 147,840

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

	Holy Cross Hospital, Inc., Ft. Lauderdale	Trinity Continuing Care Services	Trinity Home Health Services	Trinity Health PACE	Pittsburgh Mercy Health System Inc., Pittsburgh	Mercy Primary Care Center, Detroit	Trinity Health Consolidated Labs	Trinity Health Warde Lab LLC	Global Health Ministry
Unrestricted revenue:									
Net patient service revenue less provision for bad debts	$ 450,064	$ 208,875	$ 128,023	$ 63	$ 68,302	$ 230	$ -	$ -	$ -
Other	20,309	149,364	5,945	81,897	38,984	629	50,430	701	3,821
Total unrestricted revenue	470,373	358,239	133,968	81,960	107,286	859	50,430	701	3,821
Expenses:									
Labor costs	249,653	202,212	104,399	29,151	74,493	1,371	9,715	-	1,072
Purchased services	62,430	59,866	11,883	34,060	3,645	126	19,968	12	88
Depreciation, amortization and interest	31,586	33,439	1,490	2,906	1,805	13	1,121	308	3
Other	124,280	69,925	15,718	15,811	23,750	914	19,539	(119)	2,440
Total expenses	467,949	365,442	133,490	81,928	103,693	2,424	50,343	201	3,603
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	2,424	(7,203)	478	32	3,593	(1,565)	87	500	218
Other	-	(5,000)	-	-	-	-	-	-	-
OPERATING INCOME (LOSS)	2,424	(12,203)	478	32	3,593	(1,565)	87	500	218
NONOPERATING ITEMS:									
Investment income and interest rate swaps	5,187	4,768	917	662	2,759	445	384	103	264
Loss from early extinguishment of debt	-	-	-	-	-	-	-	-	-
Other	(111)	-	-	-	-	-	-	-	-
Total nonoperating items	5,076	4,768	917	662	2,759	445	384	103	264
EXCESS OF REVENUE OVER EXPENSES	7,500	(7,435)	1,395	694	6,352	(1,120)	471	603	482
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	(527)	-	-	-	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 6,973	$ (7,435)	$ 1,395	$ 694	$ 6,352	$ (1,120)	$ 471	$ 603	$ 482
CHANGES IN NET ASSETS									
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (2,001)	$ (9,353)	$ (2,050)	$ 1,329	$ 6,147	$ 1,165	$ 106	$ 604	$ 441
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	3,881	2,044	(299)	52	(390)	34	-	-	-
INCREASE (DECREASE) IN NET ASSETS	1,880	(7,309)	(2,349)	1,381	5,757	1,199	106	604	441
NET ASSETS, Beginning of year	214,527	64,270	26,314	4,257	141,874	7,451	5,807	8,668	2,877
NET ASSETS, End of year	$ 216,407	$ 56,961	$ 23,965	$ 5,638	$ 147,631	$ 8,650	$ 5,913	$ 9,272	$ 3,318

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

	St. Joseph's Health System, Inc., Atlanta	Trinity Health Partners	Trinity Health ACO, Inc.	Allegany Franciscan Ministries	SJSA Foundation	Cadillac Foundation	Trinity Assurance Insurance Company	Investment in Baycare Health System	Investment in Catholic Health System, Inc.
Unrestricted revenue:									
Net patient service revenue less provision for bad debts	$ 2,435	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other	25,251	-	3,234	9,915	3,064	1,000	103,121	-	-
Total unrestricted revenue	27,686	-	3,234	9,915	3,064	1,000	103,121	-	-
Expenses:									
Labor costs	18,507	-	-	1,048	1,481	-	-	-	-
Purchased services	3,774	-	10,260	1,096	548	-	905	-	-
Depreciation, amortization and interest	1,100	-	-	7	5	-	-	-	-
Other	4,592	7	2	7,764	389	1,000	102,216	-	-
Total expenses	27,973	7	10,262	9,915	2,423	1,000	103,121	-	-
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(287)	(7)	(7,028)	-	641	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
OPERATING INCOME (LOSS)	(287)	(7)	(7,028)	-	641	-	-	-	-
NONOPERATING ITEMS:									
Investment income and interest rate swaps	26,863	1,431	565	(1,438)	1,175	-	-	296,354	12,543
Loss from early extinguishment of debt	-	-	-	-	-	-	-	-	-
Other	(64)	-	-	-	-	-	-	-	-
Total nonoperating items	26,799	1,431	565	(1,438)	1,175	-	-	296,354	12,543
EXCESS OF REVENUE OVER EXPENSES	26,512	1,424	(6,463)	(1,438)	1,816	-	-	296,354	12,543
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 26,512	$ 1,424	$ (6,463)	$ (1,438)	$ 1,816	$ -	$ -	$ 296,354	$ 12,543
CHANGES IN NET ASSETS									
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 26,627	$ 1,424	$ (6,466)	$ (1,437)	$ 1,817	$ -	$ (8,500)	$ 304,479	$ 1,392
INCREASE IN RESTRICTED NET ASSETS	508	-	-	-	2,081	-	-	7,011	-
INCREASE (DECREASE) IN NET ASSETS	27,135	1,424	(6,466)	(1,437)	3,898	-	(8,500)	311,490	1,392
NET ASSETS, Beginning of year	329,615	20,215	1,673	114,611	33,830	13,253	34,148	2,447,295	85,164
NET ASSETS, End of year	$ 356,750	$ 21,639	$ (4,793)	$ 113,174	$ 37,728	$ 13,253	$ 25,648	$ 2,758,785	$ 86,556

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

	Mercy Health Services, North	St. Joseph Mercy, Port Huron	Saint Michael's Medical Center and Related Entities, Newark	St. James Mercy Health System, Inc., Hornell	Mercy Hospital, Inc., Miami	Maxis Health System	System Office	Eliminations and Other	**TRINITY HEALTH**
Unrestricted revenue:									
Net patient service revenue less provision for bad debts	$ -	$ -	$ -	$ -	$ -	$ -	$ (32,250)	$ -	**$ 15,831,298**
Other	-	-	-	293	-	-	1,689,179	(1,772,927)	**2,514,107**
Total unrestricted revenue	-	-	-	293	-	-	1,656,929	(1,772,927)	**18,345,405**
Expenses:									
Labor costs	-	-	-	12	-	-	673,403	(173,616)	**9,771,568**
Purchased services	-	-	-	(29)	-	-	341,620	(864,158)	**2,083,761**
Depreciation, amortization and interest	-	-	-	90	-	-	350,401	(331,322)	**1,082,036**
Other	-	-	-	127	-	-	356,471	(382,126)	**5,006,748**
Total expenses	-	-	-	200	-	-	1,721,895	(1,751,222)	**17,944,113**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	-	-	-	93	-	-	(64,966)	(21,705)	**401,292**
Other	-	-	-	-	-	-	(115,886)	12,989	**(264,366)**
OPERATING INCOME (LOSS)	-	-	-	93	-	-	(180,852)	(8,716)	**136,926**
NONOPERATING ITEMS:									
Investment income and interest rate swaps	-	-	-	1	(275)	-	156,624	8,601	**842,739**
Loss from early extinguishment of debt	-	-	-	-	-	-	(39,824)	-	**(39,857)**
Other	-	-	-	-	-	-	11,159	-	**9,322**
Total nonoperating items	-	-	-	1	(275)	-	127,959	8,601	**812,204**
EXCESS OF REVENUE OVER EXPENSES	-	-	-	94	(275)	-	(52,893)	(115)	**949,130**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	-	-	(167)	**(47,619)**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ -	$ -	$ -	$ 94	$ (275)	$ -	$ (52,893)	$ (282)	**$ 901,511**
CHANGES IN NET ASSETS									
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 950	$ (19,761)	$ (6,241)	$ 988	$ (1,695)	$ 46,831	$ 543,267	$ 3,760	**$ 1,301,774**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	(172)	-	-	-	35	662	**56,815**
INCREASE (DECREASE) IN NET ASSETS	950	(19,761)	(6,413)	988	(1,695)	46,831	543,302	4,422	**1,358,589**
NET ASSETS, Beginning of year	4,409	19,761	(167,021)	(5,498)	(20,573)	(48,447)	(239,436)	(6,753)	**11,985,427**
NET ASSETS, End of year	$ 5,359	$ -	$ (173,434)	$ (4,510)	$ (22,268)	$ (1,616)	$ 303,866	$ (2,331)	**$ 13,344,016**

Deloitte.

Deloitte & Touche LLP
200 Renaissance Center
Suite 3900
Detroit, MI 48243-1313
USA

Tel: +1 313 396 3000
Fax: +1 313 396 3618
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
Trinity Health Corporation
Livonia, Michigan

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This additional information is the responsibility of Trinity Health Corporation's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such additional information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

September 26, 2018

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Mercy Health Services, Iowa-Nebraska

	Mercy Medical Center, Clinton	Mercy Medical Center, Dubuque	North Iowa Mercy Medical Center, Mason City	Mercy Medical Center, Sioux City	Mercy Health Network	Eliminations and Other	**Mercy Health Services, Iowa-Nebraska**
ASSETS							
CURRENT ASSETS:							
Cash, cash equivalents and investments	$ 27,153	$ 65,799	$ 83,058	$ 7,063	$ -	$ -	**$ 183,073**
Assets limited as to use - current portion	21	85	374	177	-	-	**657**
Patient and other receivables, net	12,094	27,157	62,994	45,163	-	(524)	**146,884**
Other current assets	2,391	5,946	11,265	8,737	-	-	**28,339**
Total current assets	41,659	98,987	157,691	61,140	-	(524)	**358,953**
ASSETS LIMITED OR RESTRICTED AS TO USE -							
Noncurrent portion:							
Held in trust	677	-	7,345	11,679	-	-	**19,701**
By Board	58,414	35,348	125,757	6,146	-	-	**225,665**
By donors	2,219	3,416	3,191	961	-	-	**9,787**
Total assets limited or restricted as to use - noncurrent portion	61,310	38,764	136,293	18,786	-	-	**255,153**
PROPERTY AND EQUIPMENT, Net	32,744	63,387	112,970	63,741	-	-	**272,842**
OTHER ASSETS	8,942	14,679	28,435	173,614	89,465	-	**315,135**
TOTAL ASSETS	$ 144,655	$ 215,817	$ 435,389	$ 317,281	$ 89,465	$ (524)	**$ 1,202,083**
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES	$ 12,228	$ 18,434	$ 45,307	$ 39,198	$ 16,775	$ (524)	**$ 131,418**
LONG-TERM DEBT, Noncurrent portion	16,835	29,199	82,779	100,943	-	-	**229,756**
OTHER LIABILITIES	1,941	1,384	10,138	13,800	-	-	**27,263**
NET ASSETS:							
Unrestricted	111,411	163,302	293,670	162,232	72,690	-	**803,305**
Restricted	2,240	3,498	3,495	1,108	-	-	**10,341**
TOTAL LIABILITIES AND NET ASSETS	$ 144,655	$ 215,817	$ 435,389	$ 317,281	$ 89,465	$ (524)	**$ 1,202,083**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Mercy Health Services, Iowa-Nebraska

	Mercy Medical Center, Clinton	Mercy Medical Center, Dubuque	North Iowa Mercy Medical Center, Mason City	Mercy Medical Center, Sioux City	Mercy Health Network	Eliminations and Other	**Mercy Health Services, Iowa-Nebraska**
Unrestricted revenue:							
Net patient service revenue less provision for bad debts	$ 92,319	$ 139,134	$ 341,515	$ 269,988	$ -	$ -	**$ 842,956**
Other	2,895	39,113	81,187	9,590	(6,215)	(75)	**126,495**
Total unrestricted revenue	95,214	178,247	422,702	279,578	(6,215)	(75)	**969,451**
Expenses:							
Labor costs	55,403	71,007	202,732	125,420	-	-	**454,562**
Purchased services	15,978	30,627	76,838	44,538	-	(59)	**167,922**
Depreciation, amortization and interest	9,686	11,442	23,904	18,083	-	-	**63,115**
Other	21,259	55,768	101,404	73,396	11,916	(16)	**263,727**
Total expenses	102,326	168,844	404,878	261,437	11,916	(75)	**949,326**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(7,112)	9,403	17,824	18,141	(18,131)	-	**20,125**
Other	(260)	-	-	(13,071)	-	-	**(13,331)**
OPERATING INCOME (LOSS)	(7,372)	9,403	17,824	5,070	(18,131)	-	**6,794**
NONOPERATING ITEMS:							
Investment income and interest rate swaps	5,688	6,529	12,437	(195)	-	-	**24,459**
Loss from early extinguishment of debt	-	-	-	-	-	-	**-**
Other	(19)	-	(14)	428	-	-	**395**
Total nonoperating items	5,669	6,529	12,423	233	-	-	**24,854**
EXCESS OF REVENUE OVER EXPENSES	(1,703)	15,932	30,247	5,303	(18,131)	-	**31,648**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	(19)	-	(4,183)	(24,622)	-	-	**(28,824)**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (1,722)	$ 15,932	$ 26,064	$ (19,319)	$ (18,131)	$ -	**$ 2,824**
CHANGES IN NET ASSETS							
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (4,643)	$ 10,290	$ 14,773	$ (14,741)	$ (16,631)	$ -	**$ (10,952)**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	551	116	221	(776)	-	-	**112**
INCREASE (DECREASE) IN NET ASSETS	(4,092)	10,406	14,994	(15,517)	(16,631)	-	**(10,840)**
NET ASSETS, Beginning of year	117,743	156,394	282,171	178,857	89,321	-	**824,486**
NET ASSETS, End of year	$ 113,651	$ 166,800	$ 297,165	$ 163,340	$ 72,690	$ -	**$ 813,646**

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Trinity Health Michigan Region

	Saint Mary's Health Care, Grand Rapids	Mercy Health Partners, Muskegon	West Michigan Regional CIN	Saint Joseph Mercy Health System, Ann Arbor	St. Joseph Mercy, Chelsea
ASSETS					
CURRENT ASSETS:					
Cash, cash equivalents and investments	$ 184,921	$ 91,425	$ 15,436	$ 614,827	$ 71,371
Assets limited as to use - current portion	101	2,012	-	2,743	-
Patient and other receivables, net	108,612	105,916	2,595	199,691	20,832
Other current assets	11,770	13,557	58	17,737	2,770
Total current assets	305,404	212,910	18,089	834,998	94,973
ASSETS LIMITED OR RESTRICTED AS TO USE					
Noncurrent portion:					
Held in trust	8,349	9,298	-	24,724	1,890
By Board	355,171	13,887	-	145,242	-
By donors	9,280	7,072	-	54,970	-
Total assets limited or restricted as to use - noncurrent portion	372,800	30,257	-	224,936	1,890
PROPERTY AND EQUIPMENT, Net	273,773	232,557	-	460,845	88,519
OTHER ASSETS	39,721	43,230	-	164,204	324
TOTAL ASSETS	$ 991,698	$ 518,954	$ 18,089	$ 1,684,983	$ 185,706
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	$ 82,034	$ 88,131	$ 13,129	$ 205,771	$ 14,616
LONG-TERM DEBT, Noncurrent portion	161,999	168,291	-	303,265	79,493
OTHER LIABILITIES	8,970	13,409	-	30,112	3,045
NET ASSETS:					
Unrestricted	729,313	240,039	4,960	1,089,260	88,552
Restricted	9,382	9,084	-	56,575	-
TOTAL LIABILITIES AND NET ASSETS	$ 991,698	$ 518,954	$ 18,089	$ 1,684,983	$ 185,706

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Trinity Health Michigan Region

	St. Joseph Mercy, Livonia	St. Joseph Mercy, Oakland	Eliminations and Other	**Trinity Health Michigan Region**
ASSETS				
CURRENT ASSETS:				
Cash, cash equivalents and investments	$ 176,702	$ 142,460	$ -	**$ 1,297,142**
Assets limited as to use - current portion	1	-	-	**4,857**
Patient and other receivables, net	44,519	57,722	(40,718)	**499,169**
Other current assets	4,616	9,603	(247)	**59,864**
Total current assets	225,838	209,785	(40,965)	**1,861,032**
ASSETS LIMITED OR RESTRICTED AS TO USE				
Noncurrent portion:				
Held in trust	1,434	2,949	-	**48,644**
By Board	-	-	-	**514,300**
By donors	-	-	-	**71,322**
Total assets limited or restricted as to use - noncurrent portion	1,434	2,949	-	**634,266**
PROPERTY AND EQUIPMENT, Net	129,811	267,531	-	**1,453,036**
OTHER ASSETS	35,250	33,135	-	**315,864**
TOTAL ASSETS	$ 392,333	$ 513,400	$ (40,965)	**$ 4,264,198**
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES	$ 62,222	$ 52,238	$ (40,965)	**$ 477,176**
LONG-TERM DEBT, Noncurrent portion	129,544	118,175	-	**960,767**
OTHER LIABILITIES	3,323	5,257	-	**64,116**
NET ASSETS:				
Unrestricted	197,244	337,730	-	**2,687,098**
Restricted	-	-	-	**75,041**
TOTAL LIABILITIES AND NET ASSETS	$ 392,333	$ 513,400	$ (40,965)	**$ 4,264,198**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Trinity Health Michigan Region

	Saint Mary's Health Care, Grand Rapids	Mercy Health Partners, Muskegon	West Michigan Regional CIN	Saint Joseph Mercy Health System, Ann Arbor	St. Joseph Mercy, Chelsea
Unrestricted revenue:					
Net patient service revenue less provision for bad debts	$ 566,237	$ 578,251	$ -	$ 1,132,338	$ 152,079
Other	178,714	87,798	3,800	105,793	7,768
Total unrestricted revenue	744,951	666,049	3,800	1,238,131	159,847
Expenses:					
Labor costs	322,154	333,833	2,268	657,219	77,128
Purchased services	112,199	93,675	1,131	127,351	23,547
Depreciation, amortization and interest	41,300	28,465	5	71,329	10,889
Other	213,657	182,766	145	297,280	47,224
Total expenses	689,310	638,739	3,549	1,153,179	158,788
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	55,641	27,310	251	84,952	1,059
Other	-	-	-	-	-
OPERATING INCOME (LOSS)	55,641	27,310	251	84,952	1,059
NONOPERATING ITEMS:					
Investment income and interest rate swaps	31,236	9,671	18	39,817	3,953
Loss from early extinguishment of debt	-	-	-	-	-
Other	-	(60)	-	(299)	-
Total nonoperating items	31,236	9,611	18	39,518	3,953
EXCESS OF REVENUE OVER EXPENSES	86,877	36,921	269	124,470	5,012
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	(316)	(10)	-	(1,282)	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 86,561	$ 36,911	$ 269	$ 123,188	$ 5,012
CHANGES IN NET ASSETS					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 76,299	$ 22,776	$ 4,960	$ 93,055	$ 5,638
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	601	(165)	-	8,215	-
INCREASE (DECREASE) IN NET ASSETS	76,900	22,611	4,960	101,270	5,638
NET ASSETS, Beginning of year	661,795	226,512	-	1,044,565	82,914
NET ASSETS, End of year	$ 738,695	$ 249,123	$ 4,960	$ 1,145,835	$ 88,552

TRINITY HEALTH

Trinity Health Michigan Region

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

	St. Joseph Mercy, Livonia	St. Joseph Mercy, Oakland	Eliminations and Other	**Trinity Health Michigan Region**
Unrestricted revenue:				
Net patient service revenue less provision for bad debts	$ 326,188	$ 431,324	$ -	**$ 3,186,417**
Other	13,316	27,791	(15,543)	**409,437**
Total unrestricted revenue	339,504	459,115	(15,543)	**3,595,854**
Expenses:				
Labor costs	172,585	220,020	(204)	**1,785,003**
Purchased services	49,752	66,862	(15,139)	**459,378**
Depreciation, amortization and interest	22,971	32,761	-	**207,720**
Other	76,073	124,544	(200)	**941,489**
Total expenses	321,381	444,187	(15,543)	**3,393,590**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	18,123	14,928	-	**202,264**
Other	-	-	-	**-**
OPERATING INCOME (LOSS)	18,123	14,928	-	**202,264**
NONOPERATING ITEMS:				
Investment income and interest rate swaps	9,683	7,441	-	**101,819**
Loss from early extinguishment of debt	-	-	-	**-**
Other	-	-	-	**(359)**
Total nonoperating items	9,683	7,441	-	**101,460**
EXCESS OF REVENUE OVER EXPENSES	27,806	22,369	-	**303,724**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	**(1,608)**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 27,806	$ 22,369	$ -	**$ 302,116**
CHANGES IN NET ASSETS				
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 24,495	$ 10,385	$ -	**$ 237,608**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	-	**8,651**
INCREASE (DECREASE) IN NET ASSETS	24,495	10,385	-	**246,259**
NET ASSETS, Beginning of year	172,749	327,345	-	**2,515,880**
NET ASSETS, End of year	$ 197,244	$ 337,730	$ -	**$ 2,762,139**

TRINITY HEALTH

Supplemental Condensed Consolidating Balance Sheets - Information

June 30, 2018

(In thousands)

Holy Cross Health, Inc., Silver Spring

	Holy Cross Hospital	Holy Cross Germantown Hospital	Holy Cross Health Network	Holy Cross Foundation	Maryland Care Group	Eliminations and Other	**Holy Cross Health, Inc., Silver Spring**
ASSETS							
CURRENT ASSETS:							
Cash, cash equivalents and investments	$ 161,177	$ 120,635	$ 105	$ 321	$ -	$ -	**$ 282,238**
Assets limited as to use - current portion	-	-	-	1,048	-	-	**1,048**
Patient and other receivables, net	265,404	11,357	416	-	-	(199,052)	**78,125**
Other current assets	8,810	2,990	120	-	-	-	**11,920**
Total current assets	435,391	134,982	641	1,369	-	(199,052)	**373,331**
ASSETS LIMITED OR RESTRICTED AS TO USE							
Noncurrent portion:							
Held in trust	386	191	16	-	-	-	**593**
By Board	2,000	-	-	-	-	-	**2,000**
By donors	58	-	-	3,635	-	-	**3,693**
Total assets limited or restricted as to use - noncurrent portion	2,444	191	16	3,635	-	-	**6,286**
PROPERTY AND EQUIPMENT, Net	285,921	165,876	1,687	-	-	-	**453,484**
OTHER ASSETS	35,610	8,735	28,256	-	-	-	**72,601**
TOTAL ASSETS	$ 759,366	$ 309,784	$ 30,600	$ 5,004	$ -	$ (199,052)	**$ 905,702**
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES	$ 74,382	$ 210,264	$ 1,712	$ 2,359	$ -	$ (199,052)	**$ 89,665**
LONG-TERM DEBT, Noncurrent portion	241,390	153,260	-	-	-	$ -	**394,650**
OTHER LIABILITIES	3,487	3,071	458	-	-	-	**7,016**
NET ASSETS:							
Unrestricted	440,049	(56,811)	28,430	(2,038)	-	-	**409,630**
Restricted	58	-	-	4,683	-	-	**4,741**
TOTAL LIABILITIES AND NET ASSETS	$ 759,366	$ 309,784	$ 30,600	$ 5,004	$ -	$ (199,052)	**$ 905,702**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Holy Cross Health, Inc., Silver Spring

	Holy Cross Hospital	Holy Cross Germantown Hospital	Holy Cross Health Network	Holy Cross Foundation	Maryland Care Group	Eliminations and Other	**Holy Cross Health, Inc., Silver Spring**
Unrestricted revenue:							
Net patient service revenue less provision for bad debts	$ 456,742	$ 82,424	$ 3,649	$ -	$ 649	$ -	**$ 543,464**
Other	104,776	1,611	2,773	259	-	(91,670)	**17,749**
Total unrestricted revenue	561,518	84,035	6,422	259	649	(91,670)	**561,213**
Expenses:							
Labor costs	229,947	42,335	9,772	773	462	-	**283,289**
Purchased services	144,348	22,663	4,001	323	62	(91,670)	**79,727**
Depreciation, amortization and interest	35,388	18,181	210	-	-	-	**53,779**
Other	96,369	17,529	1,774	128	38	-	**115,838**
Total expenses	506,052	100,708	15,757	1,224	562	(91,670)	**532,633**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	55,466	(16,673)	(9,335)	(965)	87	-	**28,580**
Other	-	-	-	-	-	-	**-**
OPERATING INCOME (LOSS)	55,466	(16,673)	(9,335)	(965)	87	-	**28,580**
NONOPERATING ITEMS:							
Investment income and interest rate swaps	7,851	6,567	-	182	-	-	**14,600**
Loss from early extinguishment of debt	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
Total nonoperating items	7,851	6,567	-	182	-	-	**14,600**
EXCESS OF REVENUE OVER EXPENSES	63,317	(10,106)	(9,335)	(783)	87	-	**43,180**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	-	**-**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 63,317	$ (10,106)	$ (9,335)	$ (783)	$ 87	$ -	**$ 43,180**
CHANGES IN NET ASSETS							
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 32,368	$ (9,840)	$ 9,852	$ (783)	$ (1,363)	$ -	**$ 30,234**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	8,850	-	(9,059)	313	-	-	**104**
INCREASE (DECREASE) IN NET ASSETS	41,218	(9,840)	793	(470)	(1,363)	-	**30,338**
NET ASSETS, Beginning of year	398,889	(46,971)	27,637	3,115	1,363	-	**384,033**
NET ASSETS, End of year	$ 440,107	$ (56,811)	$ 28,430	$ 2,645	$ -	$ -	**$ 414,371**

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Trinity Health Of New England Corporation, Inc.

	Mercy Medical Center	MercyCare Alliance, LLC	Providence Behavioral Hospital	Brightside, Inc.	Continuing Care Network	Farren Care Center, Inc.
ASSETS						
CURRENT ASSETS:						
Cash, cash equivalents and investments	$ 206,916	$ 646	$ 202	$ (30)	$ 1,846	$ 225
Assets limited as to use - current portion	149	-	-	-	-	-
Patient and other receivables, net	39,218	106	4,151	161	1,826	1,238
Other current assets	9,756	-	267	-	-	-
Total current assets	256,039	752	4,620	131	3,672	1,463
ASSETS LIMITED OR RESTRICTED AS TO USE						
Noncurrent portion:						
Held in trust	-	-	-	-	-	-
By Board	-	-	-	4,635	-	-
By donors	2,195	-	1,026	878	-	-
Total assets limited or restricted as to use - noncurrent portion	2,195	-	1,026	5,513	-	-
PROPERTY AND EQUIPMENT, Net	83,552	-	7,162	-	-	-
OTHER ASSETS	16,545	-	-	171	-	-
TOTAL ASSETS	$ 358,331	$ 752	$ 12,808	$ 5,815	$ 3,672	$ 1,463
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES	$ 36,553	$ 886	$ 90,648	$ 23,359	$ 2,822	$ 6,723
LONG-TERM DEBT, Noncurrent portion	51,359	-	19,830	1,367	-	-
OTHER LIABILITIES	16,171	-	964	-	-	-
NET ASSETS:						
Unrestricted	251,905	(134)	(99,661)	(19,789)	850	(5,260)
Restricted	2,343	-	1,027	878	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 358,331	$ 752	$ 12,808	$ 5,815	$ 3,672	$ 1,463

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Trinity Health Of New England Corporation, Inc.

	Mercy Life Inc.	System Coordinated Services	Mercy Specialist Physicians	Pioneer Valley Cardiology Associates	Mercy Oncology Service Inc.	Accountable Care Organization of New England, LLC
ASSETS						
CURRENT ASSETS:						
Cash, cash equivalents and investments	$ -	$ 37,829	$ 8	$ 1	$ 21	$ 2,040
Assets limited as to use - current portion	-	-	-	-	-	-
Patient and other receivables, net	1,209	1,911	1,391	687	1,074	-
Other current assets	-	654	-	282	481	-
Total current assets	1,209	40,394	1,399	970	1,576	2,040
ASSETS LIMITED OR RESTRICTED AS TO USE						
Noncurrent portion:						
Held in trust	-	-	-	-	-	-
By Board	-	-	-	-	-	-
By donors	-	-	-	-	-	-
Total assets limited or restricted as to use - noncurrent portion	-	-	-	-	-	-
PROPERTY AND EQUIPMENT, Net	-	3,465	108	35	407	-
OTHER ASSETS	-	381	-	-	319	-
TOTAL ASSETS	$ 1,209	$ 44,240	$ 1,507	$ 1,005	$ 2,302	$ 2,040
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES	$ 1,262	$ 99,299	$ 19,715	$ 25,235	$ 35,614	$ 117
LONG-TERM DEBT, Noncurrent portion	-	-	-	-	-	-
OTHER LIABILITIES	-	-	-	-	-	-
NET ASSETS:						
Unrestricted	(53)	(55,059)	(18,208)	(24,230)	(33,312)	1,923
Restricted	-	-	-	-	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 1,209	$ 44,240	$ 1,507	$ 1,005	$ 2,302	$ 2,040

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Trinity Health Of New England Corporation, Inc.

	Riverbend Medical Group	Sisters of Providence Health System, Inc.	The Mercy Hospital Inc. and Subsidiaries Subtotal	Trinity Health Of New England Corporation, Inc., Connecticut Operations	Eliminations and Other Trinity Health Of New England	**Trinity Health Of New England Corporation, Inc.**
ASSETS						
CURRENT ASSETS:						
Cash, cash equivalents and investments	$ 2,180	$ 72,600	$ 324,484	$ 145,748	$ (282,555)	$ **187,677**
Assets limited as to use - current portion	-	-	149	2,307	-	**2,456**
Patient and other receivables, net	6,085	38,200	97,257	195,077	(89,751)	**202,583**
Other current assets	898	33	12,371	40,885	578	**53,834**
Total current assets	9,163	110,833	434,261	384,017	(371,728)	**446,550**
ASSETS LIMITED OR RESTRICTED AS TO USE						
Noncurrent portion:						
Held in trust	-	1,653	1,653	5,509	390	**7,552**
By Board	-	-	4,635	26,210	-	**30,845**
By donors	-	258	4,357	117,075	-	**121,432**
Total assets limited or restricted as to use - noncurrent portion	-	1,911	10,645	148,794	390	**159,829**
PROPERTY AND EQUIPMENT, Net	8,918	2,459	106,106	523,296	14,644	**644,046**
OTHER ASSETS	4,454	13,888	35,758	83,287	8,205	**127,250**
TOTAL ASSETS	$ 22,535	$ 129,091	$ 586,770	$ 1,139,394	$ (348,489)	$ **1,377,675**
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES	$ 34,300	$ 64,267	$ 440,800	$ 206,639	$ (351,939)	$ **295,500**
LONG-TERM DEBT, Noncurrent portion	7	40,774	113,337	271,980	20,000	**405,317**
OTHER LIABILITIES	3,291	781	21,207	289,885	884	**311,976**
NET ASSETS:						
Unrestricted	(15,063)	23,063	6,972	251,508	(17,434)	**241,046**
Restricted	-	206	4,454	119,382	-	**123,836**
TOTAL LIABILITIES AND NET ASSETS	$ 22,535	$ 129,091	$ 586,770	$ 1,139,394	$ (348,489)	$ **1,377,675**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Trinity Health Of New England Corporation, Inc.

	Mercy Medical Center	MercyCare Alliance, LLC	Providence Behavioral Hospital	Brightside, Inc.	Continuing Care Network	Farren Care Center, Inc.
Unrestricted revenue:						
Net patient service revenue less provision for bad debts	$ 255,098	$ -	$ 31,394	$ 2,004	$ 6,144	$ 7,659
Other	13,396	513	739	317	7,165	3,364
Total unrestricted revenue	268,494	513	32,133	2,321	13,309	11,023
Expenses:						
Labor costs	108,974	317	30,360	2,192	10,364	9,761
Purchased services	79,612	139	5,972	554	1,276	1,021
Depreciation, amortization and interest	12,316	-	1,426	53	176	146
Other	70,461	58	3,637	217	1,464	1,128
Total expenses	271,363	514	41,395	3,016	13,280	12,056
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(2,869)	(1)	(9,262)	(695)	29	(1,033)
Other	(527)	-	(461)	-	-	-
OPERATING INCOME (LOSS)	(3,396)	(1)	(9,723)	(695)	29	(1,033)
NONOPERATING ITEMS:						
Investment income and interest rate swaps	611	-	(60)	280	(7)	39
Loss from early extinguishment of debt	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total nonoperating items	611	-	(60)	280	(7)	39
EXCESS OF REVENUE OVER EXPENSES	(2,785)	(1)	(9,783)	(415)	22	(994)
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (2,785)	$ (1)	$ (9,783)	$ (415)	$ 22	$ (994)
CHANGES IN NET ASSETS						
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (775)	$ (1)	$ (9,782)	$ (415)	$ (1,783)	$ (2,340)
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	(799)	-	263	98	(102)	(1,712)
INCREASE (DECREASE) IN NET ASSETS	(1,574)	(1)	(9,519)	(317)	(1,885)	(4,052)
NET ASSETS, Beginning of year	255,822	(133)	(89,115)	(18,594)	2,735	(1,208)
NET ASSETS, End of year	$ 254,248	$ (134)	$ (98,634)	$ (18,911)	$ 850	$ (5,260)

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information

June 30, 2018

(In thousands)

Trinity Health Of New England Corporation, Inc.

	Mercy Life Inc.	System Coordinated Services	Mercy Specialist Physicians	Pioneer Valley Cardiology Associates	Mercy Oncology Service Inc.	Accountable Care Organization of New England, LLC
Unrestricted revenue:						
Net patient service revenue less provision for bad debts	$ (36)	$ 32,926	$ 5,867	$ 7,989	$ 8,413	$ -
Other	6,895	3,950	338	16	3,207	-
Total unrestricted revenue	6,859	36,876	6,205	8,005	11,620	-
Expenses:						
Labor costs	2,223	31,113	6,838	2,061	9,848	-
Purchased services	2,591	7,949	1,302	10,421	5,223	-
Depreciation, amortization and interest	176	472	29	9	166	-
Other	1,883	8,840	1,019	869	2,741	1
Total expenses	6,873	48,374	9,188	13,360	17,978	1
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(14)	(11,498)	(2,983)	(5,355)	(6,358)	(1)
Other	-	-	-	-	-	-
OPERATING INCOME (LOSS)	(14)	(11,498)	(2,983)	(5,355)	(6,358)	(1)
NONOPERATING ITEMS:						
Investment income and interest rate swaps	-	-	-	-	-	-
Loss from early extinguishment of debt	-	-	-	-	-	-
Other	-	(31)	-	-	-	-
Total nonoperating items	-	(31)	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES	(14)	(11,529)	(2,983)	(5,355)	(6,358)	(1)
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (14)	$ (11,529)	$ (2,983)	$ (5,355)	$ (6,358)	$ (1)
CHANGES IN NET ASSETS						
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (828)	$ (11,543)	$ (2,983)	$ (5,355)	$ (6,358)	$ (1)
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	(7)	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(835)	(11,543)	(2,983)	(5,355)	(6,358)	(1)
NET ASSETS, Beginning of year	782	(43,516)	(15,225)	(18,875)	(26,954)	1,924
NET ASSETS, End of year	$ (53)	$ (55,059)	$ (18,208)	$ (24,230)	$ (33,312)	$ 1,923

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information

June 30, 2018

(In thousands)

Trinity Health Of New England Corporation, Inc.

	Riverbend Medical Group	Sisters of Providence Health System, Inc.	The Mercy Hospital Inc. and Subsidiaries Subtotal	Trinity Health Of New England Corporation, Inc., Connecticut Operations	Eliminations and Other Trinity Health Of New England	**Trinity Health Of New England Corporation, Inc.**
Unrestricted revenue:						
Net patient service revenue less provision for bad debts	$ 71,482	$ -	$ 428,940	$ 1,376,172	$ (10,060)	$ **1,795,052**
Other	25,043	80,998	145,941	(107,677)	72,260	**110,524**
Total unrestricted revenue	96,525	80,998	574,881	1,268,495	62,200	**1,905,576**
Expenses:						
Labor costs	67,690	8,428	290,169	679,232	97,976	**1,067,377**
Purchased services	29,331	55,200	200,591	82,591	(51,772)	**231,410**
Depreciation, amortization and interest	1,471	4,342	20,782	68,398	1,432	**90,612**
Other	12,578	133	105,029	383,343	11,679	**500,051**
Total expenses	111,070	68,103	616,571	1,213,564	59,315	**1,889,450**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(14,545)	12,895	(41,690)	54,931	2,885	**16,126**
Other	-	(1,904)	(2,892)	(3,749)	(2,640)	**(9,281)**
OPERATING INCOME (LOSS)	(14,545)	10,991	(44,582)	51,182	245	**6,845**
NONOPERATING ITEMS:						
Investment income and interest rate swaps	-	(135)	728	8,525	110	**9,363**
Loss from early extinguishment of debt	-	-	-	-	-	**-**
Other	-	(2)	(33)	(21)	-	**(54)**
Total nonoperating items	-	(137)	695	8,504	110	**9,309**
			-			
EXCESS OF REVENUE OVER EXPENSES	(14,545)	10,854	(43,887)	59,686	355	**16,154**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	**-**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (14,545)	$ 10,854	$ (43,887)	$ 59,686	$ 355	$ **16,154**
CHANGES IN NET ASSETS						
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (14,545)	$ 9,404	$ (47,305)	$ 107,196	$ (22,547)	$ **37,344**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	(46)	(2,305)	11,569	-	**9,264**
INCREASE (DECREASE) IN NET ASSETS	(14,545)	9,358	(49,610)	118,765	(22,547)	**46,608**
NET ASSETS, Beginning of year	(518)	13,911	61,036	252,125	5,113	**318,274**
NET ASSETS, End of year	$ (15,063)	$ 23,269	$ 11,426	$ 370,890	$ (17,434)	$ **364,882**

TRINITY HEALTH

Mercy Health System of SEPA, Philadelphia

Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

	Mercy Catholic Medical Center	Mercy Suburban Hospital	Nazareth Hospital	St. Agnes Continuing Care Corp	MHS Combined Physicians	Mercy Home Health Services
ASSETS						
CURRENT ASSETS:						
Cash, cash equivalents and investments	$ 2,438	$ -	$ 21,673	$ 25,011	$ 28,344	$ 61,784
Assets limited as to use - current portion	-	-	-	-	-	-
Patient and other receivables, net	41,412	9	19,021	971	4,665	16,973
Other current assets	7,449	-	3,255	320	834	53
Total current assets	51,299	9	43,949	26,302	33,843	78,810
ASSETS LIMITED OR RESTRICTED AS TO USE						
Noncurrent portion:						
Held in trust	-	-	-	-	-	-
By Board	-	-	-	-	-	-
By donors	3,526	-	820	46	-	-
Total assets limited or restricted as to use - noncurrent portion	3,526	-	820	46	-	-
PROPERTY AND EQUIPMENT, Net	56,081	-	28,395	3,899	1,421	437
OTHER ASSETS	76	3	302	1,844	6	-
TOTAL ASSETS	$ 110,982	$ 12	$ 73,466	$ 32,091	$ 35,270	$ 79,247
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES	$ 21,393	$ 46,473	$ 13,119	$ 21,044	$ 288,966	$ 11,685
LONG-TERM DEBT, Noncurrent portion	62,155	4	24,357	-	-	-
OTHER LIABILITIES	1,340	-	1,635	1,225	156	22
NET ASSETS:						
Unrestricted	22,568	(46,465)	33,535	7,932	(253,852)	67,540
Restricted	3,526	-	820	1,890	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 110,982	$ 12	$ 73,466	$ 32,091	$ 35,270	$ 79,247

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Mercy Health System of SEPA, Philadelphia

	Mercy Eastwick, Inc.	Mercy Health Plan	Mercy Health System Foundation	Mercy Home Office	Eliminations and Other	**Mercy Health System of SEPA, Philadelphia**
ASSETS						
CURRENT ASSETS:						
Cash, cash equivalents and investments	$ -	$ -	$ 40,249	$ 220,501	$ (284,560)	$ **115,440**
Assets limited as to use - current portion	-	-	-	-	-	**-**
Patient and other receivables, net	73	5,447	250	465	-	**89,286**
Other current assets	77	-	-	948	-	**12,936**
Total current assets	150	5,447	40,499	221,914	(284,560)	**217,662**
ASSETS LIMITED OR RESTRICTED AS TO USE						
Noncurrent portion:						
Held in trust	-	-	-	236	-	**236**
By Board	-	-	-	10,000	-	**10,000**
By donors	-	-	202	-	-	**4,594**
Total assets limited or restricted as to use - noncurrent portion	-	-	202	10,236	-	**14,830**
PROPERTY AND EQUIPMENT, Net	5,699	-	-	1,778	-	**97,710**
OTHER ASSETS	-	223,943	-	31,094	-	**257,268**
TOTAL ASSETS	$ 5,849	$ 229,390	$ 40,701	$ 265,022	$ (284,560)	$ **587,470**
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES	$ 43,235	$ -	$ -	$ (30,848)	$ (290,109)	$ **124,958**
LONG-TERM DEBT, Noncurrent portion	-	-	-	24,407	-	**110,923**
OTHER LIABILITIES	-	-	-	289	-	**4,667**
NET ASSETS:						
Unrestricted	(37,386)	229,390	40,499	271,174	5,549	**340,484**
Restricted	-	-	202	-	-	**6,438**
TOTAL LIABILITIES AND NET ASSETS	$ 5,849	$ 229,390	$ 40,701	$ 265,022	$ (284,560)	$ **587,470**

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Mercy Health System of SEPA, Philadelphia

	Mercy Catholic Medical Center	Mercy Suburban Hospital	Nazareth Hospital	St. Agnes Continuing Care Corp	MHS Combined Physicians	Mercy Home Health Services
Unrestricted revenue:						
Net patient service revenue less provision for bad debts	$ 321,882	$ -	$ 145,578	$ -	$ 43,854	$ 85,223
Other	21,546	-	5,216	69,307	34,129	615
Total unrestricted revenue	343,428	-	150,794	69,307	77,983	85,838
Expenses:						
Labor costs	150,923	-	70,438	26,548	65,066	65,155
Purchased services	72,740	-	31,541	27,559	25,944	7,222
Depreciation, amortization and interest	10,580	-	5,571	159	215	107
Other	89,375	-	38,359	11,374	8,894	4,993
Total expenses	323,618	-	145,909	65,640	100,119	77,477
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	19,810	-	4,885	3,667	(22,136)	8,361
Other	-	-	-	-	-	-
OPERATING INCOME (LOSS)	19,810	-	4,885	3,667	(22,136)	8,361
NONOPERATING ITEMS:						
Investment income and interest rate swaps	(220)	-	522	607	(4,258)	1,662
Loss from early extinguishment of debt	-	-	-	-	-	-
Other	-	-	-	-	(58)	-
Total nonoperating items	(220)	-	522	607	(4,316)	1,662
EXCESS OF REVENUE OVER EXPENSES	19,590	-	5,407	4,274	(26,452)	10,023
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 19,590	$ -	$ 5,407	$ 4,274	$ (26,452)	$ 10,023
CHANGES IN NET ASSETS						
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 16,563	$ 1,166	$ 2,319	$ 3,444	$ (28,500)	$ 8,116
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	149	-	71	132	-	-
INCREASE (DECREASE) IN NET ASSETS	16,712	1,166	2,390	3,576	(28,500)	8,116
NET ASSETS, Beginning of year	9,382	(47,631)	31,965	6,246	(225,352)	59,424
NET ASSETS, End of year	$ 26,094	$ (46,465)	$ 34,355	$ 9,822	$ (253,852)	$ 67,540

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Mercy Health System of SEPA, Philadelphia

	Mercy Eastwick, Inc.	Mercy Health Plan	Mercy Health System Foundation	Mercy Home Office	Eliminations and Other	**Mercy Health System of SEPA, Philadelphia**
Unrestricted revenue:						
Net patient service revenue less provision for bad debts	$ -	$ -	$ -	$ -	$ (1,969)	$ **594,568**
Other	1,021	42,037	744	103,573	(127,002)	**151,186**
Total unrestricted revenue	1,021	42,037	744	103,573	(128,971)	**745,754**
Expenses:						
Labor costs	-	-	-	60,830	(29,283)	**409,677**
Purchased services	684	-	(8)	35,967	(74,339)	**127,310**
Depreciation, amortization and interest	496	-	-	4,968	-	**22,096**
Other	747	-	-	1,506	(25,349)	**129,899**
Total expenses	1,927	-	(8)	103,271	(128,971)	**688,982**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(906)	42,037	752	302	-	**56,772**
Other	-	-	-	-	-	-
OPERATING INCOME (LOSS)	(906)	42,037	752	302	-	**56,772**
NONOPERATING ITEMS:						
Investment income and interest rate swaps	(854)	-	1,109	8,963	322	**7,853**
Loss from early extinguishment of debt	-	-	-	-	-	-
Other	-	-	-	-	-	**(58)**
Total nonoperating items	(854)	-	1,109	8,963	322	**7,795**
EXCESS OF REVENUE OVER EXPENSES	(1,760)	42,037	1,861	9,265	322	**64,567**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (1,760)	$ 42,037	$ 1,861	$ 9,265	$ 322	$ **64,567**
CHANGES IN NET ASSETS						
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (1,761)	$ 33,100	$ 6,406	$ 10,415	$ 324	$ **51,592**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	32	-	-	**384**
INCREASE (DECREASE) IN NET ASSETS	(1,761)	33,100	6,438	10,415	324	**51,976**
NET ASSETS, Beginning of year	(35,625)	196,290	34,263	260,759	5,225	**294,946**
NET ASSETS, End of year	$ (37,386)	$ 229,390	$ 40,701	$ 271,174	$ 5,549	$ **346,922**

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

St. Mary Medical Center, Langhorne

	St. Mary Medical Center	Quality Health Alliance, MSSP	Quality Health Alliance	Ambulatory Surgery Center	St. Mary Rehabilitation Hospital	Life St. Mary
ASSETS						
CURRENT ASSETS:						
Cash, cash equivalents and investments	$ 309,550	$ -	$ 675	$ 2,201	$ 4,652	$ 13,209
Assets limited as to use - current portion	-	-	-	-	-	-
Patient and other receivables, net	330,996	(3,262)	(3,164)	1,029	3,728	268
Other current assets	10,999	-	-	586	595	49
Total current assets	651,545	(3,262)	(2,489)	3,816	8,975	13,526
ASSETS LIMITED OR RESTRICTED AS TO USE						
Noncurrent portion:						
Held in trust	1,457	-	-	-	-	-
By Board	-	-	-	-	-	-
By donors	-	-	-	-	-	-
Total assets limited or restricted as to use - noncurrent portion	1,457	-	-	-	-	-
PROPERTY AND EQUIPMENT, Net	179,479	-	-	888	464	942
OTHER ASSETS	25,605	-	-	106	5,800	-
TOTAL ASSETS	$ 858,086	$ (3,262)	$ (2,489)	$ 4,810	$ 15,239	$ 14,468
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES	$ 30,020	$ 343	$ 918	$ 740	$ 3,517	$ 12,807
LONG-TERM DEBT, Noncurrent portion	119,128	-	-	2,842	-	-
OTHER LIABILITIES	3,310	-	-	10	-	-
NET ASSETS:						
Unrestricted	705,628	(3,605)	(3,407)	1,218	11,722	1,661
Restricted	-	-	-	-	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 858,086	$ (3,262)	$ (2,489)	$ 4,810	$ 15,239	$ 14,468

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

St. Mary Medical Center, Langhorne

	St. Mary Emergency Med Srvs	Langhorne Physician Services	St. Mary Building and Development	St. Mary Foundation	Eliminations and Other	**St. Mary Medical Center, Langhorne**
ASSETS						
CURRENT ASSETS:						
Cash, cash equivalents and investments	$ 28	$ 60,041	$ 865	$ 10,445	$ 190	**$ 401,856**
Assets limited as to use - current portion	-	-	-	-	-	**-**
Patient and other receivables, net	(2,205)	(223,908)	(19,415)	(21,727)	(6,725)	**55,615**
Other current assets	-	274	51	25	-	**12,579**
Total current assets	(2,177)	(163,593)	(18,499)	(11,257)	(6,535)	**470,050**
ASSETS LIMITED OR RESTRICTED AS TO USE						
Noncurrent portion:						
Held in trust	-	-	-	-	-	**1,457**
By Board	-	-	-	12,915	-	**12,915**
By donors	-	-	-	9,815	-	**9,815**
Total assets limited or restricted as to use - noncurrent portion	-	-	-	22,730	-	**24,187**
PROPERTY AND EQUIPMENT, Net	-	4,309	18,267	15	-	**204,364**
OTHER ASSETS	-	-	-	-	(5,772)	**25,739**
TOTAL ASSETS	$ (2,177)	$ (159,284)	$ (232)	$ 11,488	$ (12,307)	**$ 724,340**
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES	$ 126	$ 17,851	$ -	$ 217	$ (6,103)	**$ 60,436**
LONG-TERM DEBT, Noncurrent portion	-	-	-	-	-	**121,970**
OTHER LIABILITIES	-	-	-	162	-	**3,482**
NET ASSETS:					-	
Unrestricted	(2,303)	(177,135)	(232)	1,324	(6,204)	**528,667**
Restricted	-	-	-	9,785	-	**9,785**
TOTAL LIABILITIES AND NET ASSETS	$ (2,177)	$ (159,284)	$ (232)	$ 11,488	$ (12,307)	**$ 724,340**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

St. Mary Medical Center, Langhorne

	St. Mary Medical Center	Quality Health Alliance, MSSP	Quality Health Alliance	Ambulatory Surgery Center	St. Mary Rehabilitation Hospital	Life St. Mary
Unrestricted revenue:						
Net patient service revenue less provision for bad debts	$ 390,090	$ -	$ -	$ 9,973	$ 25,763	$ (104)
Other	20,885	-	13	28	44	20,393
Total unrestricted revenue	410,975	-	13	10,001	25,807	20,289
Expenses:						
Labor costs	172,439	1,216	1,217	2,794	10,855	6,559
Purchased services	58,789	388	422	813	2,251	8,092
Depreciation, amortization and interest	29,499	-	-	861	299	149
Other	114,326	98	88	3,184	4,369	3,385
Total expenses	375,053	1,702	1,727	7,652	17,774	18,185
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	35,922	(1,702)	(1,714)	2,349	8,033	2,104
Other	-	-	-	-	-	-
OPERATING INCOME (LOSS)	35,922	(1,702)	(1,714)	2,349	8,033	2,104
NONOPERATING ITEMS:						
Investment income and interest rate swaps	20,541	-	-	18	-	-
Loss from early extinguishment of debt	-	-	-	-	-	-
Other	-	-	-	(24)	-	-
Total nonoperating items	20,541	-	-	(6)	-	-
EXCESS OF REVENUE OVER EXPENSES	56,463	(1,702)	(1,714)	2,343	8,033	2,104
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 56,463	$ (1,702)	$ (1,714)	$ 2,343	$ 8,033	$ 2,104
CHANGES IN NET ASSETS						
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 59,760	$ (1,561)	$ (1,431)	$ 216	$ (2,383)	$ 2,104
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	59,760	(1,561)	(1,431)	216	(2,383)	2,104
NET ASSETS, Beginning of year	645,868	(2,044)	(1,976)	1,002	14,105	(443)
NET ASSETS, End of year	$ 705,628	$ (3,605)	$ (3,407)	$ 1,218	$ 11,722	$ 1,661

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

St. Mary Medical Center, Langhorne

	St. Mary Emergency Med Srvs	Langhorne Physician Services	St. Mary Building and Development	St. Mary Foundation	Eliminations and Other	**St. Mary Medical Center, Langhorne**
Unrestricted revenue:						
Net patient service revenue less provision for bad debts	$ 150	$ 51,802	$ -	$ -	$ (392)	$ **477,282**
Other	100	12,309	2,944	13,947	(8,245)	**62,418**
Total unrestricted revenue	250	64,111	2,944	13,947	(8,637)	**539,700**
Expenses:						
Labor costs	587	52,616	-	1,222	-	**249,505**
Purchased services	345	23,217	-	964	(7,714)	**87,567**
Depreciation, amortization and interest	-	1,429	508	6	-	**32,751**
Other	38	11,747	421	522	(849)	**137,329**
Total expenses	970	89,009	929	2,714	(8,563)	**507,152**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(720)	(24,898)	2,015	11,233	(74)	**32,548**
Other	-	-	-	-	-	**-**
OPERATING INCOME (LOSS)	(720)	(24,898)	2,015	11,233	(74)	**32,548**
NONOPERATING ITEMS:						
Investment income and interest rate swaps	-	-	-	2,310	8	**22,877**
Loss from early extinguishment of debt	-	-	-	-	-	**-**
Other	-	-	-	-	-	**(24)**
Total nonoperating items	-	-	-	2,310	8	**22,853**
EXCESS OF REVENUE OVER EXPENSES	(720)	(24,898)	2,015	13,543	(66)	**55,401**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	(4,758)	**(4,758)**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (720)	$ (24,898)	$ 2,015	$ 13,543	$ (4,824)	$ **50,643**
CHANGES IN NET ASSETS						
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (720)	$ (24,898)	$ 1	$ 13,543	$ (65)	$ **44,566**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	-	5,618	(16,105)	**(10,487)**
INCREASE (DECREASE) IN NET ASSETS	(720)	(24,898)	1	19,161	(16,170)	**34,079**
NET ASSETS, Beginning of year	(1,583)	(152,237)	(233)	(8,052)	9,966	**504,373**
NET ASSETS, End of year	$ (2,303)	$ (177,135)	$ (232)	$ 11,109	$ (6,204)	$ **538,452**

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Lourdes Health System, Camden

	Our LOL Medical Center	Lourdes Medical Center of Burlington	Lourdes Medical Associates, PA	Lourdes Urgent Care, P.C.
ASSETS				
CURRENT ASSETS:				
Cash, cash equivalents and investments	$ 49,950	$ 254	$ (2,304)	$ 20
Assets limited as to use - current portion	-	-	-	-
Patient and other receivables, net	237,716	22,208	6,597	7
Assets held for sale	-	-	-	-
Other current assets	11,262	2,180	677	-
Total current assets	298,928	24,642	4,970	27
ASSETS LIMITED OR RESTRICTED AS TO USE -				
Noncurrent portion:				
Held in trust	-	-	-	-
By Board	-	-	-	-
By donors	604	22	-	-
Total assets limited or restricted as to use - noncurrent portion	604	22	-	-
PROPERTY AND EQUIPMENT, Net	19,084	4,253	533	101
OTHER ASSETS	244	194	1,698	-
TOTAL ASSETS	$ 318,860	$ 29,111	$ 7,201	$ 128
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES, Excluding liabilities held for sale	$ 33,928	$ 31,576	$ 106,567	$ 2,144
LIABILITIES HELD FOR SALE	-	-	-	-
LONG-TERM DEBT, Noncurrent portion	164,896	73,150	-	-
OTHER LIABILITIES	458	207	-	-
NET ASSETS:				
Unrestricted	117,567	(75,925)	(99,366)	(2,016)
Restricted	2,011	103	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 318,860	$ 29,111	$ 7,201	$ 128

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Lourdes Health System, Camden

	Lourdes Cardiology Services, P.C.	Health Management Services Organization, Inc.	LHS Health Network, LLC	Life at Lourdes	Our LOL Assoc. Foundation, Inc.
ASSETS					
CURRENT ASSETS:					
Cash, cash equivalents and investments	$ (20,430)	$ (6,057)	$ (412)	$ 11,424	$ 944
Assets limited as to use - current portion	-	-	-	-	-
Patient and other receivables, net	2,032	15,613	529	262	135
Assets held for sale	-	-	-	-	-
Other current assets	241	27	3	51	-
Total current assets	(18,157)	9,583	120	11,737	1,079
ASSETS LIMITED OR RESTRICTED AS TO USE -					
Noncurrent portion:					
Held in trust	-	-	-	-	-
By Board	-	-	-	-	-
By donors	-	-	-	-	1,389
Total assets limited or restricted as to use - noncurrent portion	-	-	-	-	1,389
PROPERTY AND EQUIPMENT, Net	168	38	-	1,010	6
OTHER ASSETS	-	7,589	-	-	-
TOTAL ASSETS	$ (17,989)	$ 17,210	$ 120	$ 12,747	$ 2,474
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES, Excluding liabilities held for sale	$ 12,870	$ 43,799	$ 8,264	$ 5,259	$ 464
LIABILITIES HELD FOR SALE	-	-	-	-	-
LONG-TERM DEBT, Noncurrent portion	-	-	-	-	-
OTHER LIABILITIES	-	-	-	-	-
NET ASSETS:					
Unrestricted	(30,859)	(26,589)	(8,144)	7,488	575
Restricted	-	-	-	-	1,435
TOTAL LIABILITIES AND NET ASSETS	$ (17,989)	$ 17,210	$ 120	$ 12,747	$ 2,474

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Lourdes Health System, Camden

	Lourdes Ancillary Services, Inc.	Centennial Surgical Unit, LLC	Health Care Services	Eliminations and Other	**Lourdes Health System, Camden**
ASSETS					
CURRENT ASSETS:					
Cash, cash equivalents and investments	$ -	$ 383	$ -	$ (1,020)	$ **32,752**
Assets limited as to use - current portion	-	-	-	-	**-**
Patient and other receivables, net	31,690	601	14,560	(257,114)	**74,836**
Assets held for sale	-	-	-	68,715	**68,715**
Other current assets	-	338	987	(15,715)	**51**
Total current assets	31,690	1,322	15,547	(205,134)	**176,354**
ASSETS LIMITED OR RESTRICTED AS TO USE -					
Noncurrent portion:					
Held in trust	-	-	4,720	-	**4,720**
By Board	-	-	-	-	**-**
By donors	-	-	-	(2,015)	**-**
Total assets limited or restricted as to use - noncurrent portion	-	-	4,720	(2,015)	**4,720**
PROPERTY AND EQUIPMENT, Net	472	848	2,030	(27,533)	**1,010**
OTHER ASSETS	-	19,947	19,968	(22,432)	**27,208**
TOTAL ASSETS	$ 32,162	$ 22,117	$ 42,265	$ (257,114)	$ **209,292**
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES, Excluding liabilities held for sale	$ 31,962	$ 393	$ 55,946	$ (266,069)	$ **67,103**
LIABILITIES HELD FOR SALE	-	-	-	32,440	**32,440**
LONG-TERM DEBT, Noncurrent portion	-	506	-	(9,526)	**229,026**
OTHER LIABILITIES	-	-	4,722	-	**5,387**
NET ASSETS:					
Unrestricted	200	21,218	(18,403)	(10,410)	**(124,664)**
Restricted	-	-	-	(3,549)	**-**
TOTAL LIABILITIES AND NET ASSETS	$ 32,162	$ 22,117	$ 42,265	$ (257,114)	$ **209,292**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information

June 30, 2018

(In thousands)

Lourdes Health System, Camden

	Our LOL Medical Center	Lourdes Medical Center of Burlington	Lourdes Medical Associates, PA	Lourdes Urgent Care, P.C.
Unrestricted revenue:				
Net patient service revenue less provision for bad debts	$ 316,289	$ 120,577	$ 36,999	$ 1,190
Other	12,792	1,970	27,671	-
Total unrestricted revenue	329,081	122,547	64,670	1,190
Expenses:				
Labor costs	138,848	59,778	44,128	27
Purchased services	77,923	31,402	26,431	1,490
Depreciation, amortization and interest	18,986	6,910	331	41
Other	78,137	26,458	9,821	210
Total expenses	313,894	124,548	80,711	1,768
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	15,187	(2,001)	(16,041)	(578)
Other	(49,983)	(16,587)	(326)	(46)
OPERATING INCOME (LOSS)	(34,796)	(18,588)	(16,367)	(624)
NONOPERATING ITEMS:				
Investment income and interest rate swaps	3,350	(149)	-	-
Loss from early extinguishment of debt	-	-	-	-
Other	-	-	(60)	(2)
Total nonoperating items	3,350	(149)	(60)	(2)
EXCESS OF REVENUE OVER EXPENSES	(31,446)	(18,737)	(16,427)	(626)
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (31,446)	$ (18,737)	$ (16,427)	$ (626)
CHANGES IN NET ASSETS				
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (31,534)	$ (18,996)	$ (16,890)	$ (626)
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	12,946	(13,268)	-	-
INCREASE (DECREASE) IN NET ASSETS	(18,588)	(32,264)	(16,890)	(626)
NET ASSETS, Beginning of year	138,166	(43,558)	(82,476)	(1,390)
NET ASSETS, End of year	$ 119,578	$ (75,822)	$ (99,366)	$ (2,016)

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Lourdes Health System, Camden

	Lourdes Cardiology Services, P.C.	Health Management Services Organization, Inc.	LHS Health Network, LLC	Life at Lourdes	Our LOL Assoc. Foundation, Inc.
Unrestricted revenue:					
Net patient service revenue less provision for bad debts	$ 24,799	$ -	$ -	$ (233)	$ (26)
Other	1,740	34,212	6,482	22,674	723
Total unrestricted revenue	26,539	34,212	6,482	22,441	697
Expenses:					
Labor costs	28,705	34,029	3,779	7,513	668
Purchased services	13,988	896	4,354	9,923	156
Depreciation, amortization and interest	101	1,093	-	189	-
Other	3,658	846	237	4,107	225
Total expenses	46,452	36,864	8,370	21,732	1,049
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(19,913)	(2,652)	(1,888)	709	(352)
Other	(225)	(516)	-	-	(4)
OPERATING INCOME (LOSS)	(20,138)	(3,168)	(1,888)	709	(356)
NONOPERATING ITEMS:					
Investment income and interest rate swaps	-	-	-	-	126
Loss from early extinguishment of debt	-	-	-	-	-
Other	(14)	(4)	-	-	-
Total nonoperating items	(14)	(4)	-	-	126
EXCESS OF REVENUE OVER EXPENSES	(20,152)	(3,172)	(1,888)	709	(230)
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (20,152)	$ (3,172)	$ (1,888)	$ 709	$ (230)
CHANGES IN NET ASSETS					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (20,152)	$ (3,172)	$ (1,887)	$ 709	$ (229)
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	-	-	(317)
INCREASE (DECREASE) IN NET ASSETS	(20,152)	(3,172)	(1,887)	709	(546)
NET ASSETS, Beginning of year	(10,707)	(23,417)	(6,257)	6,779	2,556
NET ASSETS, End of year	$ (30,859)	$ (26,589)	$ (8,144)	$ 7,488	$ 2,010

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Lourdes Health System, Camden

	Lourdes Ancillary Services, Inc.	Centennial Surgical Unit, LLC	Health Care Services	Eliminations and Other	**Lourdes Health System, Camden**
Unrestricted revenue:					
Net patient service revenue less provision for bad debts	$ -	$ -	$ -	$ (2,576)	$ **497,019**
Other	984	10,142	-	(52,200)	**67,190**
Total unrestricted revenue	984	10,142	-	(54,776)	**564,209**
Expenses:					
Labor costs	-	412	-	570	**318,457**
Purchased services	-	4,469	-	(51,376)	**119,656**
Depreciation, amortization and interest	1,005	434	-	(1,962)	**27,128**
Other	-	3,593	-	(2,008)	**125,284**
Total expenses	1,005	8,908	-	(54,776)	**590,525**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(21)	1,234	-	-	**(26,316)**
Other	(257)	-	(1,946)	-	**(69,890)**
OPERATING INCOME (LOSS)	(278)	1,234	(1,946)	-	**(96,206)**
NONOPERATING ITEMS:					
Investment income and interest rate swaps	-	-	-	-	**3,327**
Loss from early extinguishment of debt	-	-	-	-	**-**
Other	-	-	-	-	**(80)**
Total nonoperating items	-	-	-	-	**3,247**
EXCESS OF REVENUE OVER EXPENSES	(278)	1,234	(1,946)	-	**(92,959)**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	(605)	**(605)**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (278)	$ 1,234	$ (1,946)	$ (605)	$ **(93,564)**
CHANGES IN NET ASSETS					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (278)	$ 252	$ (1,946)	$ (10,411)	$ **(105,160)**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	-	(1,746)	**(2,385)**
INCREASE (DECREASE) IN NET ASSETS	(278)	252	(1,946)	(12,157)	**(107,545)**
NET ASSETS, Beginning of year	478	20,966	(16,457)	(1,802)	**(17,119)**
NET ASSETS, End of year	$ 200	$ 21,218	$ (18,403)	$ (13,959)	$ **(124,664)**

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

St. Francis Medical Center, Trenton

	St. Francis Medical Center	LIFE St. Francis	St. Francis Medical Center Foundation	Central New Jersey Heart Services, Inc.	St. Francis Community Health Service	Eliminations and Other	**St. Francis Medical Center, Trenton**
ASSETS							
CURRENT ASSETS:							
Cash, cash equivalents and investments	$ 2	$ 7,331	$ 100	$ 1,428	$ -	$ (7,431)	**$ 1,430**
Assets limited as to use - current portion	-	-	35	-	-	-	**35**
Patient and other receivables, net	32,991	704	-	452	-	(17,521)	**16,626**
Other current assets	3,674	101	7	286	552	-	**4,620**
Total current assets	36,667	8,136	142	2,166	552	(24,952)	**22,711**
ASSETS LIMITED OR RESTRICTED AS TO USE							
Noncurrent portion:							
Held in trust	-	-	-	-	-	-	**-**
By Board	250	-	1,631	-	-	-	**1,881**
By donors	-	-	1,684	-	-	-	**1,684**
Total assets limited or restricted as to use - noncurrent portion	250	-	3,315	-	-	-	**3,565**
PROPERTY AND EQUIPMENT, Net	1,507	3	-	-	-	-	**1,510**
OTHER ASSETS	6,610	-	-	-	-	-	**6,610**
TOTAL ASSETS	$ 45,034	$ 8,139	$ 3,457	$ 2,166	$ 552	$ (24,952)	**$ 34,396**
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES	$ 47,186	$ 12,186	$ 282	$ 162	$ 11,604	$ (24,558)	**$ 46,862**
LONG-TERM DEBT, Noncurrent portion	68,394	5,601	-	-	15,705	-	**89,700**
OTHER LIABILITIES	1,492	-	-	-	-	-	**1,492**
NET ASSETS:							
Unrestricted	(72,038)	(9,648)	1,443	2,004	(26,757)	(394)	**(105,390)**
Restricted	-	-	1,732	-	-	-	**1,732**
TOTAL LIABILITIES AND NET ASSETS	$ 45,034	$ 8,139	$ 3,457	$ 2,166	$ 552	$ (24,952)	**$ 34,396**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

St. Francis Medical Center, Trenton

	St. Francis Medical Center	LIFE St. Francis	St. Francis Medical Center Foundation	Central New Jersey Heart Services, Inc.	St. Francis Community Health Service	Eliminations and Other	**St. Francis Medical Center, Trenton**
Unrestricted revenue:							
Net patient service revenue less provision for bad debts	$ 123,081	$ (90)	$ -	$ 7,729	$ -	$ (10,494)	$ **120,226**
Other	4,777	30,329	403	207	-	(1,702)	**34,014**
Total unrestricted revenue	127,858	30,239	403	7,936	-	(12,196)	**154,240**
Expenses:							
Labor costs	59,630	8,475	177	712	-	-	**68,994**
Purchased services	42,198	16,613	141	257	21	(12,196)	**47,034**
Depreciation, amortization and interest	3,591	224	-	-	672	-	**4,487**
Other	25,852	4,773	(23)	2,349	646	-	**33,597**
Total expenses	131,271	30,085	295	3,318	1,339	(12,196)	**154,112**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(3,413)	154	108	4,618	(1,339)	-	**128**
Other	(1,721)	(49)	-	-	-	-	**(1,770)**
OPERATING INCOME (LOSS)	(5,134)	105	108	4,618	(1,339)	-	**(1,642)**
NONOPERATING ITEMS:							
Investment income and interest rate swaps	(829)	(19)	(3)	-	-	-	**(851)**
Loss from early extinguishment of debt	-	-	-	-	-	-	**-**
Other	(91)	-	-	-	-	-	**(91)**
Total nonoperating items	(920)	(19)	(3)	-	-	-	**(942)**
EXCESS OF REVENUE OVER EXPENSES	(6,054)	86	105	4,618	(1,339)	-	**(2,584)**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	(1,913)	**(1,913)**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (6,054)	$ 86	$ 105	$ 4,618	$ (1,339)	$ (1,913)	$ **(4,497)**
CHANGES IN NET ASSETS							
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (3,574)	$ 86	$ 36	$ (100)	$ (1,339)	$ -	$ **(4,891)**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	(42)	-	-	1	**(41)**
INCREASE (DECREASE) IN NET ASSETS	(3,574)	86	(6)	(100)	(1,339)	1	**(4,932)**
NET ASSETS, Beginning of year	(68,464)	(9,734)	3,181	2,104	(25,418)	(395)	**(98,726)**
NET ASSETS, End of year	$ (72,038)	$ (9,648)	$ 3,175	$ 2,004	$ (26,757)	$ (394)	$ **(103,658)**

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

St. Mary's Health Care System, Inc., Athens

	St. Mary's Hospital Combined	Good Samaritan Hospital	St. Mary's Sacred Heart Hospital	St. Mary's Foundation, Inc.	Good Samaritan Foundation, Inc.
ASSETS					
CURRENT ASSETS:					
Cash, cash equivalents and investments	$ 31,137	$ 14	$ 45	$ 8,310	$ 247
Assets limited as to use - current portion	888	-	-	96	37
Patient and other receivables, net	31,039	3,538	5,092	-	-
Other current assets	7,638	572	819	-	-
Total current assets	70,702	4,124	5,956	8,406	284
ASSETS LIMITED OR RESTRICTED AS TO USE					
Noncurrent portion:					
Held in trust	1,717	-	-	-	-
By Board	17,958	-	-	-	-
By donors	-	-	-	4,730	47
Total assets limited or restricted as to use - noncurrent portion	19,675	-	-	4,730	47
PROPERTY AND EQUIPMENT, Net	65,967	30,944	11,789	5	-
OTHER ASSETS	20,123	56	21	-	-
TOTAL ASSETS	$ 176,467	$ 35,124	$ 17,766	$ 13,141	$ 331
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	$ 24,676	$ 3,398	$ 4,645	$ 29	$ -
LONG-TERM DEBT, Noncurrent portion	14,756	35,504	12,009	-	-
OTHER LIABILITIES	1,717	-	-	-	-
NET ASSETS:					
Unrestricted	135,318	(3,778)	1,112	8,285	248
Restricted	-	-	-	4,827	83
TOTAL LIABILITIES AND NET ASSETS	$ 176,467	$ 35,124	$ 17,766	$ 13,141	$ 331

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

St. Mary's Health Care System, Inc., Athens

	St. Mary's Highland Hills, Inc.	St. Mary's Medical Group	Western Care Alliance, LLC	Eliminations and Other	**St. Mary's Health Care System, Inc., Athens**
ASSETS					
CURRENT ASSETS:					
Cash, cash equivalents and investments	$ 951	$ (184)	$ -	$ -	**$ 40,520**
Assets limited as to use - current portion	90	-	-	-	**1,111**
Patient and other receivables, net	38	1,896	-	-	**41,603**
Other current assets	17	383	-	-	**9,429**
Total current assets	1,096	2,095	-	-	**92,663**
ASSETS LIMITED OR RESTRICTED AS TO USE					
Noncurrent portion:					
Held in trust	-	-	-	-	**1,717**
By Board	-	-	-	-	**17,958**
By donors	-	-	-	-	**4,777**
Total assets limited or restricted as to use - noncurrent portion	-	-	-	-	**24,452**
PROPERTY AND EQUIPMENT, Net	9,038	2,534	-	-	**120,277**
OTHER ASSETS	-	-	-	(6,170)	**14,030**
TOTAL ASSETS	$ 10,134	$ 4,629	$ -	$ (6,170)	**$ 251,422**
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	$ 302	$ 3,779	$ -	$ -	**$ 36,829**
LONG-TERM DEBT, Noncurrent portion	2,767	-	-	-	**65,036**
OTHER LIABILITIES	-	-	-	-	**1,717**
NET ASSETS:					
Unrestricted	7,065	850	-	(6,170)	**142,930**
Restricted	-	-	-	-	**4,910**
TOTAL LIABILITIES AND NET ASSETS	$ 10,134	$ 4,629	$ -	$ (6,170)	**$ 251,422**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information

June 30, 2018

(In thousands)

St. Mary's Health Care System, Inc., Athens

	St. Mary's Hospital Combined	Good Samaritan Hospital	St. Mary's Sacred Heart Hospital	St. Mary's Foundation, Inc.	Good Samaritan Foundation, Inc.
Unrestricted revenue:					
Net patient service revenue less provision for bad debts	$ 199,827	$ 22,075	$ 28,378	$ -	$ -
Other	5,656	1,847	837	847	135
Total unrestricted revenue	205,483	23,922	29,215	847	135
Expenses:					
Labor costs	92,059	9,448	14,557	338	-
Purchased services	30,213	6,064	11,192	271	-
Depreciation, amortization and interest	9,764	3,811	2,204	1	-
Other	54,473	4,306	4,467	108	-
Total expenses	186,509	23,629	32,420	718	-
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	18,974	293	(3,205)	129	135
Other	-	-	-	-	-
OPERATING INCOME (LOSS)	18,974	293	(3,205)	129	135
NONOPERATING ITEMS:					
Investment income and interest rate swaps	2,867	(117)	(39)	(1,511)	-
Loss from early extinguishment of debt	-	-	-	-	-
Other	-	-	-	-	-
Total nonoperating items	2,867	(117)	(39)	(1,511)	-
EXCESS OF REVENUE OVER EXPENSES	21,841	176	(3,244)	(1,382)	135
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 21,841	$ 176	$ (3,244)	$ (1,382)	$ 135
CHANGES IN NET ASSETS					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (33,285)	$ (12,030)	$ 6,067	$ (862)	$ 247
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	1,947	-	-	(1,415)	71
INCREASE (DECREASE) IN NET ASSETS	(31,338)	(12,030)	6,067	(2,277)	318
NET ASSETS, Beginning of year	166,656	8,252	(4,955)	15,389	13
NET ASSETS, End of year	$ 135,318	$ (3,778)	$ 1,112	$ 13,112	$ 331

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

St. Mary's Health Care System, Inc., Athens

	St. Mary's Highland Hills, Inc.	St. Mary's Medical Group	Western Care Alliance, LLC	Eliminations and Other	**St. Mary's Health Care System, Inc., Athens**
Unrestricted revenue:					
Net patient service revenue less provision for bad debts	$ 5,135	$ 18,257	$ -	$ -	**$ 273,672**
Other	24	36	2,309	-	**11,691**
Total unrestricted revenue	5,159	18,293	2,309	-	**285,363**
Expenses:					
Labor costs	2,420	21,568	(2)	-	**140,388**
Purchased services	941	3,378	-	-	**52,059**
Depreciation, amortization and interest	772	331	-	-	**16,883**
Other	665	3,763	-	-	**67,782**
Total expenses	4,798	29,040	(2)	-	**277,112**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	361	(10,747)	2,311	-	**8,251**
Other	-	-	-	-	**-**
OPERATING INCOME (LOSS)	361	(10,747)	2,311	-	**8,251**
NONOPERATING ITEMS:					
Investment income and interest rate swaps	67	-	-	-	**1,267**
Loss from early extinguishment of debt	(33)	-	-	-	**(33)**
Other	-	-	-	-	**-**
Total nonoperating items	34	-	-	-	**1,234**
EXCESS OF REVENUE OVER EXPENSES	395	(10,747)	2,311	-	**9,485**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	**-**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 395	$ (10,747)	$ 2,311	$ -	**$ 9,485**
CHANGES IN NET ASSETS					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 2,888	$ 45,926	$ (598)	$ -	**$ 8,353**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	-	1	**604**
INCREASE (DECREASE) IN NET ASSETS	2,888	45,926	(598)	1	**8,957**
NET ASSETS, Beginning of year	4,177	(45,076)	598	(6,171)	**138,883**
NET ASSETS, End of year	$ 7,065	$ 850	$ -	$ (6,170)	**$ 147,840**

TRINITY HEALTH

Supplemental Condensed Consolidating Balance Sheets - Information

June 30, 2018

(In thousands)

Trinity Continuing Care Services

	Mercy Community Health, Inc., West Hartford	St. Joseph's of the Pines, Inc., Southern Pines	Eliminations and Other	**Trinity Continuing Care Services**
ASSETS				
CURRENT ASSETS:				
Cash, cash equivalents and investments	$ (1,673)	$ 17,267	$ 62,869	$ **78,463**
Assets limited as to use - current portion	622	-	1,703	**2,325**
Patient and other receivables, net	6,865	21,460	24,478	**52,803**
Other current assets	257	275	2,097	**2,629**
Total current assets	6,071	39,002	91,147	**136,220**
ASSETS LIMITED OR RESTRICTED AS TO USE -				
Noncurrent portion:				
Held in trust	1,532	-	982	**2,514**
Held in trust, statutory reserve	-	10,526	-	**10,526**
By Board	-	938	3,365	**4,303**
By donors	186	257	3,657	**4,100**
Total assets limited or restricted as to use - noncurrent portion	1,718	11,721	8,004	**21,443**
PROPERTY AND EQUIPMENT, Net	36,633	64,311	182,403	**283,347**
OTHER ASSETS	356	816	24,102	**25,274**
TOTAL ASSETS	$ 44,778	$ 115,850	$ 305,656	$ **466,284**
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES	$ 11,629	$ 26,719	$ 21,042	$ **59,390**
LONG-TERM DEBT, Noncurrent portion	29,793	46,906	168,021	**244,720**
OTHER LIABILITIES	19,499	32,353	53,361	**105,213**
NET ASSETS:				
Unrestricted	(16,722)	9,615	59,627	**52,520**
Restricted	579	257	3,605	**4,441**
TOTAL LIABILITIES AND NET ASSETS	$ 44,778	$ 115,850	$ 305,656	$ **466,284**

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Trinity Continuing Care Services

	Mercy Community Health, Inc., West Hartford	St. Joseph's of the Pines, Inc., Southern Pines	Eliminations and Other	**Trinity Continuing Care Services**
Unrestricted revenue:				
Net patient service revenue less provision for bad debts	$ 39,290	$ 14,330	$ 155,255	$ **208,875**
Other	14,476	46,975	87,913	**149,364**
Total unrestricted revenue	53,766	61,305	243,168	**358,239**
Expenses:				
Labor costs	31,986	24,986	145,240	**202,212**
Purchased services	8,045	13,813	38,008	**59,866**
Depreciation and amortization	3,816	5,759	14,563	**24,138**
Interest	999	1,831	6,471	**9,301**
Other	12,619	13,403	43,903	**69,925**
Total expenses	57,465	59,792	248,185	**365,442**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(3,699)	1,513	(5,017)	**(7,203)**
Other	-	-	(5,000)	**(5,000)**
OPERATING INCOME (LOSS)	(3,699)	1,513	(10,017)	**(12,203)**
NONOPERATING ITEMS:				
Investment income and interest rate swaps	(70)	1,146	3,692	**4,768**
Loss from early extinguishment of debt	-	-	-	**-**
Other	-	-	-	**-**
Total nonoperating items	(70)	1,146	3,692	**4,768**
EXCESS OF REVENUE OVER EXPENSES	(3,769)	2,659	(6,325)	**(7,435)**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	**-**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (3,769)	$ 2,659	$ (6,325)	$ **(7,435)**
CHANGES IN NET ASSETS				
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (3,769)	$ 2,659	$ (8,243)	$ **(9,353)**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	(116)	27	2,133	**2,044**
INCREASE (DECREASE) IN NET ASSETS	(3,885)	2,686	(6,110)	**(7,309)**
NET ASSETS, Beginning of year	(12,258)	7,186	69,342	**64,270**
NET ASSETS, End of year	$ (16,143)	$ 9,872	$ 63,232	$ **56,961**

TRINITY HEALTH

Mercy Community Health, Inc., West Hartford

Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

	MCH - Corporate Office	The McAuley Center, Inc.	Saint Mary Home, Inc.	Mount St. Joseph	**Mercy Community Health, Inc., West Hartford**
ASSETS					
CURRENT ASSETS:					
Cash, cash equivalents and investments	$ (28,384)	$ 12,814	$ 13,432	$ 465	$ **(1,673)**
Assets limited as to use - current portion	145	477	-	-	**622**
Patient and other receivables, net	82	74	4,909	1,800	**6,865**
Other current assets	18	26	152	61	**257**
Total current assets	(28,139)	13,391	18,493	2,326	**6,071**
ASSETS LIMITED OR RESTRICTED AS TO USE -					
Noncurrent portion:					
Held in trust	-	1,532	-	-	**1,532**
Held in trust, statutory reserve	-	-	-	-	**-**
By Board	-	-	-	-	**-**
By donors	(79)	-	265	-	**186**
Total assets limited or restricted as to use - noncurrent portion	(79)	1,532	265	-	**1,718**
PROPERTY AND EQUIPMENT, Net	430	16,314	11,574	8,315	**36,633**
OTHER ASSETS	275	41	40	-	**356**
TOTAL ASSETS	$ (27,513)	$ 31,278	$ 30,372	$ 10,641	$ **44,778**
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	$ (6,828)	$ 7,064	$ 8,633	$ 2,760	$ **11,629**
LONG-TERM DEBT, Noncurrent portion	3,952	11,950	10,003	3,888	**29,793**
OTHER LIABILITIES	5	19,494	-	-	**19,499**
NET ASSETS:					
Unrestricted	(24,751)	(7,283)	11,319	3,993	**(16,722)**
Restricted	109	53	417	-	**579**
TOTAL LIABILITIES AND NET ASSETS	$ (27,513)	$ 31,278	$ 30,372	$ 10,641	$ **44,778**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Mercy Community Health, Inc., West Hartford

	MCH - Corporate Office	The McAuley Center, Inc.	Saint Mary Home, Inc.	Mount St. Joseph	**Mercy Community Health, Inc., West Hartford**
Unrestricted revenue:					
Net patient service revenue less provision for bad debts	$ -	$ 129	$ 30,422	$ 8,739	**$ 39,290**
Other	3,545	11,927	348	(1,344)	**14,476**
Total unrestricted revenue	3,545	12,056	30,770	7,395	**53,766**
Expenses:					
Labor costs	1,917	3,319	19,526	7,224	**31,986**
Purchased services	1,100	2,464	6,238	(1,757)	**8,045**
Depreciation and amortization	196	1,821	1,091	708	**3,816**
Interest	187	436	391	(15)	**999**
Other	191	3,859	5,962	2,607	**12,619**
Total expenses	3,591	11,899	33,208	8,767	**57,465**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(46)	157	(2,438)	(1,372)	**(3,699)**
Other	-	-	-	-	**-**
OPERATING INCOME (LOSS)	(46)	157	(2,438)	(1,372)	**(3,699)**
NONOPERATING ITEMS:					
Investment income and interest rate swaps	44	(67)	(33)	(14)	**(70)**
Loss from early extinguishment of debt	-	-	-	-	**-**
Other	-	-	-	-	**-**
Total nonoperating items	44	(67)	(33)	(14)	**(70)**
EXCESS OF REVENUE OVER EXPENSES	(2)	90	(2,471)	(1,386)	**(3,769)**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	**-**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ (2)	$ 90	$ (2,471)	$ (1,386)	**$ (3,769)**
CHANGES IN NET ASSETS					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (2)	$ 90	$ (2,471)	$ (1,386)	**$ (3,769)**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	(214)	47	51	-	**(116)**
INCREASE (DECREASE) IN NET ASSETS	(216)	137	(2,420)	(1,386)	**(3,885)**
NET ASSETS, Beginning of year	(24,426)	(7,367)	14,156	5,379	**(12,258)**
NET ASSETS, End of year	$ (24,642)	$ (7,230)	$ 11,736	$ 3,993	**$ (16,143)**

TRINITY HEALTH

Supplemental Condensed Consolidating Balance Sheets - Information

June 30, 2018

(In thousands)

St. Joseph's of the Pines, Inc., Southern Pines

	St. Joseph of the Pines Administration	Belle Meade Independent Living	Pine Knoll Independent Living	St. Joseph of the Pines Health Center	Coventry Assisted Living	Family Care Homes Assisted Living	St. Joseph of the Pines Foundation
ASSETS							
CURRENT ASSETS:							
Cash, cash equivalents and investments	$ 297	$ 7,521	$ 1,999	$ 4,049	$ 758	$ 219	$ -
Assets limited as to use - current portion	-	-	-	-	-	-	-
Patient and other receivables, net	90,622	2,415	2,407	22,160	2,587	1,041	256
Other current assets	134	67	19	44	2	-	-
Total current assets	91,053	10,003	4,425	26,253	3,347	1,260	256
ASSETS LIMITED OR RESTRICTED AS TO USE -							
Noncurrent portion:							
Held in trust	-	-	-	-	-	-	-
Held in trust, statutory reserve	-	8,421	2,105	-	-	-	-
By Board	309	-	-	-	-	-	629
By donors	159	74	9	8	7	-	-
Total assets limited or restricted as to use - noncurrent portion	468	8,495	2,114	8	7	-	629
PROPERTY AND EQUIPMENT, Net	2,693	36,866	9,906	7,229	4,858	358	-
OTHER ASSETS	776	40	-	-	-	-	-
TOTAL ASSETS	$ 94,990	$ 55,404	$ 16,445	$ 33,490	$ 8,212	$ 1,618	$ 885
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES	$ 37,104	$ 36,455	$ 10,747	$ 39,856	$ 8,803	$ 1,311	$ 10
LONG-TERM DEBT, Noncurrent portion	46,906	-	-	-	-	-	-
OTHER LIABILITIES	48	25,740	5,525	-	-	-	-
NET ASSETS:							
Unrestricted	10,796	(6,874)	159	(6,371)	(598)	307	864
Restricted	136	83	14	5	7	-	11
TOTAL LIABILITIES AND NET ASSETS	$ 94,990	$ 55,404	$ 16,445	$ 33,490	$ 8,212	$ 1,618	$ 885

TRINITY HEALTH

Supplemental Condensed Consolidating Balance Sheets - Information

June 30, 2018

(In thousands)

St. Joseph's of the Pines, Inc., Southern Pines

	St. Joseph of the Pines Home Care	Providence Place HUD Property Management	St. Joseph of the Pines LIFE Fayetteville	Eliminations and Other	**St. Joseph's of the Pines, Inc., Southern Pines**
ASSETS					
CURRENT ASSETS:					
Cash, cash equivalents and investments	$ (43)	$ -	$ 2,467	$ -	$ **17,267**
Assets limited as to use - current portion	-	-	-	-	**-**
Patient and other receivables, net	3,005	518	15,285	(118,836)	**21,460**
Other current assets	-	-	9	-	**275**
Total current assets	2,962	518	17,761	(118,836)	**39,002**
ASSETS LIMITED OR RESTRICTED AS TO USE -					
Noncurrent portion:					
Held in trust	-	-	-	-	**-**
Held in trust, statutory reserve	-	-	-	-	**10,526**
By Board	-	-	-	-	**938**
By donors	-	-	-	-	**257**
Total assets limited or restricted as to use - noncurrent portion	-	-	-	-	**11,721**
PROPERTY AND EQUIPMENT, Net	9	4	2,388	-	**64,311**
OTHER ASSETS	-	-	-	-	**816**
TOTAL ASSETS	$ 2,971	$ 522	$ 20,149	$ (118,836)	$ **115,850**
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	$ 2,910	$ 540	$ 7,819	$ (118,836)	$ **26,719**
LONG-TERM DEBT, Noncurrent portion	-	-	-	-	**46,906**
OTHER LIABILITIES	-	-	1,040	-	**32,353**
NET ASSETS:				-	
Unrestricted	61	(18)	11,289	-	**9,615**
Restricted	-	-	1	-	**257**
TOTAL LIABILITIES AND NET ASSETS	$ 2,971	$ 522	$ 20,149	$ (118,836)	$ **115,850**

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

St. Joseph's of the Pines, Inc., Southern Pines

	St. Joseph of the Pines Administration	Belle Meade Independent Living	Pine Knoll Independent Living	St. Joseph of the Pines Health Center	Coventry Assisted Living	Family Care Homes Assisted Living	St. Joseph of the Pines Foundation
Unrestricted revenue:							
Net patient service revenue less provision for bad debts	$ -	$ 41	$ 4	$ 16,451	$ 359	$ 2	$ -
Other	216	14,021	4,302	55	2,975	1,031	15
Total unrestricted revenue	216	14,062	4,306	16,506	3,334	1,033	15
Expenses:							
Labor costs	4,938	2,157	912	7,856	1,039	538	-
Purchased services	(7,261)	7,356	1,968	4,584	1,000	320	-
Depreciation and amortization	345	2,934	574	1,397	198	93	-
Interest	70	986	210	266	299	-	-
Other	2,372	2,740	972	1,934	227	55	14
Total expenses	464	16,173	4,636	16,037	2,763	1,006	14
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(248)	(2,111)	(330)	469	571	27	1
Other	-	-	-	-	-	-	-
OPERATING INCOME (LOSS)	(248)	(2,111)	(330)	469	571	27	1
NONOPERATING ITEMS:							
Investment income and interest rate swaps	282	603	119	(23)	(25)	-	42
Loss from early extinguishment of debt	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total nonoperating items	282	603	119	(23)	(25)	-	42
EXCESS OF REVENUE OVER EXPENSES	34	(1,508)	(211)	446	546	27	43
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 34	$ (1,508)	$ (211)	$ 446	$ 546	$ 27	$ 43
CHANGES IN NET ASSETS							
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 34	$ (1,508)	$ (211)	$ 449	$ 546	$ 27	$ 43
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	7	12	8	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	41	(1,496)	(203)	449	546	27	43
NET ASSETS, Beginning of year	10,891	(5,295)	376	(6,815)	(1,137)	280	832
NET ASSETS, End of year	$ 10,932	$ (6,791)	$ 173	$ (6,366)	$ (591)	$ 307	$ 875

TRINITY HEALTH
Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

St. Joseph's of the Pines, Inc., Southern Pines

	St. Joseph of the Pines Home Care	Providence Place HUD Property Management	St. Joseph of the Pines LIFE Fayetteville	Eliminations and Other	**St. Joseph's of the Pines, Inc., Southern Pines**
Unrestricted revenue:					
Net patient service revenue less provision for bad debts	$ 2,841	$ -	$ (215)	$ (5,153)	$ **14,330**
Other	-	152	24,208	-	**46,975**
Total unrestricted revenue	2,841	152	23,993	(5,153)	**61,305**
Expenses:					
Labor costs	2,444	149	4,953	-	**24,986**
Purchased services	222	2	10,775	(5,153)	**13,813**
Depreciation and amortization	3	1	214	-	**5,759**
Interest	-	-	-	-	**1,831**
Other	50	46	4,993	-	**13,403**
Total expenses	2,719	198	20,935	(5,153)	**59,792**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	122	(46)	3,058	-	**1,513**
Other	-	-	-	-	**-**
OPERATING INCOME (LOSS)	122	(46)	3,058	-	**1,513**
NONOPERATING ITEMS:					
Investment income and interest rate swaps	-	-	148	-	**1,146**
Loss from early extinguishment of debt	-	-	-	-	**-**
Other	-	-	-	-	**-**
Total nonoperating items	-	-	148	-	**1,146**
EXCESS OF REVENUE OVER EXPENSES	122	(46)	3,206	-	**2,659**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	**-**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 122	$ (46)	$ 3,206	$ -	$ **2,659**
CHANGES IN NET ASSETS					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 121	$ (45)	$ 3,203	$ -	$ **2,659**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	-	-	-	**27**
INCREASE (DECREASE) IN NET ASSETS	121	(45)	3,203	-	**2,686**
NET ASSETS, Beginning of year	(60)	27	8,087	-	**7,186**
NET ASSETS, End of year	$ 61	$ (18)	$ 11,290	$ -	$ **9,872**

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Trinity Health PACE

	PACE Corporate	Adult Day Health of Westfield	PACE South Bend	Mercy LIFE Pennsylvania
ASSETS				
CURRENT ASSETS:				
Cash, cash equivalents and investments	$ 291	$ -	$ -	$ 8,538
Assets limited as to use - current portion	-	-	-	-
Patient and other receivables, net	3,066	187	238	4,112
Other current assets	13	1	27	167
Total current assets	3,370	188	265	12,817
ASSETS LIMITED OR RESTRICTED AS TO USE				
Noncurrent portion:				
Held in trust	-	-	-	-
By Board	-	-	-	-
By donors	-	10	-	-
Total assets limited or restricted as to use - noncurrent portion	-	10	-	-
PROPERTY AND EQUIPMENT, Net	922	74	3,601	1,221
OTHER ASSETS	645	-	-	13,949
TOTAL ASSETS	$ 4,937	$ 272	$ 3,866	$ 27,987
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES	$ 6,046	$ 198	$ 3,225	$ 12,289
LONG-TERM DEBT, Noncurrent portion	-	-	6,364	15,253
OTHER LIABILITIES	-	-	-	-
NET ASSETS:				
Unrestricted	(1,109)	64	(5,723)	445
Restricted	-	10	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 4,937	$ 272	$ 3,866	$ 27,987

TRINITY HEALTH **Trinity Health PACE**

Supplemental Condensed Consolidating Balance Sheets - Information

June 30, 2018

(In thousands)

	PACE Mercy LIFE of Alabama	Mercy Medical Alabama	Mercy LIFE MA	Eliminations and Other	**Trinity Health PACE**
ASSETS					
CURRENT ASSETS:					
Cash, cash equivalents and investments	$ 6,131	$ 676	$ 1,174	$ -	**$ 16,810**
Assets limited as to use - current portion	-	-	-	-	**-**
Patient and other receivables, net	3,478	12	1,224	(6,432)	**5,885**
Other current assets	34	3	-	-	**245**
Total current assets	9,643	691	2,398	(6,432)	**22,940**
ASSETS LIMITED OR RESTRICTED AS TO USE					
Noncurrent portion:				-	
Held in trust	-	-	-	-	**-**
By Board	-	999	-	-	**999**
By donors	436	-	14	-	**460**
Total assets limited or restricted as to use - noncurrent portion	436	999	14	-	**1,459**
PROPERTY AND EQUIPMENT, Net	1,462	-	2,105	-	**9,385**
OTHER ASSETS	-	149	-	-	**14,743**
TOTAL ASSETS	$ 11,541	$ 1,839	$ 4,517	$ (6,432)	**$ 48,527**
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	$ 2,012	$ 18	$ 3,427	$ (6,432)	**$ 20,783**
LONG-TERM DEBT, Noncurrent portion	-	-	-	-	**21,617**
OTHER LIABILITIES	-	489	-	-	**489**
NET ASSETS:					
Unrestricted	9,093	1,332	1,076	-	**5,178**
Restricted	436	-	14	-	**460**
TOTAL LIABILITIES AND NET ASSETS	$ 11,541	$ 1,839	$ 4,517	$ (6,432)	**$ 48,527**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Trinity Health PACE

	PACE Corporate	Adult Day Health of Westfield	PACE South Bend	Mercy LIFE Pennsylvania
Unrestricted revenue:				
Net patient service revenue less provision for bad debts	$ -	$ 251	$ -	$ (189)
Other	5,348	15	6,911	45,738
Total unrestricted revenue	5,348	266	6,911	45,549
Expenses:				
Labor costs	3,269	191	3,062	14,673
Purchased services	1,066	22	3,816	20,226
Depreciation, amortization and interest	226	7	650	1,477
Other	391	64	2,269	7,878
Total expenses	4,952	284	9,797	44,254
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	396	(18)	(2,886)	1,295
Other	-	-	-	-
OPERATING INCOME (LOSS)	396	(18)	(2,886)	1,295
NONOPERATING ITEMS:				
Investment income and interest rate swaps	(94)	-	(169)	277
Loss from early extinguishment of debt	-	-	-	-
Other	-	-	-	-
Total nonoperating items	(94)	-	(169)	277
EXCESS OF REVENUE OVER EXPENSES	302	(18)	(3,055)	1,572
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 302	$ (18)	$ (3,055)	$ 1,572
CHANGES IN NET ASSETS				
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 39	$ 65	$ (3,056)	$ 1,572
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	-	9	-	-
INCREASE (DECREASE) IN NET ASSETS	39	74	(3,056)	1,572
NET ASSETS, Beginning of year	(1,148)	-	(2,667)	(1,127)
NET ASSETS, End of year	$ (1,109)	$ 74	$ (5,723)	$ 445

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Trinity Health PACE

	PACE Mercy LIFE of Alabama	Mercy Medical Alabama	Mercy LIFE MA	Eliminations and Other	**Trinity Health PACE**
Unrestricted revenue:					
Net patient service revenue less provision for bad debts	$ -	$ 1	$ -	$ -	$ **63**
Other	15,751	(63)	11,006	(2,809)	**81,897**
Total unrestricted revenue	15,751	(62)	11,006	(2,809)	**81,960**
Expenses:					
Labor costs	4,397	7	3,552	-	**29,151**
Purchased services	7,237	16	4,486	(2,809)	**34,060**
Depreciation, amortization and interest	272	25	249	-	**2,906**
Other	2,706	40	2,463	-	**15,811**
Total expenses	14,612	88	10,750	(2,809)	**81,928**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	1,139	(150)	256	-	**32**
Other	-	-	-	-	**-**
OPERATING INCOME (LOSS)	1,139	(150)	256	-	**32**
NONOPERATING ITEMS:					
Investment income and interest rate swaps	530	111	7	-	**662**
Loss from early extinguishment of debt	-	-	-	-	**-**
Other	-	-	-	-	**-**
Total nonoperating items	530	111	7	-	**662**
EXCESS OF REVENUE OVER EXPENSES	1,669	(39)	263	-	**694**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	**-**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 1,669	$ (39)	$ 263	$ -	$ **694**
CHANGES IN NET ASSETS					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 1,671	$ (38)	$ 1,076	$ -	$ **1,329**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	29	-	14	-	**52**
INCREASE (DECREASE) IN NET ASSETS	1,700	(38)	1,090	-	**1,381**
NET ASSETS, Beginning of year	7,829	1,370	-	-	**4,257**
NET ASSETS, End of year	$ 9,529	$ 1,332	$ 1,090	$ -	$ **5,638**

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

Pittsburgh Mercy Health System Inc., Pittsburgh

	Pittsburgh Mercy Health System	McAuley Ministries	Bethlehem Haven of Pittsburgh	Mercy Life Center Corp (Behav)	Eliminations and Other	**Pittsburgh Mercy Health System Inc., Pittsburgh**
ASSETS						
CURRENT ASSETS:						
Cash, cash equivalents and investments	$ 3,586	$ 5,150	$ 272	$ 5,133	$ -	**$ 14,141**
Assets limited as to use - current portion	-	-	300	-	-	**300**
Patient and other receivables, net	16,712	-	990	44,186	(31,815)	**30,073**
Other current assets	214	-	6	235	-	**455**
Total current assets	20,512	5,150	1,568	49,554	(31,815)	**44,969**
ASSETS LIMITED OR RESTRICTED AS TO USE						
Noncurrent portion:						
Held in trust	-	-	-	67	-	**67**
By Board	13,028	77,771	-	-	-	**90,799**
By donors	3,909	2,328	165	-	-	**6,402**
Total assets limited or restricted as to use - noncurrent portion	16,937	80,099	165	67	-	**97,268**
PROPERTY AND EQUIPMENT, Net	43	4	4,320	8,339	-	**12,706**
OTHER ASSETS	-	-	-	-	-	**-**
TOTAL ASSETS	$ 37,492	$ 85,253	$ 6,053	$ 57,960	$ (31,815)	**$ 154,943**
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES	$ 21,146	$ 209	$ 2,246	$ 14,322	$ (31,815)	**$ 6,108**
LONG-TERM DEBT, Noncurrent portion	-	-	-	854	-	**854**
OTHER LIABILITIES	-	-	-	350	-	**350**
NET ASSETS:						
Unrestricted	12,436	82,717	3,342	42,434	-	**140,929**
Restricted	3,910	2,327	465	-	-	**6,702**
TOTAL LIABILITIES AND NET ASSETS	$ 37,492	$ 85,253	$ 6,053	$ 57,960	$ (31,815)	**$ 154,943**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
June 30, 2018
(In thousands)

Pittsburgh Mercy Health System Inc., Pittsburgh

	Pittsburgh Mercy Health System	McAuley Ministries	Bethlehem Haven of Pittsburgh	Mercy Life Center Corp (Behav)	Eliminations and Other	**Pittsburgh Mercy Health System Inc., Pittsburgh**
Unrestricted revenue:						
Net patient service revenue less provision for bad debts	$ -	$ -	$ 55	$ 68,247	$ -	**$ 68,302**
Other	938	4,123	2,772	31,151	-	**38,984**
Total unrestricted revenue	938	4,123	2,827	99,398	-	**107,286**
Expenses:						
Labor costs	7,853	234	1,661	64,745	-	**74,493**
Purchased services	(8,333)	99	128	11,751	-	**3,645**
Depreciation, amortization and interest	186	3	156	1,460	-	**1,805**
Other	1,425	3,752	810	17,763	-	**23,750**
Total expenses	1,131	4,088	2,755	95,719	-	**103,693**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	(193)	35	72	3,679	-	**3,593**
Other	-	-	-	-	-	**-**
OPERATING INCOME (LOSS)	(193)	35	72	3,679	-	**3,593**
NONOPERATING ITEMS:						
Investment income and interest rate swaps	1,270	1,391	12	86	-	**2,759**
Loss from early extinguishment of debt	-	-	-	-	-	**-**
Other	-	-	-	-	-	**-**
Total nonoperating items	1,270	1,391	12	86	-	**2,759**
EXCESS OF REVENUE OVER EXPENSES	1,077	1,426	84	3,765	-	**6,352**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-	**-**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 1,077	$ 1,426	$ 84	$ 3,765	$ -	**$ 6,352**
CHANGES IN NET ASSETS						
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (286)	$ 1,140	$ 1,303	$ 3,990	$ -	**$ 6,147**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	(608)	286	140	(208)	-	**(390)**
INCREASE (DECREASE) IN NET ASSETS	(894)	1,426	1,443	3,782	-	**5,757**
NET ASSETS, Beginning of year	17,240	83,618	2,364	38,652	-	**141,874**
NET ASSETS, End of year	$ 16,346	$ 85,044	$ 3,807	$ 42,434	$ -	**$ 147,631**

TRINITY HEALTH
Supplemental Condensed Consolidating Balance Sheets - Information
June 30, 2018
(In thousands)

St. Joseph's Health System, Inc., Atlanta

	St. Joseph's Health System, Inc., Atlanta	Mercy Care	Mercy Care Foundation	Eliminations and Other	**St. Joseph's Health System, Inc., Atlanta**
ASSETS					
CURRENT ASSETS:					
Cash, cash equivalents and investments	$ 140,392	$ 393	$ 35,568	$ 37	**$ 176,390**
Assets limited as to use - current portion	-	-	134	-	**134**
Patient and other receivables, net	-	1,109	(32)	180	**1,257**
Other current assets	50	187	-	-	**237**
Total current assets	140,442	1,689	35,670	217	**178,018**
ASSETS LIMITED OR RESTRICTED AS TO USE					
Noncurrent portion:					
Held in trust	-	-	19	-	**19**
By Board	-	-	17,100	-	**17,100**
By donors	-	-	21,642	-	**21,642**
Total assets limited or restricted as to use - noncurrent portion	-	-	38,761	-	**38,761**
PROPERTY AND EQUIPMENT, Net	25,192	4,116	-	1,170	**30,478**
OTHER ASSETS	-	10,468	-	103,280	**113,748**
TOTAL ASSETS	$ 165,634	$ 16,273	$ 74,431	$ 104,667	**$ 361,005**
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	$ 132	$ 2,991	$ 92	$ 216	**$ 3,431**
LONG-TERM DEBT, Noncurrent portion	-	-	-	-	**-**
OTHER LIABILITIES	-	-	824	-	**824**
NET ASSETS:					
Unrestricted	165,502	2,445	54,043	109,885	**331,875**
Restricted	-	10,837	19,472	(5,434)	**24,875**
TOTAL LIABILITIES AND NET ASSETS	$ 165,634	$ 16,273	$ 74,431	$ 104,667	**$ 361,005**

TRINITY HEALTH

Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information

June 30, 2018

(In thousands)

St. Joseph's Health System, Inc., Atlanta

	St. Joseph's Health System, Inc., Atlanta	Mercy Care	Mercy Care Foundation	Eliminations and Other	**St. Joseph's Health System, Inc., Atlanta**
Unrestricted revenue:					
Net patient service revenue less provision for bad debts	$ -	$ 2,368	$ -	$ 67	$ **2,435**
Other	2,616	17,592	5,356	(313)	**25,251**
Total unrestricted revenue	2,616	19,960	5,356	(246)	**27,686**
Expenses:					
Labor costs	487	16,160	817	1,043	**18,507**
Purchased services	207	2,958	636	(27)	**3,774**
Depreciation, amortization and interest	669	361	-	70	**1,100**
Other	222	2,249	2,025	96	**4,592**
Total expenses	1,585	21,728	3,478	1,182	**27,973**
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	1,031	(1,768)	1,878	(1,428)	**(287)**
Other	-	-	-	-	**-**
OPERATING INCOME (LOSS)	1,031	(1,768)	1,878	(1,428)	**(287)**
NONOPERATING ITEMS:					
Investment income and interest rate swaps	2,646	3	1,719	22,495	**26,863**
Loss from early extinguishment of debt	-	-	-	-	**-**
Other	-	-	(64)	-	**(64)**
Total nonoperating items	2,646	3	1,655	22,495	**26,799**
EXCESS OF REVENUE OVER EXPENSES	3,677	(1,765)	3,533	21,067	**26,512**
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	**-**
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	$ 3,677	$ (1,765)	$ 3,533	$ 21,067	$ **26,512**
CHANGES IN NET ASSETS					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 2,478	$ (538)	$ 3,568	$ 21,119	$ **26,627**
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	(1)	(22)	(975)	1,506	**508**
INCREASE (DECREASE) IN NET ASSETS	2,477	(560)	2,593	22,625	**27,135**
NET ASSETS, Beginning of year	163,025	13,842	70,922	81,826	**329,615**
NET ASSETS, End of year	$ 165,502	$ 13,282	$ 73,515	$ 104,451	$ **356,750**

ST. JOSEPH OF THE PINES, INC.

COMPILED FORECAST

FOR THE YEARS ENDING
JUNE 30, 2019, 2020, 2021, 2022, AND 2023

ST. JOSEPH OF THE PINES, INC.
Compiled Forecast
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Bernard Robinson & Company, L.L.P.

To the Board of Directors
St. Joseph of the Pines, Inc.
Southern Pines, North Carolina

Management is responsible for the accompanying forecast of St. Joseph of the Pines, Inc. (the "Corporation"), which comprises the forecasted balance sheets as of June 30, 2019, 2020, 2021, 2022 and 2023, and the forecasted statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICAP). We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying supplementary information contained in the forecasted schedules of operating expenses by location is presented for purposes of additional analysis and is not a required part of the forecast. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not examined or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
January 25, 2019

ST. JOSEPH OF THE PINES, INC.
Forecasted Balance Sheets
June 30, 2019, 2020, 2021, 2022, and 2023

(in thousands of dollars)

	2019	2020	2021	2022	2023
Assets					
Current Assets:					
Cash and cash equivalents	$ 17,046	$ 17,503	$ 18,133	$ 18,966	$ 19,978
Patient accounts receivable, net	6,009	6,189	6,375	6,566	6,829
Prepaid expenses, inventories and other current assets	269	277	285	294	305
Total current assets	23,324	23,969	24,793	25,826	27,112
Assets Limited as to Use:					
Operating reserve	10,201	11,139	12,099	13,091	14,263
Other restricted investments	1,195	1,195	1,195	1,195	1,195
	11,396	12,334	13,294	14,286	15,458
Property, Plant and Equipment:					
Property, plant and equipment	143,407	148,727	154,100	159,526	165,007
Less: accumulated depreciation	79,096	84,416	89,789	95,215	100,696
Total property, plant and equipment	64,311	64,311	64,311	64,311	64,311
Other Assets:					
Other long-term assets	816	840	867	894	921
Total other assets	816	840	867	894	921
Total assets	$ 99,847	$ 101,454	$ 103,265	$ 105,317	$ 107,802
Liabilities and Net Assets					
Current Liabilities:					
Current portion of long-term debt	$ 856	$ 895	$ 922	$ 959	$ 1,000
Accounts payable and accrued expenses	8,813	9,077	9,351	9,630	10,017
Other accrued liabilities	1,254	1,291	1,330	1,370	1,425
Total current liabilities	10,923	11,263	11,603	11,959	12,442
Deferred Revenues and Long-Term Liabilities:					
Deferred revenues - refundable	7,344	7,564	7,791	8,025	8,346
Deferred revenues - nonrefundable	24,114	24,837	25,583	26,350	27,140
Long-term debt	46,050	45,194	44,299	43,377	42,418
Other long-term liabilities	285	294	302	311	324
Total deferred revenues and long-term liabilities	77,793	77,889	77,975	78,063	78,228
Total liabilities	88,716	89,152	89,578	90,022	90,670
Net Assets					
Unrestricted	10,875	12,046	13,431	15,039	16,876
Temporarily restricted	256	256	256	256	256
Total net assets	11,131	12,302	13,687	15,295	17,132
Total liabilities and net assets	$ 99,847	$ 101,454	$ 103,265	$ 105,317	$ 107,802

ST. JOSEPH OF THE PINES, INC.
Forecasted Statements of Operations and Changes in Net Assets
For the Years Ending June 30, 2019, 2020, 2021, 2022, and 2023

(in thousands of dollars)

	2019	2020	2021	2022	2023
Unrestricted Net Assets					
Revenues, gains and other support:					
Monthly fees	$ 17,196	$ 17,712	$ 18,243	$ 18,791	$ 19,354
Amortization of entrance fees	3,417	3,520	3,625	3,734	3,846
Health care	15,423	15,886	16,362	16,853	17,359
PACE revenue	21,980	22,639	23,319	24,018	24,739
Contributions and gifts	563	401	421	442	464
Investment income	1,000	1,000	1,000	1,000	1,000
Other operating revenues	348	358	369	380	392
Total unrestricted revenues, gains and other support	59,927	61,516	63,339	65,218	67,154
Expenses:					
Health care	11,251	11,589	11,936	12,294	12,663
PACE	21,084	21,717	22,368	23,039	23,730
Dietary	6,372	6,563	6,760	6,963	7,172
Administration	6,551	6,748	6,950	7,158	7,373
Maintenance	3,426	3,529	3,635	3,744	3,856
Laundry (linen)	117	121	124	128	132
Housekeeping	1,295	1,334	1,374	1,415	1,458
Depreciation and amortization	5,267	5,320	5,373	5,426	5,481
Interest	1,851	1,928	1,892	1,854	1,815
Other operating	1,454	1,496	1,542	1,589	1,637
Total expenses	58,668	60,345	61,954	63,610	65,317
Changes in net assets	1,259	1,171	1,385	1,608	1,837
Net assets, beginning of year	9,872	11,131	12,302	13,687	15,295
Net assets, end of year	$ 11,131	$ 12,302	$ 13,687	$ 15,295	$ 17,132

ST. JOSEPH OF THE PINES, INC.
Forecasted Statements of Cash Flows
For the Years Ending June 30, 2019, 2020, 2021, 2022, and 2023

(in thousands of dollars)

	2019	2020	2021	2022	2023
Cash flows from operating activities:					
Changes in net assets	$ 1,259	$ 1,171	$ 1,385	$ 1,608	$ 1,837
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Entrance fees received	2,808	4,463	4,598	4,735	4,957
Amortization of entrance fees	(3,417)	(3,520)	(3,625)	(3,734)	(3,846)
Depreciation and amortization	5,267	5,320	5,373	5,426	5,481
Changes in operating assets and liabilities:					
Patient accounts receivable, net	(175)	(180)	(186)	(191)	(263)
Prepaid expenses, inventories and other current assets	5	(8)	(8)	(9)	(11)
Accounts payable and accrued expenses	(171)	301	313	319	442
Other long-term liabilities	(24)	9	8	9	13
Net cash provided by operating activities	5,552	7,556	7,858	8,163	8,610
Cash flows from investing activities:					
Change in investments and assets limited as to use	325	(938)	(960)	(992)	(1,172)
Purchases of property and equipment	(5,267)	(5,320)	(5,373)	(5,426)	(5,481)
Net cash used in investing activities	(4,942)	(6,258)	(6,333)	(6,418)	(6,653)
Cash flows from financing activities:					
(Payments) borrowings on long-term debt:					
Belle Meade and Pine Knoll	(832)	(856)	(895)	(922)	(959)
Related party borrowings	-	(24)	(27)	(27)	(27)
Other long-term debt	-	39	27	37	41
Net cash used in financing activities	(832)	(841)	(895)	(912)	(945)
Net increase (decrease) in cash and cash equivalents	(222)	457	630	833	1,012
Cash and cash equivalents, beginning	17,268	17,046	17,503	18,133	18,966
Cash and cash equivalents, ending	$ 17,046	$ 17,503	$ 18,133	$ 18,966	$ 19,978
Supplemental cash flow information:					
Cash payments for interest	$ 1,851	$ 1,928	$ 1,892	$ 1,854	$ 1,815

1. BASIS OF PRESENTATION

The accompanying forecast presents, to the best knowledge and belief of the Management ("Management") of St. Joseph of the Pines, Inc. (the "Corporation"), the Corporation's expected balance sheets, related statements of operations and changes in net assets, and cash flows as of and for each of the years in the five-year period ending June 30, 2023. Management's purpose in releasing these financial forecasts is for inclusion in the Corporation's annual Disclosure Statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the forecast. Even if the hypothetical assumptions below occur within the forecast period, the Corporation recognizes that there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The financial statements included in the forecast have been prepared in accordance with the guidance contained in the *Audit and Accounting Guide, Health Care Organizations*, published by the American Institute of Certified Public Accountants. Significant accounting policies are described in the appropriate assumptions and notes to the forecasted financial statements. The assumptions described are not all-inclusive.

2. BACKGROUND OF THE CORPORATION

The Corporation is a not-for-profit corporation that owns and operates two licensed continuing care retirement communities in Southern Pines, North Carolina (collectively referred to as "Existing Operations"). Belle Meade Retirement Resort ("Belle Meade") is a 100-acre campus with 220 independent living residences; 40 assisted living beds ("Coventry"); and a 176-bed licensed skilled nursing facility (the "Health Center"). The Pine Knoll campus ("Pine Knoll") is a 19-acre campus with 90 independent living residences. The Corporation was incorporated in 1948 and has been in continuous operation since that time. The Corporation's mission is to provide a variety of housing and health services to senior citizens in the community.

The Corporation's sole corporate member is Trinity Health ("Trinity"), a tax-exempt Catholic multi-institutional health system. The Corporation is a Regional Health Ministry ("RHM") of Trinity. The mission of Trinity is to be a community of persons committed to being a transforming, healing presence within the communities it serves. The financial statements of the Corporation are included with other RHM's in the consolidated financial statements of Trinity.

3. RESIDENCY AND CARE AGREEMENTS

Under the terms of the Residency Agreement (the "Agreement"), the Corporation accepts as residents ("Resident" or "Residents") those persons at least 62 years of age at the time of occupancy (only 1 member of a couple must meet this requirement) who are able to care for themselves with limited or no assistance and are able to demonstrate the necessary financial resources to meet the Corporation's minimum fee requirements. As defined in the Agreement, a Resident is required to pay an initial entrance fee ("Entrance Fee"), and a monthly service fee ("Monthly Service Fee") on an on-going basis. Payment of these amounts entitles Residents to occupy and use the residence, common areas, amenities, programs, and services of the Corporation subject to the terms of the Agreement. In addition to the items included in the Monthly Service Fee, certain services are available to Residents for an additional charge. Upon termination of the Agreement, Residents are entitled to a refund, which is determined according to the applicable Entrance Fee amortization schedule described in the Agreement.

The Corporation offers multiple types of Entrance Fee options, ranging from non-refundable to 90 percent refundable. There are also multiple options for Monthly Service Fees, which are documented in each Agreement.

4. SIGNIFICANT ACCOUNTING PRINCIPLES

Use of Estimates - The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates made by the Corporation relate primarily to the allowance for doubtful accounts, third-party payor settlements, deferred revenue from Entrance Fees and the obligation to provide future services. Actual results could differ from these estimates.

Cash and Cash Equivalents - All cash and highly liquid debt instruments purchased with a maturity of three months or less, other than those included in assets whose use is limited, are considered cash and cash equivalents. The carrying value of cash and cash equivalents approximates market value.

Investments and Investment Income - Investments in equity securities with readily determinable fair values are recorded at fair value and all investments in debt securities are measured at fair value. Investment income is reported as operating income unless the income or loss is restricted by donor or law. Management does not project any unrealized gains or losses on investments.

Inventories - Inventories are carried at the lower of cost (first-in, first-out method) or net realizable value.

Assets Limited as to Use - Assets limited as to use include amounts set aside for the statutory operating reserves and refundable deposits held in escrow. To determine the statutory operating reserves for Belle Meade and Pine Knoll, the Corporation has allocated the projected operating expenses of Coventry and Health Center based on resident days served at each location.

4. SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Net Assets - Unrestricted net assets are those, which have no external restrictions. Temporarily restricted net assets are those for which use has been limited by donors to a specific time period or purpose or to be maintained in perpetuity. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Property and Equipment - Property and equipment purchased by the Corporation are stated at cost. Donated property and equipment are stated at the estimated fair value at the date of donation. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets, generally 5 - 40 years.

Costs of Acquiring Initial Continuing Care Contracts - Costs of acquiring continuing care contracts during the construction period of Belle Meade and Pine Knoll have been capitalized. These costs are being amortized on a straight-line basis over the average expected lives of the Residents under contract.

Deferred Financing Costs and Original Issue Discount - Deferred financing costs and original issue discounts are being amortized using the effective interest method over the term of the related financing agreement.

Deferred Revenue from Entrance Fees - Upon termination (moving or death), Corporation Residents are entitled to a refund of a pro-rated portion of their Entrance Fees. Entrance Fees of 4 percent are earned by the Corporation upon advancement to Pine Knoll and Belle Meade. The refundable percentage is reduced monthly, according to the terms of the contract, until there is no refund due or the minimum refundable amount guaranteed under contract has been reached. Refundable and non-refundable fees are classified as deferred revenue from Entrance Fees. Entrance Fees are recognized as income over the estimated life expectancy of each Resident, or couple, adjusted on an annual basis.

Derivative Financial Instruments - Accordingly, the Corporation recognizes all derivative financial instruments in the accompanying forecasted balance sheets at fair value.

Refundable Deposits - Deposits for Belle Meade and Pine Knoll accommodations are deferred when received. A portion of the deposit is refundable if the Resident terminates the Residency Agreement. Upon occupancy of the unit, the deposit is amortized into income using the straight-line method over the estimated remaining life expectancy of the Resident, or couple, adjusted on an annual basis.

Advertising Costs - The cost of advertising is expensed as incurred.

Social Accountability Costs - The Corporation has a policy of providing health services to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the Corporation does not expect payment from these patients, estimated charges for charity care are not included in net patient service revenue.

4. SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Obligation to Provide Future Services - The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current Residents and compares that amount with the balance of deferred revenue from Entrance Fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from Entrance Fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. No liability has been estimated during the forecast period because the present value of the estimated costs of future services and the use of facilities is less than deferred revenue from Entrance Fees.

Operating Indicators - The forecasted statements of operations and changes in net assets include revenue, gains or losses, and other support. Changes in unrestricted net assets, which are excluded from operating income consistent with industry practice, include unrealized gains and losses on investments and unrestricted contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Net Patient Service Revenue - Third-party payors (Medicare, Medicaid, and commercial insurance payors) provide payments to providers at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is the estimated amount to be realized for services rendered, including estimated retroactive adjustments.

Retroactive adjustments are accrued on an estimated basis in the period the related services are provided and adjusted in future periods upon final settlements. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that adequate provision has been made for adjustments that may result from reviews by third-party payors.

Resident Service Revenue - Resident service revenue represents the estimated net realizable amounts due from Residents for services rendered, including the portion of the deferred Entrance Fees earned in the current year. Amortization of deferred revenue from non-refundable Entrance Fees is included in Resident service revenue in the accompanying forecasted statements of operations and changes in net assets.

Contributions - Contributions are recorded as revenue and are considered to be available for unrestricted use, unless specifically restricted by the donor.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the forecasted statements of operations and changes in net assets as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying forecasted financial statements.

4. SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Contributions (Continued) - The Corporation reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Income Taxes - The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the IRC. Accordingly, Management has assumed no income tax liability accruing to the Corporation.

5. ASSUMED INDEPENDENT LIVING UNIT UTILIZATION

Management assumes that the occupancy of independent living units would be 80 to 90 percent throughout the forecast period.

The assumed turnover for independent living units of the Corporation due to death, withdrawal or transfer to either the assisted living units or skilled nursing beds, and double occupancy of the independent living units has been provided by the Corporation's actuary, A.V. Powell (the "Actuary") and is presented in the following table.

Projected Turnover Schedule - Independent Living Units

Year Ending June 30,	Existing ILU's
2019	41
2020	38
2021	36
2022	36
2023	34

Management has assumed utilization of the Coventry and the Health Center to average 90 percent throughout the forecast period.

6. REVENUE

Resident Service Revenue - Resident service revenue is based upon charges for services provided to Residents of independent living units and the Health Center. Resident service revenue for independent living Residents is based upon the assumed occupancy and the Monthly Service Fees of the respective units. The Entrance Fees and associated Monthly Service Fees assumed to be charged to Residents of the independent living units are summarized in the following tables.

Entrance and Monthly Service Fees - Belle Meade
Independent Living Units

Unit Type	Number of Units	Approximate Square Footage	Standard Entrance Fees	Monthly Service Fees
Apartments:				
Avington	21	1,454	$ 212,284	$ 3,345
Bristol	3	800	124,190	2,367
Combination	4	2,323	348,450	4,542
Cotswold	55	1,366	191,240	3,285
Dorset I	11	1,518	215,556	3,349
Dorset II	21	1,620	228,420	3,641
Keswick	4	1,906	276,370	4,065
Somerset	26	962	143,627	2,634
Wellington	27	1,205	178,340	3,024
Cottages:				
Essex Cottage	9	1,973	312,678	4,328
Prescott Cottage	11	2,060	280,912	4,036
Sterling Cottage	8	2,322	364,533	4,736
Homes:				
Essex	4	1,913	312,678	4,328
Hampstead	8	1,799	293,816	4,127
Sterling	6	2,221	364,533	4,736
Windsor	2	1,632	267,073	3,878
Total/Weighted Average	220	1,504	$ 221,402	$ 3,471

6. REVENUE (Continued)

Entrance and Monthly Service Fees - Pine Knoll
Independent Living Units

Unit Type	Number of Units	Approximate Square Footage	Standard Entrance Fees	Monthly Service Fees
Villas at Pine Knoll:				
Apartments:				
Halsford	7	300	$ 52,223	$ 1,767
Lampford	18	573	84,732	1,899
Upton	15	720	95,626	2,190
Newland	8	836	115,954	2,290
Total/Weighted Average	48	623	88,599	2,036
Overlook at Pine Knoll:				
Apartments:				
Ashmore	8	1,295	173,232	3,333
Kingston	8	1,618	224,391	3,603
Scotsgrove	4	1,344	180,749	3,428
Cottages:				
Woodleigh	8	1,211	164,625	3,178
Bickleigh	10	1,322	199,933	3,386
Ashleigh	1	1,347	233,779	3,713
Kingsford	1	1,381	237,549	3,783
Dunsford	1	1,443	243,845	3,855
Fernhill	1	1,733	364,098	4,285
Total/Weighted Average	42	1,369	197,609	3,431
Total/Weighted Average	90	1,992	$ 139,470	$ 2,687

Health Center Revenue - Health Center fees are generated from services provided to Residents transferring from the independent living units as well as direct admissions from the local surrounding area. All Residents are assumed to pay the current charges at the prevailing market rates established by the Corporation except for any Healthcare Benefit that may be available. The Health Center provides services to private-pay, commercial insurance, Medicaid and Medicare Residents. Average per-diem charges are assumed to be $298 in 2019, increasing 3 percent annually for 2020 through 2023.

Assisted Living - Coventry Residents are charged a base per diem fee for services provided. In addition to the base Monthly Service Fee, there are additional levels of care provided for an extra charge, which will be designed for Residents who require additional assistance with activities of daily living ("ADLs").

Earned Entrance Fees - Management has assumed that all of the existing Residents are enrolled under the standard option with a 3 to 4 percent annual increase.

6. REVENUE (Continued)

Other Income - Forecasted other income consists of revenue from additional Resident meals and snacks, guest meals, guest apartment rentals, barber and beauty fees, and other miscellaneous sources. Other income also includes revenue for ancillary services for nursing. These revenues are projected by Management to increase approximately 3 to 4 percent annually throughout the forecast period.

Contributions and Release of Temporary Restrictions - Contributions and bequests include endowment income and unrestricted gifts. Management assumes that total contributions and bequests in unrestricted contributions to net assets will increase approximately 5 percent annually throughout the forecast period.

7. OPERATING EXPENSES

Forecasted operating expenses are estimated by Management based upon the historical experience of the Corporation.

Staff salaries and wages are forecasted to comprise approximately 35 to 36 percent of operating expenses. Salaries and wages are based on prevailing local salary and wage rates of the Corporation and are assumed by Management to increase 3 percent annually throughout the forecast period.

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses. The cost of these non-salary operating expenses is assumed by Management to increase 3 percent annually throughout the forecast period.

8. PROPERTY AND EQUIPMENT AND DEPRECIATION EXPENSE

Management estimates that the Corporation will incur Project costs and routine capital additions during the forecast period that will be capitalized as property and equipment. Depreciation expense for all capital assets is computed based on the straight-line method for buildings and equipment over estimated average useful lives of 40 and 10 years, respectively. Project-related costs as well as routine capital additions during the forecast period are summarized in the table below.

Schedule of Property and Equipment
(In Thousands of Dollars)

At June 30,	2019	2020	2021	2022	2023
Beginning balance	$ 138,140	$ 143,407	$ 148,727	$ 154,100	$ 159,526
Routine additions	5,267	5,320	5,373	5,426	5,481
	143,407	148,727	154,100	159,526	165,007
Accumulated depreciation	79,096	84,416	89,789	95,215	100,696
Property and equipment, net	$ 64,311	$ 64,311	$ 64,311	$ 64,311	$ 64,311

9. LONG-TERM DEBT

An unsecured promissory note was executed on December 16, 2013, whereby Trinity loaned $52,345,000 to the Corporation. The Corporation used the proceeds to repay existing long-term debt. Monthly payments on the loan fluctuate throughout the projection period and range from $30,958 and $269,155, including interest at a rate of 3.8%. The debt has a scheduled maturity of March 2051.

The following table presents the assumed principal payments on the Bonds during the forecast period and thereafter.

Projected Principal Payments on Bonds, Net of Swap Agreement Impact
(In Thousands of Dollars)

Calendar Year Ending June 30,	
2019	$ 856
2020	895
2021	922
2022	959
2023	1,000
Thereafter	42,418
	$ 47,050

10. CURRENT ASSETS AND CURRENT LIABILITIES

Current assets and current liabilities (working capital) have been estimated based on industry standards and Management's historical experience as follows:

Working Capital - Days on Hand

Cash	40 -100 days operating expenses (H)
Accounts receivable	25 days operating revenues (I)
Prepaid expenses	3 days operating expenses (H)
Accounts payable and accrued expenses	20 days operating expenses (H)

Notes:
(H) Operating expenses exclude amortization, depreciation and interest expense.
(I) Operating revenues include independent living monthly fees and Health Center service fees.

11. OPERATING RESERVE REQUIREMENT

North Carolina General Statute §58-64-33 requires that a Continuing Care Retirement Community (CCRC) maintain an operating reserve equal to 50 percent of the total operating costs in a given year, or 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the independent living unit capacity (the "Operating Reserve Requirement"). This law provides security to residents that the community will be able to meet its contractual obligations to provide certain continuing care. The Corporation is forecasted to have sufficient cash and investment balances to comply with the Operating Reserve Requirement and expects to maintain an occupancy rate in excess of 85 percent at the Pine Knoll campus and the Belle Meade campus for the forecasted period.

SUPPLEMENTARY INFORMATION

ST. JOSEPH OF THE PINES, INC.
Forecasted Schedules of Operating Expenses by Location
For the Years Ending June 30, 2019, 2020, 2021, 2022, and 2023

(in thousands of dollars)

	2019	2020	2021	2022	2023
Belle Meade:					
Health care	$ -	$ -	$ -	$ -	$ -
Dietary	3,321	3,420	3,523	3,629	3,738
Administration	4,833	4,978	5,127	5,281	5,439
Maintenance	1,675	1,725	1,777	1,830	1,885
Laundry (linen)	86	88	91	94	97
Housekeeping	475	489	504	519	535
Depreciation and amortization	3,104	3,135	3,166	3,198	3,230
Interest	997	1,027	1,058	1,090	1,123
Other operating	643	701	732	764	798
Total	$ 15,134	$ 15,563	$ 15,978	$ 16,405	$ 16,845
Pine Knoll:					
Health care	$ -	$ -	$ -	$ -	$ -
Dietary	1,221	1,258	1,296	1,335	1,375
Administration	1,508	1,553	1,600	1,648	1,697
Maintenance	785	809	833	858	884
Laundry (linen)	10	10	10	10	10
Housekeeping	179	184	190	196	202
Depreciation and amortization	575	581	587	593	599
Interest	212	218	225	232	239
Other operating	417	432	438	446	454
Total	$ 4,907	$ 5,045	$ 5,179	$ 5,318	$ 5,460
Non-resident clients:					
Health care	$ 11,251	$ 11,589	$ 11,936	$ 12,294	$ 12,663
PACE	21,084	21,717	22,368	23,039	23,730
Dietary	1,830	1,885	1,941	1,999	2,059
Administration	210	217	223	229	237
Maintenance	966	995	1,025	1,056	1,087
Laundry (linen)	21	23	23	24	25
Housekeeping	641	661	680	700	721
Depreciation and amortization	1,588	1,604	1,620	1,635	1,652
Interest	642	683	609	532	453
Other operating	394	363	372	379	385
Total	$ 38,627	$ 39,737	$ 40,797	$ 41,887	$ 43,012

ST. JOSEPH OF THE PINES, INC.
Forecasted Schedules of Operating Expenses by Location (Continued)
For the Years Ending June 30, 2019, 2020, 2021, 2022, and 2023

	2019	2020	2021	2022	2023
Total expenses:					
Health care	$ 11,251	$ 11,589	$ 11,936	$ 12,294	$ 12,663
PACE	21,084	21,717	22,368	23,039	23,730
Dietary	6,372	6,563	6,760	6,963	7,172
Administration	6,551	6,748	6,950	7,158	7,373
Maintenance	3,426	3,529	3,635	3,744	3,856
Laundry (linen)	117	121	124	128	132
Housekeeping	1,295	1,334	1,374	1,415	1,458
Depreciation and amortization	5,267	5,320	5,373	5,426	5,481
Interest	1,851	1,928	1,892	1,854	1,815
Other operating	1,454	1,496	1,542	1,589	1,637
Total	$ 58,668	$ 60,345	$ 61,954	$ 63,610	$ 65,317

Residency Agreement
Continuing Care Retirement Community
of Belle Meade and Pine Knoll
Southern Pines, North Carolina

THIS RESIDENCY AGREEMENT ("Agreement") is made this ________ day of _________, 20___ between SAINT JOSEPH OF THE PINES, INC. (the "Corporation") and ______________________________ ("You", "Your", "Yourself" or "Resident").

BACKGROUND

The Corporation is a not-for-profit corporation that owns and operates retirement communities in Southern Pines, North Carolina. The Corporation was established in 1948 and has been in continuous operation since that time. The mission of the Corporation, a part of Trinity Health System, is to provide outstanding senior living and health services. As we do so, we will listen with special care to those who are least able to speak to their own needs. A brief description of the Corporation's facilities is as follows:

Belle Meade Campus ("Belle Meade") is located at 100 Waters Drive and consists of two-hundred twenty (220) independent living residential apartments in three story buildings, cottages, homes, and a community center with common areas and amenities.

The Pine Knoll Campus ("Pine Knoll") began its operations in1984 as St. Joseph of the Pines Villas. The 19-acre campus is located in Southern Pines, North Carolina at 590 Central Drive and is approximately two miles from Belle Meade.

- **The Overlook at Pine Knoll** (the "Overlook") consists of twenty (20) independent living apartments in a renovation of the historic Pine Needles Resort Inn, four (4) cottage homes in a renovation of the historic Pine Needles Pro Shop, and eighteen (18) existing cottage homes.
- **The Villas at Pine Knoll** (the "Villas") consists of forty-seven (47) independent living apartments in three wings connected to the community center with common areas and amenities.

St. Joseph of the Pines Health Center (the "Health Center") is located at 103 Gossman Drive and is licensed for 176 nursing beds and is adjacent to Belle Meade. The Health Center includes a Rehabilitation and Memory Support Unit.

Assisted Living

- **The Coventry** (the "Coventry") is located at 105 Gossman Drive and is licensed as a sixty (60) unit Adult Care Home and is adjacent to Belle Meade.
- **Family Care Homes** ("Family Care Homes") include **Constance Cottage** located at 145 Waters Drive at Belle Meade, **Mary Manor** located at 147 Waters Drive at Belle Meade and **The Pines** located at 125 Long Leaf Road.
- **Home Care** ("Home Care") provides assistance with activities of daily living and companionship in home settings.

THE CORPORATION AND YOU HEREBY AGREE AS FOLLOWS:

I. RESIDENTIAL UNIT REQUIREMENTS AND PROCEDURES

The residency requirements for occupying a residential unit ("Residential Unit") are non-discriminatory, and Belle Meade and Pine Knoll are open to both married and single men and women of all races, religions and national origin. Residency requirements and procedures are administered by management of the Corporation ("Management") as follows:

A. **Age.** Admission is restricted to persons sixty-two (62) years of age or older; if the Resident is a couple, at least one member of the couple must be sixty-two (62) years of age at the time of Residency.

B. **Application Forms.** To apply for residency at Belle Meade and Pine Knoll, You shall submit an application on forms furnished by the Corporation for approval by Management.

C. **Health Requirements.** You must be in good health, able to move about independently, and capable of performing activities of daily living without assistance. Personal health disclosures are required and may need to be updated periodically. All Residents must secure and keep in force during the term of the Residency Agreement health insurance approved by SJP (e.g., supplemental insurance). Residents eligible for Medicare/Medicaid must apply for and secure the maximum benefits available under Medicare Parts A and B and provide copies of policies and/or Medicare coverage upon admission or upon eligibility.

D. **Financial Requirements.** You must possess adequate financial resources to meet present and future financial obligations of this agreement, as well as Your personal living expenses. Personal financial disclosures are required and may need to be updated periodically.

E. **Representations.** You affirm that the representations made in the application forms and all supporting information are true and correct and may be relied upon by the Corporation as a basis for entering into this Agreement. Should such representations not be accurate, the Corporation reserves the right to decline admission, or to offer admission under alternative requirements and criteria.

F. **Additional Disclosure.** The Corporation may require additional or updated personal information prior and subsequent to Residency.

G. **Approval for Residency.** Upon receipt of completed application forms, Management will review the forms submitted by You for initial acceptance to Belle Meade and Pine Knoll. Based on entrance criteria and policies established by the Board of Trustees of the Corporation, Management will respond to the application for initial acceptance within approximately fifteen (15) business days of receipt of completed application forms.

II. RESIDENTIAL UNIT

A. **Unit.** You have selected _____ Pine Knoll/____ Belle Meade Residence Number _________, a ______________ type of Residence. You shall have the right to occupy, use and enjoy Your Residential Unit subject to the terms of this Agreement. The common areas and amenities provided are available for the use and enjoyment of all Residents.

B. **Furnishings in the Residential Unit.** Each Residential Unit in Belle will provide wall-to-wall carpeting, emergency call system, refrigerator with icemaker, stove, oven, dishwasher, microwave, mini-blinds, washer and dryer, and other furnishings. Each Residential Unit in The Villas will provide wall-to-wall carpeting, emergency call system, refrigerator, mini-blinds, and other furnishings. Each Residential Unit in the Overlook and the Cottages will provide wall-to-wall carpeting, emergency call system, refrigerator with icemaker, stove, oven, dishwasher, microwave, mini-blinds, washer and dryer, and other furnishings.

C. **Options and Custom Features in the Residential Unit.** You may select options and custom features for the Residential Unit for an additional charge that is collected from You at the time of work commencement or Closing. Any such options and custom features selected and paid for by You will become part of the Residential Unit and the property of the Corporation. Some options and custom features will be submitted to the Options Committee for approval. If You are paying an Entrance Fee, Your Entrance Fee Refund, if applicable to You, may be decreased by the amount required to return the Residential Unit to its original condition should the Corporation deem that such customization chosen by You has rendered the Residential Unit less marketable. Alternatively, and especially if You do not pay an Entrance Fee but pay a Membership Fee, the Corporation may charge (with advance notice to You upon your selection of custom features) a non refundable "upfit fee" to You as a result of Your custom features, in the sole discretion of the Corporation. The upfit fee shall correlate to the anticipated cost of returning the Residential Unit to its original condition upon vacating of the Unit by You. Itemization of options and custom features ordered by You, as well as any "upfit fee," as applicable, and the terms of payment for such options and custom features, are outlined in a Statement of Account.

III. COMMON AREAS AND AMENITIES

A. **Common Area and Amenities**. The Corporation will provide common areas and amenities for the use and benefit of all residents. Common areas at Belle Meade include: two dining options, a private dining room, main lobby, a chapel, bank, hair salon, an activities room, a craft room, a game room, a woodworking shop, croquet court, putting green, walking paths, swimming pool, and tennis court. Common areas at Pine Knoll include: two dining options, a private dining room, main lobby, additional lobbies in the Villas residential wings, a chapel, hair salon, an activities room, mail center, lounges, card and game room, exercise area, walking paths, an outdoor courtyard; and other common areas and amenities described in the Resident Handbook.

B. **Parking.** The Corporation will provide lighted parking areas for Your personal vehicle(s), including one surface parking space per Residential Unit and additional parking for guests. Covered parking, as available, will be an optional feature for apartment Residents at an additional cost.

IV. SERVICES AND PROGRAMS

After Your Closing Date, You shall receive the following services from the Corporation for as long as this Agreement is in effect:

a. **Discretionary Credits.** A Discretionary Credit allowance, as stated in the current Resident Handbook, is included for each Resident of an independent living Residential Unit. The Resident Handbook describes items available for purchase with Discretionary Credits; however, the Corporation reserves the right to change the Resident Handbook and thus the items capable of being purchased with Discretionary Credits is subject to change. Unused Discretionary Credits are non-transferable. The Discretionary Credit allowance is subject to change with thirty (30) days' notice. The cost of items purchased that exceed the monthly Discretionary Credit allowance will be billed to You on a monthly basis. Upon transfer to the Health Center or Assisted Living, the Discretionary Credit allowance will be suspended.

b. **Temporary Healthcare.** If you are in need of temporary care in the Health Center or in Assisted Living, it will be provided for no additional charge for fourteen (14) cumulative days of a stay in any calendar year in the Health Center or Assisted Living. Unless otherwise directed by You, the aforesaid fourteen (14) days shall commence following the conclusion of payment for such services by any insurance You may have, such as Medicare paid skilled nursing facility benefits. Decisions concerning temporary care in the Health Center or in Assisted Living are made after consultation between the Corporation's Health Evaluation Team, Your physician, You, and Your spouse (if any) or immediate family. During such period, You shall continue to pay Your Monthly Fee.

c. **Healthcare Benefit Option.** The Corporation offers Healthcare Benefit Options as set forth below.

a) **Extensive Benefit**: Upon determination by Management that Your stay in the Health Center or Assisted Living is permanent, You agree to vacate the Residential Unit, and Your Monthly Fee shall change such that You shall receive a fifty percent (50%) discount from the published per diem fee at the time You transfer to either Assisted Living or nursing care. Resident's short and long term skilled nursing needs are provided in the Health Center through the standard accommodation of a semi-private room. A private room may be provided for a surcharge and is based on availability.

b) **Fee-for-service:** Upon determination by Management that Your stay in the Health Center or Assisted Living is permanent, You agree to vacate the Residential Unit, and Your Monthly Fee shall change such that You will pay the then current, published per diem fee for either Assisted Living or nursing care. Resident's short and long term skilled nursing needs are provided in the Health Center through the standard accommodation of a semi-private room. A private room may be provided for a surcharge and is based on availability.

You agree that the Corporation will have the right and ability to file for any health care reimbursement available to You on Your behalf.

d. **Activities.** The Corporation will provide planned and scheduled social, recreational, spiritual, educational and cultural activities, arts and crafts classes, exercise, health and wellness programs, and other special activities. Some activities may require an additional charge and all participation is voluntary.

e. **Maintenance and Repairs.** The Corporation will maintain and repair its own improvements, furnishings, appliances and equipment. You will be responsible for the cost of repairing damage to the property of the Corporation caused by You or any guests of Yours, ordinary wear and tear excepted.

f. **Ad Valorem Taxes.** The Corporation is currently exempt from ad valorem taxes. Should the ad valorem tax obligations of the Corporation change, the Corporation may change the Monthly Fee accordingly.

g. **Dining Services.** Three (3) meals each day will be available in a choice of dining venues. Subject to the terms of the Resident Handbook, Discretionary Credits may be used to pay for the cost of meals. You will be charged monthly for meals taken that exceed the monthly Discretionary Credits amount.

h. **Utilities.** The Corporation will furnish heating, air conditioning, electricity, basic cable service, water, sewer service, and trash removal. You are responsible for the charges related to long-distance telephone (outside the continental USA), premium cable television service, and internet service. *

i. **Housekeeping Services**. The Corporation will provide housekeeping services once per every two weeks. The Corporation may require certain housekeeping activities to be conducted to preserve the Residential Unit in good condition. You may purchase additional housekeeping time. *

j. **Grounds keeping.** The Corporation will furnish basic grounds keeping services including lawn, tree and shrubbery care. Depending on the availability of space, as determined by the Corporation, You may be permitted to plant and maintain certain areas designated for such purpose by Management. *

k. **Transportation.** The Corporation will provide local transportation for residents on a regularly scheduled basis outlined in the Resident Handbook. An additional charge may be made for transportation for special, personal or private group trips.*

l. **Safety.** The Corporation will provide emergency call devices and twenty-four (24) hour emergency call response. In addition, smoke detectors are located in each Residential Unit.*

m. **Administrative Services.** The Corporation will provide personnel and administrative services to include those required to deliver services to residents, maintain and support required staff, comply with regulatory requirements, maintain the assets and liabilities of the Corporation, and generally conduct prudent business practices.*

n. **Away Allowance.** When You are away from Belle Meade and Pine Knoll for fourteen (14) consecutive days or more, and have made arrangements in advance with Management, You will be credited with a current, published away allowance determined by Management beginning on the fifteenth (15) day.*

*these services and programs are applicable upon Your actual, physical occupancy of a Residential Unit.

V. FINANCIAL ARRANGEMENTS

A. **Residents who pay an Entrance Fee.** If You have elected to pay an Entrance Fee (either deferred or non-deferred), You agree to pay to the Corporation the Entrance Fee as a condition of becoming a Resident. Additionally, You agree as follows:

(1) **Refund Plans**. The Corporation offers three Entrance Fee Refund Plans, the Standard Plan, the Fifty Percent (50%) Refund Plan, and the Ninety Percent (90%) Refund Plan. The cost of any options or custom features added to the Residential Unit by You shall not be considered part of the Entrance Fee and will not be refunded to You unless specifically indicated in an Addendum to this Agreement.

(a) Standard Refund Option: If You have elected the Standard Refund Option, You will receive a refund in an amount equal to the Entrance Fee paid by You less two percent (2%) for each month after Your Closing Date for up to forty nine (49) months; and less an administrative charge of the greater of one thousand dollars ($1000.00) or two percent (2%) of the Total Entrance Fee; and less the prorata (calculated, per diem) Monthly Fee (i.e. periodic charges) specified in the Agreement. No refund of the paid Entrance Fee shall be issued to You after forty nine (49) months from Your Closing Date. Any other unpaid fees to the Corporation shall reduce any refund.

(b) Fifty Percent (50%) Refund Option: If You have elected the fifty percent (50%) Refund Option, You shall receive a refund in an amount equal to fifty percent (50%) of the Entrance Fee paid by You less two percent (2%) of the Total Entrance Fee for each month after Your Closing Date for up to twenty four (24) months; and less an administrative charge of the greater of one thousand dollars ($1000.00) or two percent (2%) of the Total Entrance Fee; and less the prorata (calculated per diem) Monthly Fee (i.e. periodic charges) specified in the Agreement. Notwithstanding the foregoing, the Refund under this Option shall never be less than 50% of the Entrance Fee paid by You less the periodic charges specified in the Agreement. Any other unpaid fees to the Corporation shall reduce any refund. This Option must be elected at time of closing or within ninety (90) days of Closing Date (defined in Section VI (B)).

(c) Ninety Percent (90%) Refund Option: If You have elected the ninety percent (90%) Refund Option, You shall receive a refund in the amount equal to the ninety percent (90%) Entrance Fee paid by You less two percent (2%) of the Total Entrance Fee for each month after Your Closing Date for up to four (4) months and less an administrative charge of the greater of one thousand dollars ($1000.00) or two percent (2%) of the Total Entrance Fee; and less the prorate (calculated per diem) Monthly Fee (i.e. periodic charges) specified in the Agreement. Notwithstanding the foregoing, the Refund under this Option shall never be less than 90% of the Entrance Fee paid by You less the periodic charges specified in the Agreement. Any other unpaid fees to the Corporation shall reduce any refund. This Option must be elected at time of closing or within ninety (90) days of Closing Date (defined in Section VI (B)).

(2) **Entrance Fee Term Sheet.** See Appendix 1 entitled **Entrance Fee Term Sheet.** By signing this Agreement, You have agreed with the choices and provisions of the Entrance Fee Term Sheet of Your Agreement.

(3) **Balance of the Entrance Fee.** If you are paying the non deferred Entrance Fee, then the balance of the Total Entrance Fee for the Residential Unit will be due and payable on the Closing Date. If you are paying a deferred Entrance Fee, the Entrance Fee balance is due the earlier of (1) the date that You physically occupy a Residential Unit or (2) one year from your Closing Date. If You should find that you are unable to timely make the Entrance Fee payment under the terms of this Agreement, you should immediately contact the Corporation.

B. **Residents who Pay a Membership Fee.** If You have elected to pay a Membership Fee You agree to pay to the Corporation a Membership Fee as a condition of becoming a Resident. Additionally, You agree as follows:

(1) **Membership Fee.** Your Membership fee for your Residence is $________________ and is due on Your Closing Date, as set forth below in Your Membership Fee Term Sheet set out in **Appendix 2**. The Membership Fee shall in no way be considered or interpreted to be a security deposit.

(2) **Membership Fee Term Sheet**. See Appendix 2 entitled **Membership Fee Term Sheet**. By signing this Agreement, You have agreed with the choices and provisions of the Membership Fee Term Sheet of Your Agreement.

C. **Monthly Fee**. Upon Closing, You agree to pay the Corporation a monthly fee in the amount of $____________ per month for the first person intending to occupy the Residential Unit, plus an additional $_________ per month for the second person (if applicable) occupying the Residential Unit (collectively, the "Monthly Fee") beginning ___________________________(date). These fees are published with an effective date through _______ (Month) _______ (Year). Moreover, prior to Your physical occupancy of a Residential Unit, You may be entitled to receive a credit against your Monthly Fee. The Amount of your Monthly Credit shall be $__________. Your Monthly Credit shall continue until such time as you actually physically occupy a Residential Unit.

D. **Ability to Pay after payment in full of Entrance Fee or Membership Fee.** After Your Closing Date and your payment in full of Your Entrance Fee or Membership Fee, as applicable, if You shall become insolvent or otherwise become unable to pay charges for residing in Belle Meade and Pine Knoll, due to no fault of your own, the Corporation shall attempt to find alternative means to secure payment of the Monthly Fee and other charges. The Corporation makes no guarantee or promise that it will be able to find an alternative source of payment, only that it will make an attempt. If the Corporation cannot secure other sources of financing to cover Your expense, the Corporation shall begin accruing its charges with repayment thereof, to whatever extent possible, to be made from You and Your estate. You agree to cooperate with the Corporation in filing applications with agencies that may assume responsibility for payment of charges that You are unable to pay. The Corporation has the right to adjust Your Residential Unit size and location if You are unable to pay, or obtain payment of the Monthly Fee and any other charges owed to the Corporation for services provided to You. If, in the judgment of the Corporation, You fully cooperate with the Corporation, then You shall continue to be entitled to the minimum privileges and benefits enjoyed by residents of Belle Meade and Pine Knoll, although such privileges and benefits may be less than those enjoyed by you before your ability to pay was compromised.

E. **Deferred Entrance Fee Residents: Ability to Pay after Closing Date where Balance of Entrance Fee is due.** Subject to Article XI, if You elected to defer your Entrance Fee payment, and if you should fail to pay the Balance of Entrance Fee payment when due or monthly service fee when due, the Corporation shall send you notice of the same and if the delinquency is not cured within 30 days of the notification of delinquency, all monies paid by You in connection with this Agreement shall be forfeited and shall become the property of the Corporation and shall constitute liquidated damages for the benefit of the Corporation. It is acknowledged by You that the payment of the aforesaid monies to the Corporation in the event of a breach of this Agreement by You is compensatory and not punitive, such amount being a reasonable estimation of the actual loss that the Corporation would incur as a result of such breach. The payment of the monies paid by You to the Corporation in the event of your breach shall not constitute a penalty or forfeiture but actual compensation for Corporation's anticipated loss, both You and the Corporation acknowledging the difficulty determining the Corporation's actual damages for such breach. After Your failure as aforesaid, this Agreement shall be null and void and no longer of binding effect against the Corporation.

F. **Membership Fee v. Entrance Fee.** Your decision to pay either a Membership Fee or Entrance Fee is personal and is driven by Your personal economic factors and economic considerations. For an understanding of the differences between payment of an Entrance Fee versus payment of a Membership Fee, See ***Appendix 3.***

G. **Adjustments in the Monthly Fee.** The Corporation reserves the right to increase the Monthly Fee and anticipates an adjustment of the Monthly Fee on an annual basis. At least a sixty (60) day notice will be given to You before any adjustments in the Monthly Fee take effect.

H. **Double Residency.** If more than one person occupies or intends to occupy the Residential Unit, they shall both be equally and fully responsible for the payment of all fees required under this Agreement.

VI. DATE OF AVAILABILITY, CLOSING DATE, and RESIDENCY

A. Date of Availability. Many times, the Residential Unit or an interim Residential Unit is ready for Your immediate occupancy. Therefore, in such instances of immediate availability, the Date of Availability is simultaneous with the date of your execution of this Agreement. If the Residential Unit or an interim Residential Unit is not ready for immediate occupancy, however, the Corporation will keep You apprised on a regular basis of the schedule for availability of the Residential Unit or comparable interim Residential Unit. The Corporation retains the right to extend the Date of Availability to account for delays in the preparation of the Residential Unit for Residency.

B. Closing Date. Your specific Closing Date is specifically noted on Your Worksheet of Appendix 1 or 2 as applicable to You. If You are paying a Membership Fee or a non deferred Entrance Fee, You will choose a Closing Date within Ten (10) days of the Date of Availability at which time You will pay the balance of the non deferred Entrance Fee or Membership Fee (as applicable) and the Monthly Fee as stipulated in V. C above. If You do not choose a Closing Date within Ten (10) days of the Date of Availability, the Corporation may offer the Residential Unit to another prospective resident, unless other arrangements are agreed to in writing between You and the Corporation. If You are paying a deferred Entrance Fee, Your Closing Date is the Date You sign this Agreement.

C. Residency. Residency begins on Your Closing Date. Upon Residency, The Corporation shall be obligated to provide You with the services and amenities outlined in this Agreement. Residency continues so long as you comply with the terms of this Agreement; and so long as You pay Your Monthly Fee and additional expenses.

VII. ACCESS TO HEALTH CARE SERVICES THROUGH THE CORPORATION

The Health Center is owned and operated by the Corporation and provides accommodations for the Residents of the Corporation as well as patients from the community and is licensed for 176 nursing beds. It is located on at 103 Gossman Drive and is adjacent to Belle Meade.

Residents of the Corporation have priority access to the Health Center, the Coventry and Family Care Homes before non-residents. In the event You require care that is within the limits of the health care services available at the Health Center, the Coventry or Family Care Homes, but no facilities (beds) are available in which to provide such care, the Corporation may provide Home Care services until a facility is available or transfer You to a comparable off-site medical facility of Management's selection where You would receive the same level of benefit. You would return to the Health Center or Assisted Living at the earliest possible opportunity.

A. **Assisted Living.** The Corporation will make available Assisted Living in its or an affiliates licensed facilities to provide assistance with daily living activities as may be deemed necessary by Management and/or the Medical Director. Services may include bathing, dressing, administration of medication, three (3) meals per day, housekeeping, personal laundry service, transportation and activities.

B. **Skilled Nursing.** The Corporation will make available routine nursing care in the Health Center or an affiliates licensed facilities as may be deemed necessary by Management and/or the Medical Director. Services shall include three (3) meals per day, housekeeping, personal laundry service, assistance with daily living activities and nursing services as ordered by the appropriate physician. High-acuity nursing or specialty nursing services may not be provided at the Health Center upon determination by Management that the needs of the Resident cannot be met.

C. **Rehabilitative Services.** The Corporation will provide occupational, physical, speech and other rehabilitative therapeutic services, as approved by Management. Services requiring an additional fee will be described in Resident Handbook.

D. **Staffing.** The Health Center is staffed by licensed and certified nursing staff twenty-four (24) hours per day.

E. **Licensure.** The Corporation will provide care to Residents in keeping with respective North Carolina licensure requirements and limitations.

F. **Wellness Services**. The Corporation provides Wellness Services in the form of activities, fitness instruction, therapies, education, and many scheduled events.

G. **Medical Director.** The overall coordination and supervision of health care services by the Corporation will be provided by a Medical Director who will be a licensed physician selected by the Corporation.

H. **Physician and Hospital Services.** You are responsible for the cost of all physician and hospital services. You are free to choose Your personal physicians.

I. **Outside Service Providers.** Should You choose to engage the services of an outside party, unaffiliated with the Corporation, for additional personal services delivered at Belle Meade and Pine Knoll, You agree to abide by all current Belle Meade and Pine Knoll policies and procedures for the use of such Service Providers to include security screening, proper identification and disclosure. You also indemnify and hold harmless the Corporation for any actions of such Service Providers.

J. **Decisions Regarding Admissions and Transfer.** The Corporation will involve Resident and Resident's family and/or representatives to the extent practical in decisions regarding admissions, the transfer of Resident to appropriate venues of care, and all decisions regarding the safety and wellbeing of all residents living at Belle Meade and Pine Knoll. The role of Resident's family and/or representatives is advisory in nature. The Corporation shall have the final decision in all such matters, and such decisions shall be binding.

K. **Illness Away From The Corporation.** You agree to assume financial responsibility for hospital, medical and nursing care during any illness or accident occurring while away from Belle Meade and Pine Knoll and to see that, upon Your return, full medical information is supplied to Management for Your medical records.

L. **Transfer to the Health Center or Assisted Living.** You agree that Management has the authority to determine when You should be transferred from one level of care to another. Such determination shall be based on the professional opinion of Management, and shall be made only after consultation to the extent practical with You, a representative of Your family, and Your physician.

M. **Transfer Appeal Process.** You have the right to appeal the Management's decision to transfer You to the Corporation's Health Center or Assisted Living Residence. Your appeal should be in writing, should state Your reasons for disagreement with the transfer, and should be delivered to the Management no later than ten (10) days after the date of your written notification of the decision to transfer as aforesaid. Upon receipt of Your written appeal, the Health Evaluation Team and the Medical Director will review Your written appeal, and submit a recommendation to the Chief Executive Officer of the Corporation who shall review the same with the Board of Trustees Executive Committee of the Corporation. The decision of the Chief Executive Officer and the Board of Trustees Executive Committee shall be final as to the matter of Your transfer. The final decision shall be delivered to you in writing, and if the appeal is denied and transfer is determined, then You shall have thirty (30) days to transition to the Health Center or Assisted Living Residence as determined.

N. **Transfer to Hospital or Other Facility.** If it is determined by Management that You need care beyond that which can be provided by the Corporation, You may be transferred to a hospital or institution equipped to give such care. Such care, and transportation to receive such care, will be Your responsibility. Such transfer will be made only after consultation to the extent possible with You, or Your representative and Your physician.

O. **Surrender of Residential Unit.** If a determination is made by Management that any transfer is likely to be permanent in nature, You agree to vacate and waive your right to use the Residential Unit upon such transfer. If Management subsequently determines that You can resume Residency in a Residential Unit comparable to that occupied by You prior to such transfer, You shall have a priority to such Residential Unit as soon as it becomes available.

VIII. TRANSFERS OR CHANGES IN RESIDENTIAL UNIT

A. **Voluntary Transfer Between Residential Units.** Upon approval by Management, You may transfer from one Residential Unit to another. You shall have priority for selection of such Residential Unit over non-residents. There may be a fee charged for such a transfer.

1. **Transfer to a Residential Unit with a Higher Entrance Fee or Membership Fee, as applicable.** Should You elect to transfer to a Residential Unit with a current Entrance Fee in excess of the listed price for Your current Residential Unit or a current Membership Fee that is higher than the Membership Fee paid by You, as applicable, You will pay the Corporation an additional Entrance Fee or Membership Fee as applicable, equal to the difference between the then current Entrance Fee or Membership Fee as applicable, for Your Residential Unit and the new Residential Unit. You will also pay the then current Monthly Fee associated with the new Residential Unit.

2. **Transfer to a Residential Unit with a Lesser Entrance Fee or Membership Fee as applicable.** Should You elect to transfer to a Residential Unit with a current Entrance Fee less than the listed price of Your current Residential Unit or a current Membership Fee that is lower than the Membership Fee paid by You, as applicable, there is no refund on any portion of Your Entrance Fee or Membership Fee as applicable. You will also pay the then current Monthly Fee associated with the new Residential Unit.

IX. TERMS OF RESIDENCY

A. **Your Rights.** In accordance with this Agreement, You have the right to occupy, use, and enjoy the Residential Unit, common areas, amenities, programs and services of the Corporation during Residency. This Agreement does not transfer or grant to You any interest in the real or personal property owned by the Corporation other than the rights and privileges as described in this Agreement.

B. **Policies and Procedures.** You will abide by the Corporation's policies and procedures and such amendments, modifications and changes of the policies and procedures as may hereafter be adopted by the Corporation. Such policies and procedures and current charges for services not included in the Monthly Fee will be printed in the Resident Handbook, which will be updated by the Corporation on a regular basis.

C. **Monthly Statements**. The Corporation will furnish You with a monthly statement showing the total amount of Monthly Fees and other charges owed by You which are due and payable by the tenth (10^{th}) day of each month. The Corporation may charge interest at a rate of one and one-half percent (1½%) per month on any unpaid balance owed by You twenty (20) days after the due date. Resident shall be responsible for the payment of all actual attorneys' fees and costs incurred relative to the collection of any amounts past due in excess of ninety (90) days.

D. **Changes in the Residential Unit, Services and Fees.** The Corporation has the right to change the Residential Unit, the services offered and the fees charged. The Residential Unit may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation. The Corporation may modify the Residential Unit at any time to conform to the requirements of any zoning regulation, building code or other laws or regulations.

E. **Visitors.** Except for short-term visitors (no more than 2 weeks) or guests in accordance with the Corporation's policy, no person other than You may reside in the Residential Unit without the approval of Management.

F. **Residency by Two Residents.** In the event that two Residents occupy a Residential Unit and one Resident terminates this Agreement, this Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residential Unit and pay the First Person Monthly Fee. Should the remaining or surviving Resident wish to move to another Residential Unit, the current policies of the Corporation governing said transfer will prevail. Refunds will not be paid until both Residents have terminated this Agreement, and all other terms and requirements regarding refunds under this Agreement have been met.

G. **Marriage During Residency.** If You marry a person who is also a Resident, You may occupy either Residential Unit and shall surrender the Residential Unit not to be occupied by You. You will pay the current Monthly Fee for double Residency associated with the occupied Residential Unit.

In the event that You marry a person who is not a resident of Belle Meade and Pine Knoll, the spouse may become a resident if such spouse meets all the current requirements for admission to Belle Meade and Pine Knoll, enters into a current version of the Agreement with the Corporation, and pays an appropriate Entrance Fee or Membership Fee, as applicable and as agreed to by Management. You and Your Spouse shall pay the Monthly Fee for double Residency associated with the Residential Unit occupied by You.

H. **Loss or Damage of Property.** The Corporation shall not be responsible for the loss or damage of any property belonging to You due to theft, disappearance, fire or any other cause. You will carry insurance protection to cover personal loss. The Corporation shall insure all property within all Residential Units and common areas belonging to the Corporation.

I. **Insurance and Assignments.** Before the Date of Residency and during Residency, You shall apply for, secure, and maintain coverage under Medicare Parts A and B and an additional hospital or medical insurance benefit program which supplements Medicare or other comparable insurance approved by Management. You shall provide the Corporation with evidence of such coverage, and You shall pay all premiums. To operate a vehicle, Resident shall maintain automobile liability insurance to cover liability and medical expenses arising from injury to the Resident or others.

You shall authorize, as necessary, any provider of hospital, medical, and health services to receive reimbursement under any and all reimbursement programs available to You.

If You become entitled to medical care and/or reimbursement from governmental agencies or insurance policies, You shall make application for such care and benefits, actively maintain such benefits, and You shall assign all insurance proceeds receivable to the Corporation to the extent necessary to reimburse the Corporation for all health care expenditures made by the Corporation on Your behalf.

J. **Right of Entry.** You hereby authorize employees or agents of the Corporation to enter the Residential Unit for the purposes of housekeeping, repairs, maintenance, inspection, fire drills, and in the event of an emergency.

K. **Rights to Property/Subordination.** The rights and privileges granted to You by this Agreement do not include any right, title or interest in any part of the personal property, land, buildings and improvements owned or administered by the Corporation. Your rights are primarily for services, with a contractual right of Residency. Nothing contained in this Agreement shall be construed to create the relationship of landlord and tenant between the Corporation and You.

L. **Residents' Association.** Residents may organize an Association and committees, which will be open to all Residents. Such organizations may elect representatives, officers, and other positions to engage in concerted activities set forth by the formed Association.

M. **The Operation of Vehicles.** The Corporation shall have an interest in the matter of Residents' on-going capabilities in the operation of automobiles and electric or motorized carts. The current policies and procedures for the use of automobiles and motorized carts are outlined in the Resident Handbook.

N. **Smoking.** Smoking is prohibited within and upon the entirety of the Corporation's facilities, campus, and all Residential Units.

O. **Pets.** The Corporation allows Residents to have certain pets. The Residential Units in which pets are permissible are at the discretion of Management. An additional fee will be applied to residents who have pets.

P. **Guest Privileges.** Short Term Guests may stay with You in the Residence at no additional charge other than for meals, etc., but such stays shall be limited to Fourteen (14) consecutive days. The maximum number of guests allowed will be at the discretion of Management. A daily charge will be billed to You for each guest remaining beyond Fourteen (14) days. You are responsible for paying all applicable guest charges.

X. Termination.

A. **Your Termination or Your Death more than Thirty Days after the execution of this Agreement and AFTER Your physical Occupancy of a Residential Unit**. At any time more than thirty days after Your execution of this Agreement and AFTER your physical occupancy of a Residential Unit, You may terminate this Agreement by giving the Corporation thirty (30) days written notice of such termination. Additionally, and only in accordance with Item X, C herein, this Agreement may be terminated by the Corporation at such time. In such instances the following governs refunds:

1. If You paid an **Entrance Fee**, the terms of Refund of the Entrance Fee are stipulated in Article V and the remittance of the same is governed by Article X, D.
2. If You paid a **Membership Fee**, then in the event of voluntary termination more than 30 days after execution of this Agreement and after Your physical occupancy of a unit, then no part of the Membership Fee is paid or refunded to You in any event.
3. With regard to the **Deposit** paid by You, the Deposit in such instance shall be refunded to you less a non-refundable penalty of one thousand dollars ($1000) and the refund of the Deposit shall occur within thirty days of receipt of notice of termination.

Notwithstanding the foregoing, if a Second Person is part of this Agreement, then this Agreement shall terminate only upon termination by the You and the Second Person or upon the death of You and the Second Person of this Agreement.

B. **Your Termination for reasons other than death or illness, incapacity, or injury at a time that is more than Thirty Days after the execution of this Agreement and BEFORE Your physical Occupancy of a Residential Unit**. At any time more than thirty days after Your execution of this Agreement and BEFORE your physical occupancy of a Residential Unit, You may terminate this Agreement by giving the Corporation thirty (30) days written notice of such termination. Additionally, in accordance with Item X, C herein, this Agreement may be terminated at such time. In such instances the following governs refunds:

1. If the reason for termination of the agreement more than thirty days after Your execution of this Agreement and BEFORE your physical occupancy of a Residential Unit, is due to your death, illness, incapacity or injury, such that You cannot occupy a Residential Unit pursuant to the provisions of this Agreement, then Article XI applies.
2. If You or the Corporation terminates this Agreement more than thirty days after your execution of this Agreement and before physical occupancy by you, for any reasons **other than** your death, illness, incapacity or injury as aforesaid,, then the following applies:
    a. If You paid a **Membership Fee**, then the Corporation shall refund the entire Membership Fee, less a non-refundable charge of one thousand dollars ($1000.00) less any other charges owed to the Corporation. Such refund shall occur within thirty (30) days of receipt of written notice.
    b. If you paid an **Entrance Fee**, then the Corporation shall refund the Entrance Fee in accordance with the provisions of Article V and actually transmit the refund to You or Your legal representative in accordance with item X, D hereinbelow.
    c. Additionally, if you paid a **Deposit,** the Deposit, less a non refundable charge of $1000.00 shall be refunded to you. Such refund shall occur within thirty (30) days of receipt of written notice.

Notwithstanding the foregoing, if a Second Person if part of this Agreement, then this Agreement shall terminate only upon termination by You and the Second Person or upon the death of You and the Second Person of this Agreement.

C. **Termination by the Corporation.** The Corporation may terminate this Agreement upon a determination of just cause and delivery of at least thirty (30) days' Notice or such notice as is reasonable under the circumstances to You. Just cause may include, among other reasons, a material misrepresentation or omission made by You in Your application forms for admission; subject to the "ability to pay" provision set forth herein, Your failure to make payment to the Corporation of any fees and charges due the Corporation; Your failure to abide by the rules and regulations adopted by the Corporation; the breach of any of the terms and conditions of this Agreement; or a good faith determination in writing by the Medical Director that You are a danger to Yourself or others. In situations where You are a danger to Yourself or others, only such notice as is reasonably practicable under the circumstances will be provided to You, and termination may be effective immediately. The refund of the Entrance Fee paid or Membership Fee, as applicable, and Deposit shall be determined in the manner described herein, depending on the number of days that has expired since You signed this Agreement, the refund option You selected (if you paid an Entrance Fee), and whether you have actually physically occupied a Residential Unit.

D. **Payment of Refunds of Entrance Fee.** Notwithstanding the foregoing, Entrance Fee Refunds, if applicable to You, are payable upon Your vacating and waiving of your right to use the Corporation's facilities and/or Your Residential Unit, Your move from the facilities of the Corporation and/or death, and the termination of this Agreement, but no later than the Corporation has received a replacement Entrance Fee for Your Residential Unit from a new resident. In cases of double Residency, the permanent transfer from the Corporation and/or death of one Resident will not terminate this Agreement as to the remaining Resident. Refunds shall not be paid until both Residents have vacated the Corporation and a replacement Entrance Fee for the Residential Unit has been received. All refunds shall be paid less any costs required to return the Residential Unit to its original condition (normal wear and tear excepted); plus any costs owed by You to the Corporation; plus any costs required to remove and dispose of or store personal belongings left in the Residential Unit; and within sixty (60) days of the receipt by the Corporation of a replacement Entrance Fee for Your Residential Unit. The Corporation may remove personal articles deemed by Management to have been abandoned by Resident.

XI. RESCISSION, CANCELLATION AND REFUND PROVISIONS WITHIN THIRTY DAYS OF YOUR EXECUTION OF THIS AGREEMENT.

A. RESCISSION AND CANCELLATION.

1. You may rescind the Agreement within 30 days following the later of the execution of the Agreement or the receipt of a disclosure statement of the Corporation. You are not required to move into the Residential Unit before the expiration of the 30-day period.

2. If You die before physically occupying a unit in the facility, or if, on account of illness, injury, or incapacity, before physically occupying a unit in the facility, You are precluded from ever physically occupying a Residential Unit under the terms of the Agreement for continuing care, this Agreement is automatically canceled.

3. For rescinded or canceled Agreements under this section, You or Your legal representative shall receive a refund of the Deposit and Entrance Fee paid or Membership Fee paid to the Corporation, as applicable, less (i) periodic charges specified in this Agreement and applicable only to the period a Residential Unit was actually occupied by You; (ii) those nonstandard costs specifically incurred by the Corporation at Your request and described in the Agreement (i.e. including but not

limited to costs required to return the Residential Unit to its original condition (normal wear and tear excepted); plus any costs owed by You to the Corporation; plus any costs required to remove and dispose of or store personal belongings left in the Residential Unit) ; (iii) nonrefundable fee of $250 which is a processing fee of the Deposit; and (iv) a reasonable service charge not to exceed the greater of one thousand dollars ($ 1,000) or two percent (2%) of the Entrance Fee paid or Membership Fee, as applicable. The remittance of the refund of the Entrance Fee to You or Your legal representative is subject to the provisions of Article X, item D. The remittance of the balance of the Deposit and Membership Fee to You or Your legal representative shall occur within thirty (30) days of receipt of written notice. Finally, the Monthly Service Charges paid by You, are not refundable in such event because they were payment for services accessible and available to You.

XII. FINANCIAL ASSISTANCE

Through charitable donations, the Corporation has established the Resident Assistance Fund, the income of which will be used to assist Residents who would otherwise not be able to live at Belle Meade and Pine Knoll. The income from such Resident Assistance Fund may be used for the purpose of providing financial assistance in accordance with the provisions of Section V (D) above. The Corporation manages the fund and may make contributions to the fund at the discretion of the Finance Committee and the Board of Trustees. Other benefactors, such as residents, members of the community, and others may contribute to the Resident Assistance Fund. The Corporation retains the right to offer this financial assistance at its sole discretion.

XIII. ORGANIZATION

The Corporation is affiliated with the Roman Catholic Church. The sole member of the Corporation is Trinity Health System, a Michigan nonprofit corporation ("THS"). Although a Board of Trustees governs the Corporation, THS maintains a high level of control over the Corporation through the exercise of certain powers reserved to it such as adoption or approval of the Corporation's mission, strategic plan, operating plans and budgets, approval of significant financial transactions and the appointment and removal of the Trustees. Neither the Roman Catholic Church nor THS is responsible for the Corporation's general financial or contractual obligations.

XIV. GENERAL

A. **<u>Assignment.</u>** Your rights and privileges under this Agreement to the Residential Unit, common areas, amenities, services and programs of the Corporation are personal to You and may not be transferred or assigned. Resident consents to the collateral, or other, assignment by the Corporation of its right, title and interest in the Agreement.

B. **<u>Management of The Corporation.</u>** The absolute rights of management are reserved by the Corporation, its Board of Trustees, and its administration as delegated by said Board of Trustees. The Corporation reserves the right to accept or reject any person for residency based on qualifying criteria. Residents do not have the right to determine admission, terms of admission, or terms of Residency for any other applicant or resident.

C. **Entire Agreement.** This Agreement and its Addenda constitutes the entire agreement between the Corporation and You. The Corporation shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations, or promises are set forth in this Agreement or an Addendum to this Agreement.

D. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and Your heirs, executors, administrators, and assigns.

E. **Power of Attorney, Will and Health Care Power of Attorney.** You agree to execute a general power of attorney designating a competent person as attorney-in-fact, advance directives, and a Will prior to acceptance for admission. You shall provide Management with copies of Power of Attorney, any Living Will and Health Care Power of Attorney, as well as the location of any Will, prior to Residency and any subsequent revisions, as necessary.

F. **Transfer of Property.** You agree not to make any gift or other transfer of property for less than equal consideration for the purpose of evading Your obligations under this Agreement, or if such gift or transfer would render You unable to meet Your obligations to the Corporation. Voluntary insolvency to the detriment of the Corporation and other Belle Meade and Pine Knoll residents will be considered cause for termination of this Agreement per Section X(C) hereof.

G. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.

H. **Third Party Injuries and Claims.** You shall promptly notify the Corporation when You are injured as a result of the fault or negligence of a third party or parties. In the event that the Corporation provides care for any such injuries incurred by You as can be furnished by its employees and facilities, You hereby assign to the Corporation any compensation that You may recover from such third party or parties to the extent necessary to reimburse the Corporation for the cost of such care furnished by the Corporation. You or Your legal representative shall have the duty to pursue diligently any and all proper claims for compensation due from a third party or parties for injury to You and to cooperate with the Corporation in collecting such compensation and reimbursing the Corporation for the cost of all such care provided to You.

I. **Severability and Forbearance.** If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of the Agreement shall be valid and enforceable to the fullest extent permitted by law. No act of forbearance or failure to insist upon prompt performance of any of the terms of this Agreement by the Corporation shall be construed as a waiver of rights granted to the Corporation, or limit the Corporations' ability to enforce all the provisions of this Agreement.

J. **No Waiver of Rights.** No act, agreement or statement of Resident, or of an individual purchasing care for a Resident under any agreement to furnish care to Resident, shall constitute a valid waiver of any provision intended for the benefit or protection of Resident or the individual purchasing care for Resident.

K. **Casualty Loss.** In the event the Residential Unit occupied by You or the building in which the Residential Unit is located, is destroyed or so damaged by fire or other casualty so as to render the Residential Unit or the building generally unfit for Residency, the Corporation will endeavor in good faith to rebuild and replace the Residential Unit and/or building with substantially similar accommodations. In the unlikely event that the Corporation determines that rebuilding threatens the financial viability of the Corporation so as to preclude replacement of the Residential Unit or building, then the Corporation will strive to develop an alternative restoration plan in which it will exercise its best efforts to locate, identify or provide, if financially feasible as determined by the Corporation, reasonable alternative accommodations for any resident affected by such a catastrophic loss. In the event You are unable to occupy the Residential Unit for any period of time during any reasonably necessary period of restoration of the Residential Unit, the Monthly Fee shall be reduced proportionately, unless a vacant Residential Unit is available for temporary Residency by You. The Corporation shall not be liable for any damage, compensation or claim by reason of inconvenience or annoyance arising from the necessity of repairing any portion of the Residential Unit or building, or the interruption in use of the Residential Unit, or the termination of this Agreement by reason of the destruction of the Residential Unit or building.

L. **Notice Provisions.** Any notices, consents, or other communications to The Corporation hereunder (collectively "notices") shall be in writing and addressed as follows:

> President/CEO
> Saint Joseph of The Pines, Inc.
> 100 Gossman Drive, Suite B
> Southern Pines, North Carolina 28387

M. **Acknowledgement of Receipt of Disclosure Statement.** You acknowledge receipt of Saint Joseph of The Pines' Disclosure Statement, Resident Handbook and Notice of Privacy Practices and Policies.

IN WITNESS HEREOF, The Corporation has executed this Agreement and You have read, understand, and have executed this Agreement, and You have paid the Ten Percent (10%) Deposit for the Residential Unit as of the day and year above written.

______________________	______________________
Witness	Resident Signature
______________________	______________________
Witness	Resident Signature

THE CORPORATION

____
Signature

____
Title

____
Date

Appendix 1 – Entrance Fee Termsheet for Resident (Name):

Health Care Benefit Option: ____________________

Entrance Fee Refund Option Selected by You: ____________________

Residential Unit Selected: ____________________

Entrance Fee (based on Unit selected): ____________________

Second Person Entrance Fee (if applicable): ____________________

Total Entrance Fee
(based on Benefit Option, Refund Option, and
Unit Selected): ____________________

Ten Percent (10%) Deposit Due: ____________________

Less $1,000 Deposit (if applicable): ____________________

Net Deposit Due: ____________________

Upfit Fee (if applicable) ____________________

Balance of Entrance Fee:
(based on Benefit Option, Refund Option, and
Unit Selected): ____________________

Balance of Entrance Fee Due:

______on the Closing Date

OR

______ The Earlier of 1 year from the Closing Date or actual, physical occupancy of a Residential Unit, whichever is sooner.

Closing Date: ________________________________

Date first Monthly Service Charge is due: ________________________

____ ____________________

Resident signature **date**

____ ____________________

Resident signature **date**

Appendix 2 – Membership Fee Termsheet for Resident (Name):

You have agreed to pay a Membership Fee of: ____________
Healthcare Benefit Option: ____________
Residential Unit Selected: ____________

Second Person Membership Fee (if applicable): ____________

Upfit Fee (if applicable) ____________

Total Membership Fee: ____________
Ten Percent (10%) Deposit Due upon signing
Of this Agreement: ____________

Less $1,000 Deposit (if applicable): ____________

Balance Due at Closing Date: ____________
(Based on Unit Selected):

Closing Date: ____________

Date first Monthly Service Charge is due: ____________

____________ ____________
Resident signature **date**

____________ ____________
Resident signature **date**

Appendix 3: Understanding the major differences between payment of a Membership Fee versus payment of an Entrance Fee.

Important Items of the Residency Agreement that are identical for both Entrance Fee and Membership Fee Residents:

Identical…

- Health requirements for approval for residency in independent living unit.
- Access to Belle Meade and Pine Knoll common areas and amenities.
- Discretionary Credits.
- Temporary Health Care for 14 days in calendar year.
- Away allowance treatment
- Ability to use Belle Meade and Pine Knoll common areas and amenities prior to and after your actual physical occupancy of a unit.
- Priority access to the continuum of care offered by St. Joseph of the Pines, Inc.
- Ability to Cancel the Agreement within thirty (30) days of the date you sign the Residency Agreement. In such event, you are entitled to a full refund of your Membership Fee or Entrance Fee less certain charges itemized in the Agreement.
- Refund of your Deposit, if paid, upon termination of the Agreement, less a $1000.00 non refundable charge.

The differences between choosing to pay an Entrance Fee and choosing to pay a Membership Fee are economic in nature.

Important Items of the Residency Agreement that are Only applicable to Entrance Fee Residents:

Entrance Fee Residents Only…

- Have options to select Refund Plans (You may elect a plan that would insure some refund of the entrance fee under the then existing conditions of the refund plans offered).
- Have options regarding deferred Entrance Fee payment (You may pay the entire Entrance Fee immediately or you may defer the payment of the Entrance Fee (or a portion of it) for the earlier of the date you physically occupy a residential unit or one year from your Closing Date.
- Generally, pay a higher fee (i.e. entrance fee) to acquire residency and pay a lesser monthly service fee.
- Upon termination **after** thirty days of the date of execution of the Agreement, You are entitled to a refund of the Entrance Fee consistent with the refund plan you selected less certain charges itemized in the Agreement.
- May choose between Extensive Benefit or Fee for Service Health Care Benefit Option.

Continue to next page…

Important Items of the Residency Agreement that are Only applicable to Membership Fee Residents:

Membership Fee Residents Only…

- Have no options regarding Refund Plans or deferred membership fee payment.
- Generally, pay a lower fee (i.e. membership fee) to acquire residency and pay a higher monthly service fee.
- Upon termination (including your death) **after** thirty days of the date of execution of the Agreement, and **After** occupancy of the Unit, You do not get a refund of the Membership Fee paid.
- Upon termination (other than death) **after** thirty days of the date of execution of the Agreement, and **before** occupancy of the Unit, You get a refund of the Membership Fee less a $1000.00 non refundable charge and less certain charges itemized in the Agreement.
- Upon your death, **after** thirty days of the date of execution of the Agreement and **before** occupancy of the Unit, you get a full refund of the Membership Fee less certain charges identified in the Agreement.
- Have Fee For Service Extensive Health Care Benefit Option.

ST. JOSEPH of the PINES

NOTICE OF PRIVACY PRACTICES

Effective Date: April 14, 2003
Revised: May 2, 2016

THIS NOTICE DESCRIBES HOW MEDICAL INFORMATION ABOUT YOU MAY BE USED AND DISCLOSED AND HOW YOU CAN GET ACCESS TO THIS INFORMATION. PLEASE REVIEW IT CAREFULLY.

St. Joseph of the Pines is required by the Health Insurance Portability and Accountability Act of 1996, and the Health Information Technology for Economic and Clinical Health Act (found in Title XIII of the American Recovery and Reinvestment Act of 2009) (collectively referred to as "HIPAA"), as amended from time to time, to maintain the privacy of individually identifiable patient health information (this information is "protected health information" and is referred to herein as "PHI"). We are also required to provide patients with a Notice of Privacy Practices regarding PHI. We will only use or disclose your PHI as permitted or required by applicable state law. This Notice applies to your PHI in our possession including the medical records generated by us.

St. Joseph of the Pines understands that your health information is highly personal, and we are committed to safeguarding your privacy. Please read this Notice of Privacy Practices thoroughly. It describes how we will use and disclose your PHI.

This Notice applies to the delivery of health care by St. Joseph of the Pines and its clinical staff in the skilled nursing facility, assited living, home care and PACE. This Notice also applies to the utilization review and quality assessment activities of Trinity Health and St. Joseph of the Pines as a member of Trinity Health, a Catholic health care system with facilities located in multiple states throughout the United States.

I. Permitted Use or Disclosure

A. <u>Treatment:</u> St. Joseph of the Pines will use and disclose your PHI to provide, coordinate, or manage your health care and related services to carry out treatment functions. The following are examples of how St. Joseph of the Pines will use and/or disclose your PHI:

- To your attending physician, consulting physician(s), and other health care providers who have a legitimate need for such information in your care and continued treatment.
- To coordinate your treatment (e.g., appointment scheduling) with us and other health care providers such as name, address, employment, insurance carrier, etc.
- To contact you as a reminder that you have an appointment for treatment or medical care at our facilities.
- To provide you with information about treatment alternatives or other health-related benefits or services.
- If you are an inmate of a correctional institution or under the custody of a law enforcement officer, St. Joseph of the Pines will disclose your PHI to the correctional institution or law enforcement official.

B. **Payment:** St. Joseph of the Pines will use and disclose PHI about you for payment purposes. The following are examples of how St. Joseph of the Pines will use and/or disclose your PHI:

- To an insurance company, third party payer, third party administrator, health plan or other health care provider (or their duly authorized representatives) for payment purposes such as determining coverage, eligibility, pre-approval / authorization for treatment, billing, claims management, reimbursement audits, etc.
- To collection agencies and other subcontractors engaged in obtaining payment for care.

C. **Health Care Operations:** St. Joseph of the Pines will use and disclose your PHI for health care operations purposes. The following are examples of how St. Joseph of the Pines will use and/or disclose your PHI:

- For case management, quality assurance, utilization, accounting, auditing, population based activities relating to improving health or reducing health care costs, education, accreditation, licensing and credentialing activities of St. Joseph of the Pines.
- To consultants, accountants, auditors, attorneys, transcription companies, information technology providers, etc.

D. **Other Uses and Disclosures:** As part of treatment, payment and health care operations, St. Joseph of the Pines may also use your PHI for the following purposes:

- Fundraising Activities: St. Joseph of the Pines will use and may also disclose some of your PHI to a related foundation for certain fundraising activities. For example, St. Joseph of the Pines may disclose your demographic information, your treatment dates of service, treating physician information, department of service and outcomes information to the foundation who may ask you for a monetary donation. Any fundraising communication sent to you will let you know how you can exercise your right to opt-out of receiving similar communications in the future.
- Medical Research: St. Joseph of the Pines will use and disclose your PHI without your authorization to medical researchers who request it for approved medical research projects. Researchers are required to safeguard all PHI they receive.
- Information and Health Promotion Activities: St. Joseph of the Pines will use and disclose some of your PHI for certain health promotion activities. For example, your name and address will be used to send you general newsletter or specific information based on your own health concerns.

E. **More Stringent State and Federal Laws:** The State law of St. Joseph of the Pines is more stringent than HIPAA in several areas. Certain federal laws also are more stringent than HIPAA. St. Joseph of the Pines will continue to abide by these more stringent state and federal laws.

i. **More Stringent Federal Laws:** The federal laws include applicable internet privacy laws, such as the Children's Online Privacy Protection Act and the federal laws and regulations governing the confidentiality of health information regarding substance abuse treatment.

ii. **More Stringent State Laws:** State law is more stringent when the individual is entitled to greater access to records than under HIPAA. State law also is more restrictive when the records are more protected from disclosure by state law than under HIPAA. In cases where St. Joseph of the Pines provides treatment to a patient who resides in a neighboring state, St. Joseph of the Pines will abide by the more stringent applicable state law.

F. **Health Information Exchange:** St. Joseph of the Pines shares your health records electronically with St. Joseph of the Pines for the purpose of improving the overall quality of health care services provided to you (e.g., avoiding unnecessary duplicate testing). The electronic health records will include sensitive diagnoses such as HIV/AIDS, sexually transmitted diseases, genetic information, and mental health substance abuse, etc. The HIE is functioning as our business associate and, in acting on our behalf, the HIE will transmit, maintain and store your PHI for treatment, payment and health care operation purposes. The HIE has a duty to implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality and integrity of your medical information.

Health Information Exchange: If a statewide or regional health information exchange operates in this state the MO will share your health records electronically with the exchange for the purposes of improving the overall quality of health care services provided to you (e.g., avoids unnecessary duplicate testing). The electronic health records will include sensitive diagnosis such as HIV/AIDS, sexually transmitted diseases, genetic information, and mental health substance abuse, etc. The HIE is functioning as our business associate and, in acting on our behalf, the HIE will transmit, maintain and store your PHI for treatment, payment and health care operation purposes. The HIE has a duty to implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality and integrity of your medical information. State law may provide you rights to restrict, opt-in or opt-out of the exchange. For more information please contact the MO Privacy Officer.

II. Permitted Use or Disclosure with an Opportunity for You to Agree or Object

A. **Family/Friends:** St. Joseph of the Pines will disclose PHI about you to a friend or family member who is involved in or paying for your medical care. You have a right to request that your PHI not be shared with some or all of your family or friends. In addition, St. Joseph of the Pines will disclose PHI about you to an agency assisting in disaster relief efforts so that your family can be notified about your condition, status, and location.

B. **St. Joseph of the Pines – Facility Directory:** St. Joseph of the Pines will include certain information about you in facility directory while you are a hospital patient at St. Joseph of the Pines. This information will include your name, location in St. Joseph of the Pines, your general condition (e.g., fair, stable, critical, etc.) and your religious affiliation. The directory information, except your religious affiliation, will be disclosed to people who ask for you by name. You have the right to request that your name not be included in St. Joseph of the Pines's directory. If you request to opt-out of the facility directory, we cannot inform visitors of your presence, location, or general condition.

C. **Spiritual Care:** Directory information, including your religious affiliation, will be given to a member of the clergy, even if they do not ask for you by name. Spiritual care providers are members of the health care team at St. Joseph of the Pines and may be consulted upon regarding your care. You have the right to request that your name not be given to any member of the clergy.

D. **Media Reports:** St. Joseph of the Pines will release facility directory information to the media (excluding religious affiliation) if the media requests information about you using your name and after we have given you an opportunity to agree or object.

III. Use or Disclosure Requiring Your Authorization

A. **Marketing:** Subject to certain limited exceptions, your written authorization is required in cases where St. Joseph of the Pines receives any direct or indirect financial remuneration in exchange for making the communication to you which encourages you to purchase a product or service or for a disclosure to a third party who wants to market their products or services to you.

B. **Research:** St. Joseph of the Pines will obtain your written authorization to use or disclose your PHI for research purposes when required by HIPAA.

C. **Psychotherapy Notes:** Most uses and disclosures of psychotherapy notes require your written authorization.

D. **Sale of PHI:** Subject to certain limited exceptions, disclosures that constitute a sale of PHI require your written authorization.

E. **Other Uses and Disclosures:** Any other uses or disclosures of PHI that are not described in this Notice of Privacy Practices require your written authorization. Written authorizations will let you know why we are using your PHI. You have the right to revoke an authorization at any time.

IV. Use or Disclosure Permitted or Required by Public Policy or Law without your Authorization

A. **Law Enforcement Purposes:** St. Joseph of the Pines will disclose your PHI for law enforcement purposes as required by law, such as identifying a criminal suspect or a missing person, or providing information about a crime victim or criminal conduct.

B. **Required by Law:** St. Joseph of the Pines will disclose PHI about you when required by federal, state or local law. Examples include disclosures in response to a court order / subpoena, mandatory state reporting (e.g., gunshot wounds, victims of child abuse or neglect), or information necessary to comply with other laws such as workers' compensation or similar laws. St. Joseph of the Pines will report drug diversion and information related to fraudulent prescription activity to law enforcement and regulatory agencies.

C. **Public Health Oversight or Safety:** St. Joseph of the Pines will use and disclose PHI to avert a serious threat to the health and safety of a person or the public. Examples include disclosures of PHI to state investigators regarding quality of care or to public health agencies regarding immunizations, communicable diseases, etc. St. Joseph of the Pines will use and disclose PHI for activities related to the quality, safety or effectiveness of FDA regulated products or activities, including collecting and reporting adverse events, tracking and facilitating in product recalls, etc.

D. **Coroners, Medical Examiners, Funeral Directors:** St. Joseph of the Pines will disclose your PHI to a coroner or medical examiner. For example, this will be necessary to identify a deceased person or to determine a cause of death. St. Joseph of the Pines may also disclose your medical information to funeral directors as necessary to carry out their duties.

E. **Organ Procurement:** St. Joseph of the Pines will disclose PHI to an organ procurement organization or entity for organ, eye or tissue donation purposes.

F. **Specialized Government Functions:** St. Joseph of the Pines will disclose your PHI regarding government functions such as military, national security and intelligence activities. St. Joseph of the Pines will use or disclose PHI to the Department of Veterans Affairs to determine whether you are eligible for certain benefits.

G. **Immunizations:** St. Joseph of the Pines will disclose proof of immunization to a school where the state or other similar law requires it prior to admitting a student.

V. Your Health Information Rights

You have the following individual rights concerning your PHI:

A. Right to Inspect and Copy: Subject to certain limited exceptions, you have the right to access your PHI and to inspect and copy your PHI as long as we maintain the data.

If St. Joseph of the Pines denies your request for access to your PHI, St. Joseph of the Pines will notify you in writing with the reason for the denial. For example, you do not have the right to psychotherapy notes or to inspect the information which is subject to law prohibiting access. You may have the right to have this decision reviewed.

You also have the right to request your PHI in electronic format in cases where St. Joseph of the Pines utilizes electronic health records. You may also access information via patient portal if made available by St. Joseph of the Pines.

You will be charged a reasonable copying fee in accordance with applicable federal or state law.

B. Right to Amend: You have the right to amend your PHI for as long as St. Joseph of the Pines maintains the data. You must make your request for amendment of your PHI in writing to St. Joseph of the Pines, including your reason to support the requested amendment.

However, St. Joseph of the Pines will deny your request for amendment if:

- St. Joseph of the Pines did not create the information;
- The information is not part of the designated record set;
- The information would not be available for your inspection (due to its condition or nature); or
- The information is accurate and complete.

If St. Joseph of the Pines denies your request for changes in your PHI, St. Joseph of the Pines will notify you in writing with the reason for the denial. St. Joseph of the Pines will also inform you of your right to submit a written statement disagreeing with the denial. You may ask that St. Joseph of the Pines include your request for amendment and the denial any time that St. Joseph of the Pines subsequently discloses the information that you wanted changed. St. Joseph of the Pines may prepare a rebuttal to your statement of disagreement and will provide you with a copy of that rebuttal.

C. Right to an Accounting: You have a right to receive an accounting of the disclosures of your PHI that St. Joseph of the Pines has made, except for the following disclosures:

- To carry out treatment, payment or health care operations;
- To you;
- To persons involved in your care;
- For national security or intelligence purposes; or
- To correctional institutions or law enforcement officials.

You must make your request for an accounting of disclosures of your PHI in writing to St. Joseph of the Pines.

You must include the time period of the accounting, which may not be longer than 6 years. In any given 12-month period, St. Joseph of the Pines will provide you with an accounting of the disclosures of your PHI at no charge. Any additional requests for an accounting within that time period will be subject to a reasonable fee for preparing the accounting.

D. **Right to Request Restrictions:** You have the right to request restrictions on certain uses and disclosures of your PHI to carry out treatment, payment or health care operations functions or to prohibit such disclosure. However, St. Joseph of the Pines will consider your request but is not required to agree to the requested restrictions.

E. **Right to Request Restrictions to a Health Plan:** You have the right to request a restriction on disclosure of your PHI to a health plan (for purposes of payment or health care operations) in cases where you paid out of pocket, in full, for the items received or services rendered.

F. **Right to Confidential Communications:** You have the right to receive confidential communications of your PHI by alternative means or at alternative locations. For example, you may request that St. Joseph of the Pines only contact you at work or by mail.

G. **Right to Receive a Copy of this Notice:** You have the right to receive a paper copy of this Notice of Privacy Practices, upon request.

VI. Breach of Unsecured PHI

If a breach of unsecured PHI affecting you occurs, St. Joseph of the Pines is required to notify you of the breach.

VII. Sharing and Joint Use of Your Health Information

In the course of providing care to you and in furtherance of St. Joseph of the Pines's mission to improve the health of the community, St. Joseph of the Pines will share your PHI with other organizations as described below who have agreed to abide by the terms described below:

A. **Medical Staff.** The medical staff and St. Joseph of the Pines participate together in an organized health care arrangement to deliver health care to you. Both St. Joseph of the Pines and medical staff have agreed to abide by the terms of this Notice with respect to PHI created or received as part of delivery of health care to you by St. Joseph of the Pines. Physicians and allied health care professionals who are members of St. Joseph of the Pines's medical staff will have access to and use your PHI for treatment, payment and health care operations purposes related to your care within St. Joseph of the Pines. St. Joseph of the Pines will disclose your PHI to the medical staff and allied health professionals for treatment, payment and health care operations.

B. **Membership in Trinity Health.** St. Joseph of the Pines and members of Trinity Health participate together in an organized health care arrangement for utilization review and quality assessment activities. We have agreed to abide by the terms of this Notice with respect to PHI created or received as part of utilization review and quality assessment activities of Trinity Health and its members. Members of Trinity Health will abide by the terms of their own Notice of Privacy Practices in using your PHI for treatment, payment or health care operations. As a part of Trinity Health, a national Catholic health care system, St. Joseph of the Pines and other hospitals, nursing homes, and health care providers in Trinity Health share your PHI for utilization review and quality assessment activities of Trinity Health, the parent company, and its members. Members of Trinity Health also use your PHI for your treatment, payment to St. Joseph of the Pines and/or for the health care operations permitted by HIPAA with respect to our mutual patients.

Please go to Trinity Health's websites for a listing of member organizations at http://www.trinity-health.org/. Or, alternatively, you can call St. Joseph of the Pines's Privacy Official to request the same.

C. **<u>Business Associates.</u>** St. Joseph of the Pines will share your PHI with business associates and their Subcontractors contracted to perform business functions on St. Joseph of the Pines's behalf, including Trinity Health which performs certain business functions for St. Joseph of the Pines.

VIII. **Changes to this Notice. St. Joseph of the Pines** will abide by the terms of the Notice currently in effect. St. Joseph of the Pines reserves the right to make material changes to the terms of its Notice and to make the new Notice provisions effective for all PHI that it maintains. St. Joseph of the Pines will distribute / provide you with a revised Notice at your first visit following the revision of the Notice in cases where it makes a material change in the Notice. You can also ask St. Joseph of the Pines for a current copy of the Notice at any time.

IX. **Complaints.** If you believe your privacy rights have been violated, you may file a complaint with St. Joseph of the Pines's Privacy Official or with the Secretary of the Department of Health and Human Services. All complaints must be submitted in writing directly to St. Joseph of the Pines's Privacy Official. St. Joseph of the Pines assures you that there will be no retaliation for filing a complaint. ***You will not be retaliated against for filing any complaint.***

X. **Privacy Official – Questions / Concerns / Additional Information.** If you have any questions, concerns, or want further information regarding the issues covered by this Notice of Privacy Practice or seek additional information regarding St. Joseph of the Pines's privacy policies and procedures, please contact St. Joseph of the Pines' Privacy Official: 910-246-3114, 100 Gossman Drive, Southern Pines, NC 28387.

State of North Carolina

Department of Insurance

Continuing Care Retirement Community License

License Number:

29-03

Effective:

May 28, 2013

This license is issued to:

Belle Meade and Pine Knoll at St. Joseph of the Pines

(Provider)

to offer and provide continuing care, as defined by N.C.G.S. §58-64, at the continuing care retirement community (facility) located at:

100 Waters Road and 590 Central Drive

in **Southern Pines** *, North Carolina,* **Moore** *County.*

This license is issued subject to the statutes of North Carolina, is not transferable and shall remain in effect until revoked by the Commissioner of Insurance. Witness my hand and official seal, this **28th Day of May** *, 2013.*

Wayne Goodwin

Wayne Goodwin, Commissioner of Insurance carf INTERNATIONAL

St. Joseph of the Pines, Inc.
Southern Pines, North Carolina

is issued accreditation as a

Continuing Care Retirement Community

The Health Center at St. Joseph of the Pines
Southern Pines, North Carolina

is issued accreditation as a

Person-Centered Long-Term Care Community

This accreditation is valid through
June 30, 2022

The accreditation seals in place below signify that the organization has met annual conformance requirements for quality standards that enhance the lives of persons served.

Second year seal of annual conformance

Third year seal of annual conformance

Fourth year seal of annual conformance

Fifth year seal of annual conformance

This accreditation certificate is granted by authority of:

Herb Zaretsky, Ph.D.
Chair
CARF International Board of Directors

Brian J. Boon, Ph.D.
President/CEO
CARF International