Care New England Health System and Affiliates

Consolidated Financial Statements with Supplemental Consolidating Information
September 30, 2016 and 2015

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September 30, 2016 and 2015

Report of Independent Auditors

To the Board of Directors
Care New England Health System and Affiliates

We have audited the accompanying consolidated financial statements of Care New England Health System and Affiliates ("Care New England"), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to Care New England'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 Care New England'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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Care New England Health System and Affiliates as of September 30, 2016 and 2015, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The supplemental consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual Care New England affiliates and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, changes in net assets and cash flows of the individual Care New England affiliates.

PricewaterhouseCoopers LLP

Boston, Massachusetts
December 20, 2016

Care New England Health System and Affiliates
Consolidated Balance Sheets
Years Ended September 30, 2016 and 2015

	2016	2015
Assets		
Current		
Cash and cash equivalents	$ 55,957,553	$ 48,803,805
Investments	13,228,467	27,163,691
Patient accounts receivable, net of allowance for doubtful accounts of $43,311,099 in 2016 and $42,255,993 in 2015	114,394,717	139,822,039
Other receivables	17,106,281	21,404,988
Pledges receivable, net	750,139	1,022,395
Other current assets	19,248,916	16,763,651
Current portion of assets whose use is limited	1,195,891	446,827
Total current assets	221,881,964	255,427,396
Assets whose use is limited or restricted as to use		
Endowment funds	60,985,452	50,819,449
Board-designated funds	130,135,058	120,450,884
Trustee-held funds	161,366,754	163,469,410
Deferred compensation funds	1,956,897	1,912,022
Total assets limited as to use	354,444,161	336,651,765
Less: Amounts required to meet current obligations	(1,195,891)	(446,827)
Noncurrent assets limited as to use	353,248,270	336,204,938
Goodwill	24,488,975	24,488,975
Intangibles	1,080,000	6,482,500
Property, plant and equipment, net	303,814,123	313,868,493
Pledges receivable, net	240,397	930,114
Insurance receivable	1,435,369	1,643,788
Other assets	7,475,961	6,685,864
Total assets	$ 913,665,059	$ 945,732,068
Liabilities and Net Assets		
Current liabilities		
Notes payable	$ 639,958	$ -
Accounts payable and accrued expenses	137,123,063	141,212,885
Current portion of estimated third-party payor settlements and advances	5,925,829	598,072
Current portion of long-term debt and capital leases	2,661,844	9,631,866
Self-insurance reserves	8,820,539	8,689,509
Pension liability	16,193,927	16,090,538
Other current liabilities	15,827,814	13,116,604
Total current liabilities	187,192,974	189,339,474
Long-term liabilities		
Self-insurance reserves	131,753,902	138,931,970
Long-term portion of estimated third-party payor settlements and advances	22,927,428	30,128,278
Long-term debt and capital leases	179,188,678	154,747,534
Pension liability	137,383,068	115,941,758
Postretirement liability	1,512,112	1,447,283
Other liabilities	4,830,965	3,129,125
Total long-term liabilities	477,596,153	444,325,948
Net assets		
Unrestricted	171,940,118	241,150,258
Temporarily restricted	38,884,688	40,884,249
Permanently restricted	38,051,126	30,032,139
Total net assets	248,875,932	312,066,646
Total liabilities and net assets	$ 913,665,059	$ 945,732,068

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

Care New England Health System and Affiliates
Consolidated Statements of Operations
Years Ended September 30, 2016 and 2015

	2016	2015
Revenues and gains		
Patient service revenue (net of contractual allowances)	$ 1,094,238,316	$ 1,061,792,820
Provision for bad debts	(36,676,625)	(38,680,643)
Net patient service revenue less provision for bad debts	1,057,561,691	1,023,112,177
Research revenue	23,522,774	23,382,036
Contribution revenue from acquisition	-	13,439,012
Other revenue	70,488,291	75,416,463
Net assets released from restrictions and used for operations	3,151,090	2,589,805
Total revenues and gains	1,154,723,846	1,137,939,493
Operating expenses		
Salaries and benefits	726,073,920	715,127,055
Supplies and other expenses	303,812,088	284,550,504
Research expenses	23,172,287	23,482,879
Depreciation and amortization	39,599,310	36,581,327
Insurance	21,240,147	26,698,480
Licensure fee	47,792,634	43,534,709
Interest	6,129,434	6,838,716
Restructuring costs	29,548,550	2,911,571
Loss on debt refinancing	20,235,280	-
Loss on write-off of intangible assets	5,400,000	-
Total operating expenses	1,223,003,650	1,139,725,241
Loss from operations	(68,279,804)	(1,785,748)
Nonoperating (losses)/gains		
Investment income and realized (losses)/gains on assets limited as to use	(1,736,341)	7,077,581
Unrestricted gifts and bequests	1,724,653	1,033,483
Change in net unrealized gains/(losses) on investments	17,542,646	(32,287,448)
Other	(2,093,916)	(1,873,179)
Net nonoperating gains/(losses)	15,437,042	(26,049,563)
Deficiency of revenue and gains over expenses and losses	(52,842,762)	(27,835,311)
Other changes in unrestricted net assets		
Pension and postretirement adjustments	(22,814,764)	(40,968,090)
Net assets released from restrictions used for purchase of property, plant and equipment	6,696,417	893,818
Transfer from deferred revenue	-	302,009
Transfer to temporarily restricted	(249,031)	(781,570)
Decrease in unrestricted net assets	$ (69,210,140)	$ (68,389,144)

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

Care New England Health System and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2016 and 2015

	2016	2015
Unrestricted net assets		
Deficiency of revenues and gains over expenses and losses	$ (52,842,762)	$ (27,835,311)
Other changes in unrestricted net assets		
Pension and postretirement adjustments	(22,814,764)	(40,968,090)
Net assets released from restrictions used for purchase of property, plant and equipment	6,696,417	893,818
Transfer from deferred revenue	-	302,009
Transfer to temporarily restricted	(249,031)	(781,570)
Decrease in unrestricted net assets	(69,210,140)	(68,389,144)
Temporarily restricted net assets		
Contributions	4,998,565	4,704,247
Contribution of temporarily restricted net assets from acquisition	-	3,795,867
Income from investments	364,926	530,596
Net realized and unrealized gains/(losses) from investments	2,657,633	(1,913,133)
Net assets released from restrictions	(10,269,716)	(3,311,841)
Transfer to deferred revenue	-	(662,715)
Transfer from unrestricted net assets	249,031	781,570
Transfer to permanently restricted net assets	-	(896,626)
(Decrease)/increase in temporarily restricted net assets	(1,999,561)	3,027,965
Permanently restricted net assets		
Net realized and unrealized gains/(losses) from investments	1,002,130	(1,454,092)
Contribution of permanently restricted net assets from acquisition	-	100,000
Contributions	7,016,857	33,832
Transfers from temporarily restricted net assets	-	896,626
Increase/(decrease) in permanently restricted net assets	8,018,987	(423,634)
Decrease in net assets	(63,190,714)	(65,784,813)
Net assets		
Beginning of year	312,066,646	377,851,459
End of year	$ 248,875,932	$ 312,066,646

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

Care New England Health System and Affiliates
Consolidated Statements of Cash Flows
Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (63,190,714)	$ (65,784,813)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in beneficial interest in perpetual trusts	(1,002,130)	-
Contribution revenue from acquisition, net of cash	-	(16,996,425)
Loss on write-off of intangibles	5,400,000	-
Loss on disposals of property, plant and equipment	601,882	3,917,102
Pension and postretirement adjustments	22,814,764	40,968,090
Depreciation and amortization	39,599,310	36,581,327
Loss on extinguishment of debt	1,679,354	-
Bond premium	13,008,969	-
Provision for bad debt	36,676,625	38,680,643
Income and realized losses/(gains) on assets limited as to use	1,798,039	(7,077,581)
Net unrealized (gains)/losses on investments	(19,436,655)	32,287,448
Restricted contributions and investment income	(7,016,857)	(841,316)
Changes in		
Patient accounts receivable	(11,249,303)	(48,023,476)
Investments - trading securities	13,935,224	15,163,757
Other current and long-term assets	2,887,303	(1,621,170)
Accounts payable and accrued expenses	(3,791,891)	19,090,245
Estimated third-party payor settlements	(1,873,093)	(8,048,360)
Other liabilities	4,413,050	883,040
Net pension liability	(1,205,236)	(5,739,286)
Self-insurance reserves	(6,838,619)	2,530,656
Net cash provided by operating activities	27,210,022	35,969,881
Cash flows from investing activities		
Purchase of property, plant and equipment	(30,256,480)	(28,693,295)
Bond proceeds used for purchase of property, plant and equipment	4,236,031	(3,285,969)
Change in bond funds held by trustees	(4,357,321)	-
Proceeds from the sale of property, plant and equipment	705	3,054,161
Purchase of investments	(99,152,097)	(197,814,633)
Proceeds from the sale of investments	100,121,737	192,681,752
Net cash used in investing activities	(29,407,425)	(34,057,984)
Cash flows from financing activities		
Proceeds from the issuance of debt and capital leases	175,167,721	105,385
Proceeds from the issuance of notes payable	639,958	-
Proceeds from the issuance of line of credit	7,500,000	7,500,000
Debt repayments	(161,358,658)	-
Payment of bond issuance costs	(2,767,817)	-
Payments on long-term debt and capital leases	(9,346,910)	(6,444,348)
Payments on line of credit	(7,500,000)	(7,500,000)
Restricted contributions to be used for long-term investments and investment income	7,016,857	841,316
Net cash provided by/(used in) financing activities	9,351,151	(5,497,647)
Net increase/(decrease) in cash and cash equivalents	7,153,748	(3,585,750)
Cash and cash equivalents		
Beginning of year	48,803,805	52,389,555
End of year	$ 55,957,553	$ 48,803,805
Supplemental cash flow information		
Cash paid for interest	$ 6,209,324	$ 5,670,261
Purchases of property and equipment included in accounts payable and accrued expenses	$ 2,083,773	$ 2,381,704

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

1. Description of Organization

Corporate Structure

Care New England Health System ("CNE", "Care New England", or the "Health System"), a Rhode Island not-for-profit corporation, was formed on November 7, 1995 as the holding company for the development of an integrated delivery network under the name Enterprise Health System. On January 29, 1996, the name was changed to Care New England Health System. Prior to September 3, 2013, the Health System consisted of Butler Hospital, Kent County Memorial Hospital, and Women & Infants Hospital of Rhode Island (collectively, the "Hospitals"), and the Kent County Visiting Nurse Association, d/b/a VNA of Care New England (the "Agency").

As of September 3, 2013, Southeastern Healthcare System, Inc. ("SHS"), a not-for-profit corporation located in Rhode Island and southeastern Massachusetts, became a subsidiary of the Health System. CNE became the parent organization and sole member as a result of this acquisition.

On May 29, 2014, Integra Community Care Network, LLC, ("Integra"), an Accountable Care Organization ("ACO"), was legally established. Care New England is the sole corporate member. Integra was certified to participate in the Medicare shared savings program effective January 1, 2015.

As of January 1, 2015, The Providence Center, Inc. ("the "Center" or "TPC"), a not-for-profit corporation located in Rhode Island, became a subsidiary of the Health System. CNE became the parent organization and sole member as a result of this acquisition.

The accompanying consolidated financial statements include the accounts of Care New England and its affiliates, over which Care New England has corporate governance:

- Butler Hospital ("Butler") and its affiliates, Butler Hospital Foundation, Carriage House, LLC ("Carriage"), and Butler Hospital Allied Medical Services, LLC.

- Kent County Memorial Hospital ("Kent") and its affiliates, Kent Hospital Foundation, Kent Ancillary Services, LLC, Affinity Physicians, LLC d/b/a Care New England Medical Group, LLC ("CNEMG"), and Toll Gate Indemnity, Ltd. ("Toll Gate").

- Women & Infants Corporation ("WIC") and its affiliates, Women & Infants Development Foundation, Women & Infants Hospital of Rhode Island ("WIH"), WIH Faculty Physicians, Inc., Women & Infants Ancillary Services, LLC, Women & Infants Health Care Alliance, LLC, and W&I Indemnity, Ltd. ("W&I Indemnity").

- Kent County Visiting Nurse Association, d/b/a VNA of Care New England, and its affiliates, Healthtouch, Inc. and VNA of Care New England Foundation (together, the "Agency").

- Integra Community Care Network, LLC.

- SHS and its affiliates, Memorial Hospital of Rhode Island ("Memorial"), Primary Care Centers of New England, Inc. ("PCCNE"), Blackstone Health, Inc. ("BHI"), MHRI Ancillary Services, LLC, and The Memorial Hospital Foundation. Memorial is the sole corporate member of SHS Ventures, Inc. ("Ventures").

- TPC and its affiliates, Grandview Realty Corporation ("Grandview Realty"), Grandview Second Corporation ("Grandview Second"), Nashua Street Corporation ("Nashua"), Wilson Street Apartments, Inc. ("Wilson"), Standard Realty, Inc. ("Standard"), TPC Social Ventures, Inc. ("TPC Social"), and Continuum Behavioral Health, Inc. ("Continuum").

Intercompany accounts have been eliminated in consolidation.

Mission and Nature of Business
Care New England is dedicated to building an exemplary health care system. Care New England oversees the four Hospitals (Butler, Kent, WIH, Memorial), the Agency, the Center and other affiliated organizations.

The mission of Butler Hospital is to provide treatment of psychiatric illness in an atmosphere of dignity and respect, and to contribute to knowledge through education and research, while continuously improving the ways Butler serves its patients and the community. Butler is a 143-bed, not-for-profit psychiatric teaching hospital, affiliated with The Warren Alpert Medical School of Brown University, providing services for the care of patients from Rhode Island and nearby Massachusetts. As a complement to its role in service and education, Butler actively supports research by members of its staff. Butler is accredited by The Joint Commission ("TJC").

The mission of Kent County Memorial Hospital is to continually improve the health and well-being of the people and communities it serves, offering its essential services without regard for the ability to pay. Kent is a 359-bed, not-for-profit general hospital providing a full range of services for the acute care of patients principally from Kent County, Rhode Island. Kent is affiliated with, and provides clinical training to, the students of the University of New England College of Osteopathic Medicine, and currently operates American Osteopathic Association approved residency programs in emergency medicine, family practice, internal medicine, and a fellowship program in hyperbaric medicine. Kent is accredited by TJC and the Commission on Accreditation of Rehabilitation Facilities. Toll Gate, a wholly owned subsidiary of Kent insures primary and excess hospital professional and general liability risks for Kent and its employees on an occurrence basis, as well as primary professional and general liability risks for the VNA and the Care New England Health System. Toll Gate insures Kent's contractual liability (pursuant to certain Indemnification Agreements) arising from employed physicians' professional liability on both a claims-made and occurrence basis. Toll Gate also insures Kent's contractual liability (pursuant to certain Indemnification Agreements) arising from community physicians' professional liability on both a claims-made and occurrence basis.

The mission of Women & Infants Corporation is to support Women & Infants Hospital of Rhode Island and all other affiliated organizations. The mission of Women & Infants Hospital of Rhode Island is to improve the health and well-being of women and infants, and to provide essential services regardless of ability to pay. WIH is a 247-bed, not-for-profit regional center for women and infants' care in Rhode Island and southern New England. Among other university affiliations, Women & Infants is the primary teaching affiliate of the Warren Alpert Medical School of Brown University in obstetrics, gynecology and newborn pediatrics along with related sub-specialty and internal medicine services. As a complement to its role in service and education, WIH actively supports research by members of its staff. WIH is accredited by TJC. W&I Indemnity is a wholly owned subsidiary of WIH. W&I Indemnity insures primary and excess hospital professional liability risks for WIH and its employees on an occurrence basis, and excess hospital professional liability risks for Butler. W&I Indemnity insures WIH's contractual liability (pursuant to certain Indemnification Agreements) arising from employed physicians' and residents' medical malpractice liability on an occurrence basis. W&I Indemnity also insures WIH's contractual liability (pursuant to certain Indemnification Agreements) arising from community physicians' medical malpractice liability on both a claims-made and occurrence basis.

The mission of Kent County Visiting Nurse Association, d/b/a VNA of Care New England, is to provide and administer a comprehensive, multidisciplinary, therapeutic, hospice, and public health nursing program. The Agency is a not-for-profit corporation, providing home care services to the residents of Rhode Island and nearby Massachusetts. Healthtouch, Inc. is a not-for-profit corporation providing private duty nursing and personal care services, primarily to residents of Rhode Island.

The mission of Memorial Hospital is primary care and preventive medicine providing advanced diagnosis and treatment with a focus on teaching and research. Memorial is a 294-bed, acute care, not-for-profit community teaching and research hospital located in Pawtucket, RI, and is affiliated with Warren Alpert School of Medicine at Brown University. PCCNE provides staffing to Memorial. BHI receives and administers certain grant funds, and provides services to elderly and disabled residents in the local area.

Integra, a partnership of CNE and its employed physicians, participating affiliated independent community physicians, Rhode Island Primary Care Physician Corporation and South County Health System, is a certified Medicare Accountable Care Organization which has been operational since 2014.

The Providence Center, Inc. is the largest mental health center in Rhode Island, providing a continuum of counseling and supportive services to meet community mental health and substance use disorder needs since 1969. These services include, but are not limited to, preschool intervention for children with serious emotional disorders; treatment for the elderly; residential treatment for the chronically mentally ill and/or substance addicted; brief outpatient counseling for children and adults; and, treatment to individuals involved in the justice system. The following corporations - Grandview Realty, Grandview Second, Nashua, and Wilson own and operate rental apartments for individuals with mental illness. TPC Social provides Center clients with on-the-job training opportunities in supported employment environments. Continuum provides therapy and psychiatry services to youth and adults.

The change in control of The Center was accounted for under the acquisition method. The consolidated statement of operations for the year ended September 30, 2015 reflects the activity of The Center from the date of acquisition to year end. No consideration was exchanged for the acquisition.

The fair value of assets acquired, liabilities assumed and net assets of The Center at January 1, 2015 were as follows:

		January 1, 2015
Cash and cash equivalents	$	338,454
Patient accounts receivable, net		5,370,275
Other receivables		992,811
Assets whose use is limited or restricted as to use		980,080
Inventory		20,092
Prepaid expenses		620,165
Other assets		375,437
Property, plant and equipment, net		16,733,779
Intangibles		1,090,000
Goodwill		143,611
Total assets	$	26,664,704
Accounts payable and accrued expenses	$	2,664,931
Long-term debt and capital leases		6,368,968
Other liabilities		295,926
Total liabilities		9,329,825
Unrestricted		13,439,012
Temporarily restricted		3,795,867
Permanently restricted		100,000
Total net assets		17,334,879
Total liabilities and net assets	$	26,664,704

Intangible assets of $1,090,000 at September 30, 2015 are included in the consolidated balance sheets. Of this balance, $1,080,000 is attributable to trade name valuation with an indefinite useful life and $10,000 is attributable to below market leases with a useful life of one year.

A summary of the financial results of The Center included in the consolidated statement of operations for the period January 1, 2015 through September 30, 2015 are as follows:

Total revenues and gains	$ 34,851,139
Total operating expenses	35,411,592
Loss from operations	(560,453)
Net nonoperating gains	148,591
Deficiency of revenue and gains over expenses and losses	(411,862)
Net assets released from restrictions used for purchase of property, plant and equipment	49,299
Transfers	500,000
Increase in unrestricted net assets	$ 137,437

The changes in net assets of The Center included in the consolidated statement of changes in net assets for the period January 1, 2015 through September 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, January 1, 2015	$ 13,439,012	$ 3,795,867	$ 100,000	$ 17,334,879
Deficiency of revenues over expenses	(411,862)	-	-	(411,862)
Net assets released from restrictions used for purchase of property, plant and equipment	49,299	-	-	49,299
Transfers	500,000	-	-	500,000
Contributions	-	312,231	-	312,231
Income from investments	-	3,139	-	3,139
Net realized and unrealized gains from investments	-	2,416	-	2,416
Net assets released from restrictions	-	(318,852)	-	(318,852)
Increase (decrease) in net assets	137,437	(1,066)	-	136,371
Net assets, September 30, 2015	$ 13,576,449	$ 3,794,801	$ 100,000	$ 17,471,250

A summary of the unaudited pro forma financial results of CNE and The Center for the year ended September 30, 2015 as if the acquisition had occurred on October 1, 2014 are as follows:

	2015 (Unaudited)		
	CNE	The Center	Total
Total revenues and gains	$ 1,090,239,252	$ 45,400,571	$ 1,135,639,823
Total operating expenses	1,104,903,559	46,639,316	1,151,542,875
Loss from operations	(14,664,307)	(1,238,745)	(15,903,052)
Other (losses)/gains	(26,198,154)	334,476	(25,863,678)
Deficiency of revenue over expenses	(40,862,461)	(904,269)	(41,766,730)
Other changes in unrestricted net assets	(41,103,132)	582,556	(40,520,576)
Total decrease in unrestricted net assets	$ (81,965,593)	$ (321,713)	$ (82,287,306)

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany balances and transactions have been eliminated in consolidation. The assets of members of the consolidated group may not be available to meet the obligations of another member of the group.

Use of Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are made in the areas of the patient accounts receivable allowance for doubtful accounts and contractual allowances, accruals for settlements with third-party payors, incurred but not reported liabilities for medical, dental, workers' compensation, and medical malpractice insurance, pension and other post retirement costs and valuation of investments. Actual results could differ from those estimates.

Cash and Cash Equivalents
Care New England considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, excluding amounts whose use is limited by the Boards of Trustees (the "Boards") designation or other arrangements under trust agreements. $9,557,553 and $12,140,631 at September 30, 2016 and 2015, respectively, of cash received with donor-imposed restrictions, that is available for current use, is included in cash and cash equivalents.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading securities and are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, other-than-temporary impairments in the value of securities, interest, and dividends) is included in the excess of revenues and gains over expenses unless the income or loss is restricted by donor or law.

Butler, Kent, WIH, SHS and the Agency follow the practice of pooling resources of unrestricted and restricted assets for long-term investment purposes. The investment pool is operated on the market value method whereby each participating fund is assigned a number of units based on the percentage of the pool it owns at the time of entry. Income, gains, and losses of the pool are allocated to the funds based on their respective participation in the pool.

Investments at net asset value ("NAV") (nontraditional, not readily marketable holdings) include limited partnership interests and commingled funds. Investments at NAV generally are structured such that the Health System holds an interest in the respective fund. The Health System's ownership structure does not provide for control over the related investees, and the Health System's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitments. There was an outstanding unfunded commitment for investments at NAV of $4,883,844 and $10,709,793 at September 30, 2016 and September 30, 2015, respectively.

Individual investment holdings within the investments at NAV include nonmarketable and market-traded debt and equity securities, and interests in other investments at NAV. The Health System may be exposed indirectly to securities lending, short sales of securities, and trading in futures and forward contracts, options, private equity holdings, and other derivative products. Investments at NAV often have liquidity restrictions under which the Health System's capital may be divested only at specified times. Liquidity restrictions may apply to all or portions of a particular invested amount.

Financial information used by the Health System to evaluate its investments at NAV is provided by the investment manager or general partner, and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not always coincide with the Health System's annual financial statement reporting.

There is uncertainty in the valuation for investments at NAV arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, and time lags associated with reporting by investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.

Investments also include life insurance policies which are valued at the lesser of discounted value or cash surrender value.

Income and realized net gains (losses) on investments of endowments and specific purpose funds are reported as follows:

- Increases (decreases) in permanently restricted net assets if the terms of the gift require that they be added to the principal of permanently restricted net assets;

- Increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or the income has not yet been appropriated; or

- Increases (decreases) in the unrestricted net assets in all other cases.

At September 30, 2016 and 2015, $1,553,781 and $1,621,564, respectively, of funds received with donor-imposed restrictions, that are available for current use, are included in investments.

Other Receivables
Other receivables include federal and other grants receivable, indemnity programs' premiums receivable and other miscellaneous receivables.

Assets Whose Use is Limited or Restricted as to Use
Assets whose use is limited primarily include endowment funds, assets held by trustees under indenture agreements and insurance programs, deferred compensation arrangements, a representative payee account maintained by the Center for clients receiving social security income, designated assets maintained by the Center and required by HUD for property maintenance, and designated assets set aside by one or more of the Boards, over which the Boards retain control and may, at their discretion, subsequently use for other purposes. Amounts required to meet current obligations have been reclassified to current assets.

Inventories
Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market. Inventories of $8,727,308 and $8,945,236 at September 30, 2016 and 2015, respectively, are included in other current assets in the consolidated balance sheets.

Goodwill and Intangibles
Care New England has goodwill and indefinite lived intangible assets that resulted from the previous acquisitions of SHS and TPC. Goodwill totaled $24,488,975 as of September 30, 2016 and 2015 and intangible assets were $1,080,000 and $6,482,500 at September 30, 2016 and 2015, respectively. The System performs an impairment assessment of goodwill annually at the reporting unit level (the consolidated System) by comparing the estimated fair value of the reporting unit to the carrying value of goodwill. There was no impairment charge on goodwill for the years ended September 30, 2016 and 2015. Additionally, indefinite-lived intangible assets are reviewed at least annually for impairment by comparing the estimated fair value of the intangible asset (using the relief from royalty method) to the carrying value. As a result of this analysis, in fiscal year 2016, the System recorded an impairment loss of $5,400,000 related to its SHS tradename associated with Memorial, as the fair value was less than the carrying value. This is recorded as a separate line on the Statement of Operations.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Donated property and equipment is recorded at fair value at the date of receipt. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Depreciation is recorded using the straight-line method based on the estimated useful life of each class of depreciable asset, as recommended by the American Hospital Association as follows:

Buildings and improvements	5 – 40 Years
Fixed and moveable equipment	3 – 20 Years

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support, and are excluded from the excess of revenues over expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Assets recorded under capital leases are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included with depreciation and amortization expense in the consolidated statements of operations.

Upon retirement or sale of assets, the cost of assets disposed of and the related accumulated depreciation are eliminated and the related gains or losses are recognized in other revenue in the consolidated statements of operations.

Care New England evaluates the potential impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value of a group of assets may not be recoverable.

Pledges

Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the year made. Pledges receivable over a period greater than one year are stated at net present value. Pledges are recorded as additions to the appropriate net asset classification.

Deferred Financing Costs

Expenses related to issuance of bonds are deferred and amortized on a straight-line basis, which approximates the effective interest rate method, over the period during which the bonds are expected to be outstanding.

Self-Insurance Reserves

The reserves for self-insured programs are estimated based on actuarial studies and the Hospitals' and industry experience. The reserves include estimates of the ultimate cost for both reported claims and claims incurred but not yet reported. The Hospitals have established separate indemnification companies and trust funds for payment of certain self-insured claims including medical malpractice.

CNE, Butler, Kent, WIC, Memorial, and the Agency are self-insured for losses arising from workers' compensation claims. Loss reserves are estimated based on actuarial studies, and the Health

System's and industry experience. The Center purchases a commercial insurance policy annually to insure workers' compensation risks.

For the employees of CNE, Butler, Kent, WIC, and the Agency, Care New England is self-insured for losses arising from health insurance claims. This program covers the health insurance claims for all CNE's, Butler's, Kent's, WIC's, and the Agency's employees, with the exception of the unionized employees at WIH. Self-insured losses for both reported claims and claims incurred but not yet reported are estimated based on actuarial studies and the Health System's actual experience.

For the employees of CNE, Butler, Kent, WIC, SHS, and the Agency, Care New England is self-insured for losses arising from dental insurance claims. This program covers the dental insurance claims for all CNE's, Butler's, Kent's, WIC's, SHS', and the Agency's employees. Self-insured losses for both reported claims and claims incurred but not yet reported are estimated based on actuarial studies and the Health System's actual experience.

The Center has entered into a self-insurance program for health insurance risks. This program covers health insurance claims for substantially all of the Center's full-time employees. The Center limits it losses through the use of stop-loss policies from re-insurers. The provisions for health insurance losses are based on actuarial assumptions and actual claims experience.

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

Excess of Revenues Over Expenses
The consolidated statements of operations and changes in net assets include excess of revenues and gains over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues and gains over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and changes in the pension and postretirement liability.

Net Patient Service Revenue
The Hospitals, the Agency, and the Center have individual agreements with many third-party payors that provide payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per-diem, and fee for service payments.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to such things as future audits and reviews. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known, or as years are no longer subject to such adjustments.

Research Revenue
Research revenue includes revenue from federal, state, institutional and other sources for the purposes of funding research activities.

Other Revenue
Other revenue includes underwriting income, rental income, cafeteria sales, laboratory services provided to nonpatients, sales of home medical equipment, vendor rebates and discounts, various services provided to physicians and other organizations, federal grants including housing subsidies, and gains or losses upon the retirement or sale of assets.

Charity Care
The Health System provides care to patients who meet certain criteria under their charity care policies without charge or at amounts less than established rates. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient revenue.

Contributions and Donor-Restricted Gifts
Unconditional promises to give cash and other assets 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 when the condition is satisfied. 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 as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Unrestricted contributions are reported net of direct fundraising expenses in the consolidated statements of operations.

Income Tax Status
Care New England, Butler, Kent, WIH, the Agency, Women & Infants Faculty Physicians, Inc., Women & Infants Corporation, Women & Infants Development Foundation, Butler Hospital Foundation, Kent Hospital Foundation, The Memorial Hospital Foundation, SHS, Memorial, Ventures, BHI, the Center, Grandview Realty, Grandview Second, Nashua, Wilson, Standard, and TPC Social are not-for-profit corporations, and have been recognized as tax exempt on related income pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code). Those organizations are, therefore, exempt from federal taxes on related income pursuant to Section 501(a) of the Code. W&I Indemnity, Ltd. and Toll Gate Indemnity, Ltd. are foreign corporations with no material tax liability. PCCNE and Continuum are organized as for-profit corporations and are, therefore, subject to tax. The provision for income taxes on the earnings of PCCNE and Continuum is immaterial to the consolidated financial statements. Other affiliates are single-member limited liability companies which are treated as part of their sole member for tax purposes.

Recently Adopted Accounting Standards
In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The ASU is effective for the Health System's fiscal 2020; however, as permitted by the ASU, the Health System has chosen to early adopt the provision to eliminate the requirement to disclose the fair value of financial instruments measured at cost (such as the fair value of debt). The Health System is evaluating the remainder of the new guidance on the consolidated financial statements. The impact related to the early adoption of this provision of ASU 2016-01 was limited to the notes to the financial statements.

On October 1, 2014, the Health System early adopted new guidance about *Fair Value Measurement and Disclosures for Investments (ASU 2015-07)* in certain entities that calculate net asset value per share (or its equivalent). This guidance requires the Health System to show investments that use NAV as a practical expedient for valuation purposes, separately from other investments categorized in the fair value hierarchy described in Note 23. This disclosure change, which was applied retrospectively, can be seen in the investment leveling table shown in Note 23 for both years 2016 and 2015.

In May 2014, the FASB issued ASU 2014-09 - *Revenue from Contracts with Customers* at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance for U.S. GAAP and international accounting standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. Qualitative and quantitative disclosures will be required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The original standard was effective for fiscal years beginning after December 15, 2016; however, in July 2015, the FASB approved a one-year deferral of this standard, with a new effective date for fiscal years beginning after December 15, 2017 or fiscal year 2019 for Care New England. Care New England is evaluating the impact this will have on the consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 - *Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, which requires all costs incurred to issue debt to be presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability. Care New England is evaluating the impact this will have on the consolidated financial statements for the fiscal year ending September 30, 2017, the first year in which the standard is effective.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal years beginning after December 15, 2018, or fiscal year 2020 for Care New England. Early adoption is permitted. Care New England is evaluating the impact of the new guidance on the financial position, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. The new ASU marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. Under the new ASU, net asset reporting will be streamlined and clarified. The existing three-category classification of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called “net assets with donor restrictions.” The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been simplified and clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The ASU also imposes several new requirements related to reporting expenses, including providing information about expenses by their natural classification. The ASU is effective for fiscal years beginning after December 15, 2017 or fiscal year 2019 for Care New England and early adoption is permitted. Care New England is evaluating the impact of the new guidance on the consolidated financial statements.

Reclassifications

Certain 2015 amounts have been reclassified to conform to the current year presentation.

3. Uncompensated Care and Community Services

The Health System maintains records to identify and monitor the level of charity care and community services it provides, including the amount of charges forgone for services and the estimated cost incurred to provide those services. The revenues forgone and estimated costs and expenses incurred to provide charity care for the years ended September 30 are as follows:

	2016	2015
Revenues forgone, based on established rates	$ 17,310,593	$ 18,406,964
Expenses and costs incurred	7,895,339	8,174,692

Of the Health System's total expenses reported ($1,223,003,650 and $1,139,725,241 in 2016 and 2015, respectively), an estimated $7,895,339 and $8,174,692 arose during 2016 and 2015, respectively, from providing services to charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to patients who qualify for charity care. The ratio of cost to charges is calculated based on total expenses (less bad debt expense) divided by gross patient service revenue. The Health System did not receive significant contributions that were restricted for the care of indigent patients during 2016 and 2015.

In addition to the above-mentioned medical care rendered, the Health System provides numerous other services free of charge to the community. These services include such things as transporting patients to the healthcare facilities, interpretation of medical information to various languages, volunteer services to other not-for-profit agencies, emergency and disaster relief services, various health, educational, research and teaching programs, healthcare screening services, therapeutic patient services, and provision of direct services to patients with multiple psychosocial needs. The amounts associated with these services are as follows:

	2016	2015
Approximated revenues forgone, or cost of the services provided to the community	$ 46,672,696	$ 42,548,113

The Health System also provides services to other indigent patients under the Medicaid/Rite Care Program, which reimburses healthcare providers at amounts which are less than the cost of services provided to the recipients.

In addition to the cost of charity care and other community service programs, the Health System provided $36,676,625 and $38,680,643 for uncollectible patient accounts during the years ended September 30, 2016 and 2015, respectively.

4. Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health System records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay a portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Health System’s allowance for doubtful accounts increased from 23.2% of net accounts receivable at September 30, 2015, to 27.5% of net accounts receivable at September 30, 2016. The Health System’s self-pay charity and bad debt write-offs decreased from $57,087,607 for fiscal year 2015 to $53,987,216 for fiscal year 2016. The decrease in write-offs was the result of expanded coverage under the Affordable Care Act. The Health System has not changed its charity care or uninsured discount policies during fiscal years 2015 or 2016.

Accounts receivable, prior to adjustment for doubtful accounts, is summarized as follows at September 30, 2016 and 2015:

	2016	2015
Receivables		
Patients	$ 28,454,659	$ 30,103,844
Third-party payors	129,251,157	151,974,188
	$ 157,705,816	$ 182,078,032

The allowance for doubtful accounts is summarized as follows at September 30, 2016 and 2015:

	2016	2015
Allowance for doubtful accounts		
Patients	$ 23,591,125	$ 20,479,464
Third-party payors	19,719,974	21,776,529
	$ 43,311,099	$ 42,255,993

Bad debt expense for non-patient accounts receivable is reflected in total operating expenses on the statements of operations. Patient related bad debt is reflected as a reduction in patient service revenues on the statements of operations.

5. Pledges Receivable

Unconditional promises to give are recorded at present value as current and long-term assets based on expected time of collection. Future expected collections of these pledges as of September 30 are as follows:

	2016	2015
Within one year	$ 1,164,996	$ 1,178,878
One to five years	172,795	1,042,718
	1,337,791	2,221,596
Less: Allowance for uncollectibles	(347,255)	(269,087)
Pledges receivable, net	$ 990,536	$ 1,952,509

A review of pledges is periodically made with regard to collectability. As a result, the allowance for pledges that may not be collected is adjusted, and some pledges have been cancelled and are no longer recorded in the financial statements. The U.S. Treasury Bill rate adjusted for credit risk at the date of the pledge is used to discount pledges receivable upon receipt. The discount was calculated using rates ranging from 1.0% to .75% for the years ending September 30, 2016 and 2015, respectively.

6. Summary of Investments

Investments at September 30 are summarized as follows:

	2016	2015
Endowment and board designated funds		
Cash and cash equivalents	$ 5,132,733	$ 4,441,937
Equity securities	14,823,485	12,941,827
Mutual funds	55,340,378	55,436,359
Investments at NAV	60,536,395	51,300,288
Assets held under split - interest agreements	25,306,003	17,679,265
Cash surrender value of life insurance	29,981,516	29,470,657
	$ 191,120,510	$ 171,270,333
Trustee-held funds		
Cash and cash equivalents	$ 24,411,650	$ 37,701,959
Fixed income securities	9,258,229	8,149,076
Equity securities	25,608,612	22,132,044
Mutual funds	54,844,991	31,876,084
Investments at NAV	47,243,272	63,610,247
	$ 161,366,754	$ 163,469,410
Other investments		
Cash and cash equivalents	$ -	$ 46,130
Fixed income securities	-	214,422
Mutual funds	15,185,364	28,815,161
	$ 15,185,364	$ 29,075,713

The cash surrender value of life insurance is included in Board-designated funds.

Investment income and gains (losses) for the years ended September 30 consisted of the following:

	2016	2015
Unrestricted investment return		
Interest and dividend income	$ 1,963,625	$ 3,208,235
Net realized (losses) gains on sales of investments	(3,892,242)	21,660,093
Net change in unrealized gains (losses)	17,542,646	(32,287,448)
	$ 15,614,029	$ (7,419,120)
Included in operating revenue	$ (192,276)	$ 17,790,747
Included in nonoperating revenue	15,806,305	(25,209,867)
	$ 15,614,029	$ (7,419,120)
Changes in temporarily restricted net assets		
Interest and dividend income	$ 364,926	$ 530,596
Net realized (losses) gains on sales of investments	(414,871)	1,575,145
Net change in unrealized gains (losses)	3,072,504	(3,488,278)
	$ 3,022,559	$ (1,382,537)
Changes in permanently restricted net assets		
Change in beneficial interest in perpetual trusts	$ 1,002,130	$ (1,454,092)
	$ 19,638,718	$ (10,255,749)

The cost and estimated fair value of securities classified as trading by the Health System, which excludes beneficial interest in perpetual trusts of $25,306,003 and $17,679,265, and excludes cash surrender value of life insurance of $29,981,516 and $29,470,657, and includes short-term investments of $13,228,467 and $27,163,691 as of September 30, 2016 and 2015, respectively, and long-term investments of $299,156,642 and $289,501,843 as of September 30, 2016 and 2015, respectively, is as follows:

	2016		
	Cost	**Gross Unrealized Gains (Losses)**	**Estimated Fair Value**
Endowment and board designated funds			
Cash and cash equivalents	$ 5,132,733	$ -	$ 5,132,733
Equity securities	13,167,074	1,656,411	14,823,485
Mutual funds	52,992,610	2,347,768	55,340,378
Investments at NAV	54,610,359	5,926,036	60,536,395
	$ 125,902,776	$ 9,930,215	$ 135,832,991
Trustee-held funds			
Cash and cash equivalents	$ 24,411,650	$ -	$ 24,411,650
Fixed income securities	9,107,293	150,936	9,258,229
Equity securities	21,274,797	4,333,815	25,608,612
Mutual funds	53,484,082	1,360,909	54,844,991
Investments at NAV	45,257,718	1,985,554	47,243,272
	$ 153,535,540	$ 7,831,214	$ 161,366,754
Other investments			
Cash and cash equivalents	$ -	$ -	$ -
Mutual funds	15,290,708	(105,344)	15,185,364
	$ 15,290,708	$ (105,344)	$ 15,185,364

	2015		
	Cost	**Gross Unrealized Gains (Losses)**	**Estimated Fair Value**
Endowment and board designated funds			
Cash and cash equivalents	$ 4,441,937	$ -	$ 4,441,937
Equity securities	12,201,136	740,691	12,941,827
Mutual funds	60,196,624	(4,760,265)	55,436,359
Investments at NAV	51,420,263	(119,975)	51,300,288
	$ 128,259,960	$ (4,139,549)	$ 124,120,411
Trustee-held funds			
Cash and cash equivalents	$ 37,701,959	$ -	$ 37,701,959
Fixed income securities	8,067,806	81,270	8,149,076
Equity securities	19,312,084	2,819,960	22,132,044
Mutual funds	32,687,092	(811,008)	31,876,084
Investments at NAV	63,840,159	(229,912)	63,610,247
	$ 161,609,100	$ 1,860,310	$ 163,469,410
Other investments			
Cash and cash equivalents	$ 46,130	$ -	$ 46,130
Fixed income securities	202,464	11,958	214,422
Mutual funds	29,195,499	(380,338)	28,815,161
	$ 29,444,093	$ (368,380)	$ 29,075,713

The System reviews its investments to identify those for which fair value is below cost. The System then makes a determination as to whether the investment should be considered other-than-temporarily impaired. The System recognized $2,168,926 and $269,369 in losses related to declines in value that were other-than-temporary in nature for the years ended September 30, 2016 and 2015, respectively.

CNE, Butler, Kent, Memorial, WIC, Integra, and the Agency routinely invest their surplus operating funds in various overnight repurchase agreements, money market funds, and fixed income U.S. agency bonds, which are classified as cash and cash equivalents.

7. Property, Plant and Equipment

A summary of property, plant and equipment at September 30 follows:

	2016	2015
Land and land improvements	$ 18,568,597	$ 17,934,854
Buildings and improvements	452,697,846	438,827,178
Moveable equipment	314,926,335	297,800,488
Total property, plant and equipment	786,192,778	754,562,520
Less: Accumulated depreciation and amortization	(484,438,434)	(449,859,247)
	301,754,344	304,703,273
Construction and projects in progress	2,059,779	9,165,220
Property, plant and equipment, net	$ 303,814,123	$ 313,868,493

Depreciation expense of property, plant and equipment amounted to $39,412,835 and $36,388,346 for the years ended September 30, 2016 and 2015, respectively.

Care New England had property, plant and equipment disposals of $5,436,235 and $9,052,058 with accumulated depreciation of $4,833,648 and $2,000,136 for the years ended September 30, 2016 and 2015, respectively.

During April 2015, Kent received a Certificate of Need approval from the Rhode Island Department of Health to provide primary and elective coronary angioplasty. The Certificate of Need also included the construction of a second cardiac catheterization laboratory to support the service. The project was funded through tax-exempt debt and equity. Total estimated cost of the project is approximately $4.5 million, including construction and equipment costs. Kent began performing elective angioplasty procedures in August 2015 and expects to perform emergency angioplasty procedures by December 2016 upon completion of the second cardiac catheterization laboratory and upgrade to equipment in the first laboratory.

As of September 30, 2016, the Health System estimated the total cost of completion of construction and projects in progress to be approximately $13,800,000. The funding to complete these projects will come from philanthropic donations and operating cash.

Butler owns approximately 110 acres of land, which was purchased with donated funds in the mid-19th century. This land has a book value of one dollar.

In the late 1940s, Kent acquired 57 acres of land, which is recorded at the acquisition price of $90,165.

Conditional asset retirement obligations are recorded at $1,874,736 and $1,814,193 as of September 30, 2016 and 2015, respectively. These obligations are recorded in other noncurrent liabilities in the consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2016 and 2015, there were no significant retirement obligations incurred or settled. Accretion expense of $103,749 and $117,767 was recorded during the years ended September 30, 2016 and 2015, respectively.

8. Long-Term Debt and Capital Leases

A summary of long-term debt at September 30 is as follows:

	2016	2015
Fixed rate $138,265,000 RIHEBC 2016 Series B Bonds, final maturity in 2036	$ 151,273,969	$ -
Fixed rate $21,610,000 RIHEBC 2016 Series C Taxable Notes, final maturity in 2046	21,045,331	-
Variable rate $42,810,000 RIHEBC 2014 Series A Bonds, final maturity in 2043	-	42,810,000
Fixed rate $87,385,000 RIHEBC 2013 Series A Bonds, final maturity in 2033	-	82,217,526
Fixed rate $12,000,000 RIHEBC 2010 Series bonds, final maturity in 2031	-	10,001,655
Fixed rate $16,000,000 RIHEBC 2011 Series bonds, final maturity in 2031	-	13,829,138
Variable rate $2,725,000 RIHEBC 2013 Series bonds, final maturity in 2023	-	2,609,416
Term, $1,400,000 Bank RI note, final maturity in 2023	-	1,347,975
Term, $216,000 Bank RI note, final maturity in 2024	-	210,805
Term, $536,000 Washington Trust mortgage note, final maturity in 2016	-	383,446
Term, $480,000 Washington Trust mortgage note, final maturity in 2016	-	342,471
Term, $445,400 U.S. Dept of Housing and Urban Development (HUD) mortgage note, final maturity in 2023	219,002	239,939
Term, $200,000 Bank RI note, final maturity in 2019	-	159,818
Various vehicle loans payable, final maturity date in 2019	-	181,552
Term, $4,000,000 Time Insurance Company mortgage note, final maturity in 2027	3,157,709	3,264,858
Term, $1,600,000 Seavest Healthcare Properties, LLC note, final maturity in 2030	1,547,798	-
Capital lease obligations	4,606,713	6,780,801
Total long-term debt and capital lease obligations	181,850,522	164,379,400
Less: Current portion of long-term debt and capital lease obligations	2,661,844	9,631,866
Long-term debt and capital lease obligations, excluding current portion	$ 179,188,678	$ 154,747,534

Rhode Island Health and Educational Building Corporation (RIHEBC) Bonds
In 2016, the Health System issued RIHEBC 2016 Series B fixed rate bonds of $138,265,000 (excluding a premium of $13,008,969). The bonds have mandatory sinking fund redemptions ranging from $3,490,000 in 2018 to $11,140,000 in 2035. The bonds bear interest at a fixed rate of 5.0%. A debt service reserve fund of $11,916,000 and a cost of issuance fund of $1,040,517 are included in trustee-held funds in the consolidated balance sheet at September 30, 2016. CNE, Butler, Kent, VNA, SHS, Memorial, TPC, WIC, WIH, collectively, the Obligated Group, are jointly and severably liable for repayment. The Obligated Group is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.1 to 1, effective in fiscal 2018 and all subsequent fiscal years, and days cash on hand of 30, effective in fiscal 2017 and all subsequent fiscal years.

The proceeds from the CNE 2016 Series B Bonds were used to (i) refund the outstanding CNE 2010 Bonds, and (ii) refund a portion of the outstanding CNE 2013 A Bonds, and (iii) refund a portion of the outstanding CNE 2014 A Bonds, and (iv) refund the outstanding CNE 2016 A Bonds, and (v) refund the outstanding TPC 2013 Bonds, and (vi) pay certain expenses related to the issuance of the 2016 Series B Bonds.

In 2016, the Health System issued RIHEBC 2016 Series C fixed rate taxable notes of $21,610,000 (excluding a discount of $564,669). The notes have mandatory sinking fund redemptions ranging from $277,000 in 2017 to $1,411,000 in 2046. The notes bear interest at a fixed rate of 5.5%. A cost of issuance fund of $152,532 is included in trustee-held funds in the consolidated balance sheet at September 30, 2016. The Obligated Group is jointly and severably liable for repayment. The Obligated Group is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.1 to 1, effective in fiscal 2018 and all subsequent fiscal years, and days cash on hand of 30, effective in fiscal 2017 and all subsequent fiscal years.

The proceeds from the CNE 2016 Series C Taxable Notes were used to (i) refund a portion of the outstanding CNE 2013 A Bonds, and (ii) refund a portion of the outstanding CNE 2014 A Bonds, and (iii) refund certain outstanding taxable indebtedness incurred by TPC, and (iv) pay certain expenses related to the issuance of the 2016 Series C Bonds.

In 2016, the Health System issued RIHEBC 2016 Series A variable rate bonds of $14,156,000. The proceeds from the CNE 2016 Series A Bonds were used to (i) refund the outstanding CNE 2011 Bonds, and (ii) pay certain expenses related to the issuance of the 2016 Series A Bonds. The maturity of the CNE 2016 Series A bonds was not more than twelve months from the closing date of June 28, 2016. The Health System recorded a loss on debt refinancing of $889,074 resulting from this transaction. The CNE 2016 Series A bonds were retired on September 28, 2016.

When the Series 2016 B Bonds and the Series 2016 C Taxable Notes were issued on September 28, 2016, the Series 2016 A Bonds, the Series 2014 A Bonds, the TPC Series 2013 Bonds, and certain outstanding indebtedness issued by TPC were retired. The CNE 2010 Bonds were defeased by depositing a portion of the proceeds of the CNE 2016 Series B bond proceeds in an account held by the trustee for the CNE 2010 Bonds to provide funds as and when necessary to pay the principal and interest on the CNE 2010 Bonds. The refunding trust has sufficient fixed income securities of $9,940,916, to meet the required payments of the outstanding balance, with the final payment in December 2030. The CNE Series 2013 A Bonds were defeased by depositing a portion of the proceeds of the CNE 2016 Series B and CNE 2016 Series C proceeds in an account held by the trustee for the CNE 2013 Series A Bonds to provide funds as and when necessary to pay the principal and interest on the CNE 2013 Series A Bonds. The refunding trust has sufficient fixed income securities of $94,605,003, to meet the required payments of the outstanding balance, with the final payment in September 2033. The Health System recorded a loss on debt refinancing of $19,346,206 resulting from these transactions.

In 2014, the Health System issued RIHEBC 2013 Series A fixed rate bonds of $87,385,000. The bonds have mandatory sinking fund redemptions ranging from $2,915,000 in 2019 to $8,230,000 in 2033.

The proceeds from the CNE 2013 Series A Bonds were used to (i) refund the outstanding CNE 2008 Series A Bonds, and (ii) refund the outstanding Memorial 2003 Series bonds and accrued interest, and (iii) establish a debt service reserve fund, and (iv) terminate the interest rate swap agreement with Deutsche Bank, and (v) fund a portion of routine capital expenditures/ improvements, and (vi) pay certain expenses related to the issuance of the 2013 Series A Bonds.

In 2014, the Health System issued RIHEBC 2014 Series A variable rate bonds of $42,810,000. The bonds had mandatory sinking fund redemptions ranging from $20,000 in 2029 to $5,150,000 in 2033 with final payment of $3,350,000 in 2042.

The proceeds from the CNE 2014 Series A Bonds were used to (i) refund the outstanding CNE 2008 Series B Bonds, and (ii) terminate the interest rate swap agreement with Morgan Stanley, (iii) fund a portion of routine capital expenditures/improvements, and (iv) pay certain expenses related to the issuance of the 2014 Series A Bonds.

The 2008 Series B Bonds were defeased by depositing the proceeds of the CNE Series 2014 bonds in an account held by the Trustee to provide funds as and when necessary to pay the principal and interest of the CNE 2008 Series B bonds. The CNE 2008 Series B Bonds were redeemed in full on June 2, 2014.

In 2010, the Health System issued RIHEBC 2010 Series fixed rate bonds of $12,000,000. The bonds have mandatory sinking fund redemptions ranging from $490,006 in 2016 to $813,065 in 2030, with a final payment of $417,695 in 2031. These bonds were issued as Direct Purchase Tax Exempt Bank qualified bonds. The bonds bear a fixed interest rate of 3.65% through December, 2017 with 3 year optional tenders through December, 2030. The bonds bear interest on a per annum basis with semi-annual payments based on a 20 year amortization. The proceeds from the bonds were used by Kent to finance (i) the renovation, equipping and furnishing of existing hospital space to house a ten (10) bed short stay unit: (ii) the construction, equipping and furnishing of a 30,000 square foot ambulatory surgical center with a connection to Kent's existing hospital building and (iii) cost of issuance. CNE, Butler, Kent, WIC and WIH were jointly and severable liable for repayment.

In 2011, the Health System issued RIHEBC 2011 Series fixed rate bonds of $16,000,000. The bonds had mandatory sinking fund redemptions ranging from $997,117 in 2016 to $1,044,574 in 2031. These bonds were issued as unrated private placement tax exempt bonds. The bonds bore a fixed interest rate of 2.99% through July 31, 2018. The bonds bore interest on a per annum basis with semi-annual payments based on a 20 year amortization. The proceeds from the bonds were used to finance (i) the construction, equipping and furnishing of a 32,000 square foot addition of Butler's existing hospital facility; (ii) refinancing of the Bank of Rhode Island mortgage held by WIC; (iii) refinancing of certain capital leases; (iv) purchase of capital equipment; (v) capitalized interest and (vi) cost of issuance. CNE, Butler, Kent, WIC and WIH were jointly and severable liable for repayment.

In 2012, the Center issued RIHEBC 2012 Series variable rate bonds of $2,600,000. The proceeds from the bonds were used to finance (i) the renovation of a 72,000 square foot office building located in Providence, Rhode Island and (ii) cost of issuance. In 2013, the RIHEBC 2012 Series bonds were refinanced in the aggregate amount of $2,725,000 in variable rate bonds. These bonds, RIHEBC 2013 Series, were issued as direct placement tax-exempt bonds. The bonds bore interest at the Federal Home Loan Bank Amortizing rate (twenty years), plus 2.00% discounted to 65% of the all in rate. Interest and principal installments of $13,052 on November 1, 2013 to September 1, 2023 were due monthly, with a final balloon payment of $2,025,934 due on October 1, 2023.

Bank Mortgage and Other Notes

In 2005, the Health System entered into a $3,750,000 mortgage note with Bank of America due August 2005 through July 2015. Interest and principal installments of $33,837 on August 1, 2005 to $24,883 on June 1, 2015 were due monthly, with a final balloon payment of $1,890,885 made August 2015, at a fixed interest rate of 5.64%.

In 2007, the Health System entered into a $4,000,000 mortgage note with Time Insurance Company due October 2007 through September 2027. Interest and principal installments of $25,261 are due monthly, with a final payment of $1,338,527 due September 2027, at a fixed interest rate of 5.79%. The note is collateralized by the real estate purchased.

In 2013, the Center entered into a $1,400,000 mortgage note with Bank RI due October 1, 2013 through October 1, 2023. Interest and principal installments of $8,614 were due monthly, at a fixed interest rate of 5.52%. The note was collateralized by the real estate. The proceeds of the CNE 2016 Series C Taxable Notes were used to retire this mortgage.

In 2015, Kent entered into a lease amendment with Seavest Healthcare Partners, LLC (“Seavest”). The 2015 amendment to the December 17, 2010 Tenant Space Lease agreement between the landlord, Seavest, and Kent for medical space located on Kent’s campus, includes a $1,600,000 note, due March 2016 through February 2030. Funds from this note were received by Kent in February and April 2016. Interest and principal installments of $13,582 are due monthly at an imputed interest rate of 5.46%.

Scheduled principal repayments on long-term debt are as follows for the years ended September 30:

2017	$ 503,974
2018	4,046,041
2019	4,253,011
2020	5,982,945
2021	6,283,907
Thereafter	143,729,631
	164,799,509
Plus unamortized premium on bonds	13,008,969
Less unamortized discount on bonds	(564,669)
	$ 177,243,809

Care New England had available $15,000,000 from December 29, 2011 through March 31, 2016 through a line of credit with a financial institution. The line of credit was not renewed after March 31, 2016. There were no outstanding balances on the line of credit as of September 30, 2015.

The Center had available $2,500,000 from October 1, 2013 through March 17, 2016 and $5,000,000 from March 18, 2016 through September 30, 2016 through a line of credit with a financial institution. $639,958 was outstanding on the line of credit as of September 30, 2016. There were no outstanding balances on the line of credit as of September 30, 2015. The Center is required to maintain a minimum debt service coverage ratio of 1.15 to 1.

The Hospitals and the Center classify certain noncancelable leases as capital leases, and include the property under lease in their property and equipment. Amortization expense for these assets is included in depreciation and amortization expenses in the consolidated statements of operations and changes in net assets. Ownership of the leased property converts to the Hospitals or the Center, respectively, at the end of the lease term. Assets and related accumulated depreciation under the capital leases are included in property, plant and equipment (Note 7).

Future minimum lease payments due under capital lease arrangements are as follows:

2017	$ 1,600,105
2018	1,583,375
2019	1,557,967
2020	4,975
2021	2,228
Total minimum lease payments	4,748,650
Less: Amount representing interest	141,937
Capital lease obligations at September 30, 2016	$ 4,606,713

9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at September 30:

	2016	2015
Healthcare services	$ 5,471,926	$ 5,908,916
Healthcare research	1,542,140	1,702,960
General purposes	8,658,396	8,137,291
Indigent care	5,132,602	4,843,451
Health education	3,464,227	3,281,915
Plant replacement and expansion	9,257,287	12,125,260
Other	5,358,110	4,884,456
Total temporarily restricted net assets	$ 38,884,688	$ 40,884,249

Permanently restricted net assets at September 30 are restricted investments to be held in perpetuity.

	2016	2015
Plant replacement and expansion	$ 18,475,851	$ 17,679,257
Indigent care	1,311,835	1,311,835
General purposes	10,849,876	4,019,732
Research	1,517,890	1,273,435
Healthcare services	2,072,198	2,042,372
Health education	1,169,679	1,054,150
Other	2,653,797	2,651,358
Total permanently restricted net assets	$ 38,051,126	$ 30,032,139

The Health System follows the requirements of the Rhode Island enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 as they relate to its permanently restricted endowments. The Health System's endowments consist of numerous individual funds established for a variety of purposes. Its endowments consist solely of donor-restricted endowment funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Health System classifies restricted donor funds in accordance with the laws of the State of Rhode Island and generally accepted accounting principles. The Health System classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. The Health System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Health System and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) the investment policies of the Health System.

For the year ended September 30, 2016, the Health System had the following changes in the endowment net assets:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 20,861,352	$ 12,350,886	$ 33,212,238
Investment return			
Investment income	318,106	-	318,106
Net appreciation (realized and unrealized)	2,732,096	-	2,732,096
Total investment return	3,050,202	-	3,050,202
Contributions	(49,358)	258,517	209,159
Transfer from unrestricted net assets	304,489	-	304,489
Appropriation of endowment assets for expenditure	(1,207,679)	-	(1,207,679)
Endowment net assets at end of year	$ 22,959,006	$ 12,609,403	$ 35,568,409

For the year ended September 30, 2015, the Health System had the following changes in the endowment net assets:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 24,028,457	$ 11,322,423	$ 35,350,880
Acquired endowment net assets	31,070	100,000	131,070
Investment return			
Investment income	523,128	-	523,128
Net appreciation (realized and unrealized)	(2,526,838)	-	(2,526,838)
Total investment return	(2,003,710)	-	(2,003,710)
Contributions	68,786	31,837	100,623
Transfer to permanently restricted net assets	-	896,626	896,626
Appropriation of endowment assets for expenditure	(1,263,251)	-	(1,263,251)
Endowment net assets at end of year	$ 20,861,352	$ 12,350,886	$ 33,212,238

In addition to permanently restricted endowments, Kent, Memorial and WIH are income beneficiaries of various trusts. On September 30, 2016 and 2015, the market value of Kent's and Memorial's trust assets, which are recorded as permanently restricted net assets, totaled $18,475,859 and $17,679,265, respectively. In 2016, WIH recorded its share of trust assets as a contribution to permanently restricted net assets. On September 30, 2016, the market value of WIH's trust assets totaled $6,830,144. On September 30, 2015, the market value of WIH's trust assets, which were not included in WIH's permanently restricted net assets at September 30, 2015, totaled $6,624,607. Distributions of income are made at the discretion of the trustees.

It is the policy of the Health System that any appropriations from the appreciation in endowment funds are periodically requested of and approved by the Board of Trustees.

The Board has responsibility for formulating investment policies. The investment policy is to invest in a conservative asset portfolio with minimal investment risk. Certain funds are included in a consolidated long term investment pool and invested in accordance with the investment strategy, authorized by the Board.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Health System to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets are immaterial as of September 30, 2016 and 2015. These deficiencies resulted from unfavorable market fluctuations. The individual donor-restricted endowment funds with deficiencies will retain future income and appreciation to restore the required fair value of the assets.

During fiscal 2016 and 2015, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	2016	2015
Healthcare services	$ 1,683,783	$ 1,034,448
Healthcare research	197,996	321,977
Plant replacement and expansion	6,654,039	893,818
Other	1,279,119	1,189,013
Health education	205,037	222,318
Indigent care	249,742	230,050
Total net assets released from restrictions	$ 10,269,716	$ 3,891,624

U.S. Department of Housing and Urban Development
Wilson received funding from HUD of $1,152,335 for the renovation of Wilson Street apartments. The agreement states that repayment is not required provided that the property funded remains available only to qualified clients for a period of not less than 40 years, maturing in 2047. If at any time during the restricted use period Wilson is unable to meet the provisions of the agreement, at the option of the funding source, the entire amount of the above noted funding shall become due and payable upon default.

Grandview Second received funding from HUD of $1,173,200 for the renovation of Grandview Second apartments. The agreement states that repayment is not required provided that the property funded remains available only to qualified clients for a period of not less than 40 years, maturing in 2035. If at any time during the restricted use period Grandview Second is unable to meet the provisions of the agreement, at the option of the funding source, the entire amount of the above noted funding shall become due and payable upon default.

Nashua received funding from HUD of $834,200 for the renovation of Nashua Street apartments. The agreement states that repayment is not required provided that the property funded remains available only to qualified clients for a period of not less than 40 years, maturing in 2040. If at any time during the restricted use period Nashua is unable to meet the provisions of the agreement, at the option of the funding source, the entire amount of the above noted funding shall become due and payable upon default.

State Bond Funds
Wilson has two agreements with the State of Rhode Island whereby Wilson obtained bond funds in the amount of $818,738 for the renovation of the Wilson Street apartments. Under the terms of the agreements, if Wilson Street apartments should cease to be utilized as a facility to be rented by qualified clients before 2047 (40 years after the first rental unit to a client or two years from the date of the grant), the State of Rhode Island would be entitled to recover either the amount expended under the agreement or a prorated portion of the fair market value of the building, whichever is greater. Management intends to use the facility for the stated purpose and duration of the agreement.

10. Retirement Plans

The Health System has three separate Defined Benefit pension plans. One plan covers the employees of CNE, Butler, Kent and WIC, with the exception of the unionized employees of WIH (who are covered under a multiemployer union plan), and certain WIH-employed physicians. The second plan covers the employees of the Agency, and the third plan covers substantially all of the employees of Memorial.

Care New England Pension Plan
The Care New England Pension Plan (the “Plan”), established on October 1, 1998, is a defined benefit cash balance plan that covers all of the employees of CNE, and all of the employees of Butler, Kent and WIC, with the exception of the unionized employees and certain employed physicians at WIH. The benefits for the unionized employees at Butler are computed under a separate formula that was in effect when the Butler plan was a standalone noncontributory defined benefit plan. Butler, Kent and WIC incur and fund their respective pension plan expenses within the guidelines established by the Employee Retirement Income Security Act of 1974.

The Care New England Board of Trustees voted, on September 23, 2010, to freeze the Plan effective December 31, 2010 for all employees with the exception of the Butler unionized employees. Effective December 31, 2010, compensation paid to a participant shall be disregarded for plan purposes, except for purposes related to determining benefits for the unionized employees at Butler. In addition, a participant’s cash balance account will only increase annually for interest credit. In connection with the Plan freeze, the Health System enhanced contributions to the Care New England 403(b) Match and Savings Plan.

Included in cumulative changes in unrestricted net assets at September 30, 2016 that has not yet been recognized in net periodic pension cost is an actuarial loss of $99,991,247. Included in cumulative changes in unrestricted net assets at September 30, 2015 that has not yet been recognized in net periodic pension cost is an actuarial loss of $91,994,222.

The actuarial loss included as cumulative changes in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2017 is $2,250,293.

Net periodic pension cost includes the following components at September 30:

	2016	2015
Service cost	$ 2,591,371	$ 2,514,262
Interest cost	9,375,254	9,223,909
Expected return on plan assets	(11,379,140)	(13,236,052)
Amortization of loss	2,038,064	1,381,414
Net periodic pension expense/(income)	$ 2,625,549	$ (116,467)

The assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	2016	2015
Discount rate	4.22 %	4.17 %
Expected return on assets	6.50	6.75
Rate of compensation increase	3.00	3.00

The following table presents a reconciliation of the beginning and ending balances of the plan projected benefit obligations, fair value of plan assets, funded status, and accumulated other comprehensive income (AOCI) of the plan as of September 30:

	2016	2015
Changes in benefit obligations		
Projected benefit obligations at beginning of year	$ 230,798,724	$ 229,225,651
Service cost	2,591,371	2,514,262
Interest cost	9,375,254	9,223,909
Actuarial loss	17,161,026	3,484,951
Benefits and expenses paid	(13,834,922)	(13,650,049)
Projected benefit obligations at end of year	$ 246,091,453	$ 230,798,724
Changes in plan assets		
Fair value of plan assets at beginning of year	$ 181,970,833	$ 201,187,902
Actual return on plan assets	18,505,077	(9,317,020)
Employer contributions	2,500,000	3,750,000
Benefits and expenses paid	(13,834,922)	(13,650,049)
Fair value of plan assets at end of year	$ 189,140,988	$ 181,970,833
Funded status		
Total pension liability	$ (56,950,465)	$ (48,827,891)
Accumulated benefit obligation	243,535,570	228,710,517
Amounts recognized in unrestricted net assets		
Unrestricted net assets at beginning of year	$ 91,994,222	$ 67,337,612
Plus amounts amortized during the year		
Net loss	2,038,064	1,381,414
Plus amounts occurring during the year		
Net loss	10,035,089	26,038,024
Unrestricted net assets at end of year	$ 99,991,247	$ 91,994,222

The assumptions used to develop the projected benefit obligation as of September 30 are as follows:

	2016	2015
Discount rate	3.43 %	4.22 %
Rate of compensation increase	3.00 %	3.00 %

Plan Assets
The Plan's investment objectives are to achieve long-term growth in excess of inflation, and to provide a rate of return that meets or exceeds the actuarial expected long-term rate of return on plan assets. In order to minimize risk, the Plan attempts to minimize the variability in yearly returns. The Plan diversifies its holdings among sectors, industries, and companies. No more than 6% of the Plan's portfolio (measured on market value) may be held in an individual company's stocks or bonds.

To develop the expected long-term rate of return on plan assets assumption, the Health System considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

The Health System's pension plan asset allocations (based on market value) at September 30, by asset category, are as follows:

	Target Allocation	Actual 2016	Actual 2015
Asset category			
Investments at NAV	11 %	17 %	12 %
Fixed income securities	35	34	34
Equity securities	54	49	54
	100 %	100 %	100 %

Refer to Note 23 for details on assets held by the Plan.

Contributions
The Health System contributed $2,500,000 and $3,750,000 to the Plan in 2016 and 2015, respectively. The Health System expects to contribute $5,000,000 to the Plan in 2017.

Estimated Future Benefit Payments
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year	Pension Benefits
2017	$ 17,964,689
2018	17,575,565
2019	16,644,279
2020	17,632,798
2021	17,739,179
Years 2022–2026	80,224,030

Care New England 403(b) Match and Savings Plan
Effective January 1, 2009, the Pension Plan Protection legislation resulted in regulatory changes which discontinued the matching credits to the participants that were previously recorded in the CNE Pension Plan. As a result, CNE established the Care New England 403(b) Plan to account for future matching credits. The plan covers employees that meet certain eligibility requirements. Additionally, effective January 1, 2011, in connection with the freeze of the Care New England

Pension Plan, the Health System also provides a nonelective contribution to participant accounts, as defined in the Plan document. Nonelective contributions are allocated to each eligible participant based on a percentage of salary, a combination of the recipients age and years of service, and are credited to each such participant as of the first day of the Plan year, as further described in the Plan document.

The Health System recorded an expense of $16,519,860 and $16,412,827 for the nonelective contribution to participant accounts for the fiscal years that ended September 30, 2016 and 2015, respectively. In addition, the Health System recorded an expense of $4,650,277 and $4,470,337 for matching credits for fiscal years ended September 30, 2016 and 2015, respectively. The Health System will fund the 2016 expense in calendar year 2017 and funded the 2015 expense in calendar year 2016.

Kent County Visiting Nurse Association Pension Plan

The Agency has a noncontributory defined benefit pension plan covering all employees who have satisfied certain eligibility requirements that was frozen effective December 31, 2007, and replaced with a contributory retirement savings plan. Benefits under the defined benefit plan were based on years of service and employee's compensation levels.

Included in the charge to net assets at September 30, 2016 and 2015 is an unrecognized actuarial loss of $5,211,582 and $4,330,178, respectively. The actuarial loss expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2017 is $151,503.

The Agency's pension expense was $217,415 in 2016 and $182,333 in 2015.

The assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	2016	**2015**
Discount rate	4.50 %	4.32 %
Expected return on assets	6.50 %	6.50 %
Rate of compensation increase	N/A	N/A

The assumptions used to develop the projected benefit obligation as of September 30 are as follows:

	2016	**2015**
Discount rate	3.67 %	4.50 %
Rate of compensation increase	N/A	N/A

To develop the expected long-term rate of return on plan assets assumption, the Agency considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

Plan assets, valued at fair value, consist of 98% mutual funds and 2% cash and cash equivalents. The fair value of the Plan assets were $6,791,544 and $6,322,672 at September 30, 2016 and 2015, respectively.

The funded status of the Agency's defined benefit plan was a total pension liability of $4,357,838 and $3,590,301 as of September 30, 2016 and 2015, respectively.

The Agency made required contributions to the Plan of $331,282 and $237,828 in 2016 and 2015, respectively. The Agency is expected to make $288,000 in contributions to the Plan during 2017. Benefit payments are expected to be paid as follows:

Fiscal Year	Pension Benefits
2017	$ 409,971
2018	507,652
2019	540,516
2020	555,103
2021	575,903
Years 2022–2026	3,067,276

Effective January 1, 2008, the Agency established a 403(b) Retirement Savings Plan that covers employees who have met certain eligibility requirements. Discretionary contributions to the plan are based on years of service and compensation levels. For the fiscal years that ended September 30, 2016 and 2015, respectively, the Agency recorded an expense of $452,002 and $391,850.

Memorial Retirement Plan

As part of the acquisition of SHS, CNE acquired the assets and assumed the liabilities for Memorial's defined benefit pension plan ("the Memorial Plan"), which was frozen for non-union participants as of May 31, 2012 and union employees as of June 1, 2013 and was replaced by the Memorial 403(b) Match and Savings Plan. Benefits under the defined benefit plan were based on years of service and employees' compensation during the last five years of covered employment. Memorial makes annual contributions to the Memorial Plan, which approximate the amount of net periodic pension cost. On December 31, 2014, the Memorial Plan was amended and participants became eligible participants in the Care New England 403(b) Match and Savings Plan effective January 1, 2015.

Included in cumulative changes in unrestricted net assets at September 30, 2016 that has not yet been recognized in net periodic pension cost is an actuarial loss of $41,968,565. Included in cumulative changes in unrestricted net assets at September 30, 2015 that has not yet been recognized in net periodic pension cost is an actuarial loss of $28,162,363.

The actuarial loss included as cumulative changes in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2017 is $895,511.

Net periodic pension cost includes the following components at September 30:

	2016	2015
Service cost	$ 1,200,000	$ -
Interest cost	6,864,004	6,647,404
Expected return on plan assets	(5,465,548)	(5,909,928)
Amortization of loss	436,006	-
Net periodic pension expense	$ 3,034,462	$ 737,476

The assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	2016	2015
Discount rate	4.51 %	4.43 %
Expected rate of return on plan assets	6.00 %	6.00 %
Rate of compensation increase	N/A	N/A

The following tables represent a reconciliation of the beginning and ending balances of the plan projected benefit obligations, fair value of plan assets, funded status, and accumulated other comprehensive income (AOCI) of the plan as of September 30:

	2016	2015
Changes in benefit obligations		
Projected benefit obligations at beginning of year	$ 155,405,973	$ 153,072,709
Service cost	1,200,000	-
Interest cost	6,864,004	6,647,404
Actuarial loss	19,117,056	7,449,980
Benefits and expenses paid	(7,635,890)	(11,764,120)
Projected benefit obligations at end of year	$ 174,951,143	$ 155,405,973
Changes in plan assets		
Fair value of plan assets at beginning of year	$ 91,882,407	$ 99,583,256
Actual return on plan assets	10,340,396	(1,527,710)
Employer contributions	4,289,465	5,250,000
Benefits and expenses paid	(7,635,890)	(11,423,139)
Fair value of plan assets at end of year	$ 98,876,378	$ 91,882,407
Funded status		
Total pension liability	$ (76,074,765)	$ (63,523,566)
Accumulated benefit obligation	174,951,143	155,405,973
Amounts recognized in unrestricted net assets		
Unrestricted net assets at beginning of year	$ 28,162,363	$ 13,274,745
Less amounts amortized during the year		
Net loss	(436,006)	-
Less amounts occurring during the year		
Net loss	14,242,208	14,887,618
Unrestricted net assets at end of year	$ 41,968,565	$ 28,162,363

The assumptions used to develop the projected benefit obligations as of September 30, 2016 are as follows:

	2016	2015
Discount rate	3.68 %	4.51 %
Rate of compensation increase	N/A	N/A

Plan Assets

The goals of the Memorial Plan are to provide a secure retirement benefit for plan participants and to manage plan assets for the exclusive benefit of the participants. The invested assets will be managed on a long-term total return basis and measured against established benchmarks for each asset class. Risk management is achieved by limiting the size of asset class and individual security positions to achieve adequate diversification. The Memorial Plan will maintain a funded level sufficient to ensure benefit security.

The pension plan asset allocations (based on market value) at September 30, by asset category, are as follows:

	Target Allocation	Actual 2016	Actual 2015
Asset category			
Cash and cash equivalents	0 %	1 %	1 %
Investments at NAV	0	0	0
Fixed income securities	66	66	69
Equity securities	34	33	30
	100 %	100 %	100 %

Refer to Note 23 for details on assets held by the Plan.

Contributions
Memorial contributed $4,289,465 to the Memorial Plan in 2016 and expects to contribute $7,000,000 to the Plan in 2017.

Estimated Future Benefit Payments
Benefit payments, are expected to be paid as follows:

Fiscal year	Pension Benefits
2017	$ 7,054,206
2018	7,471,011
2019	7,857,197
2020	8,329,757
2021	8,674,437
Years 2022–2023	47,885,366

WIH Union Plan
WIH contributes to a multi-employer defined benefit pension plan under the terms of the collective bargaining agreements that cover its union-represented employees. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If WIH chooses to stop participating in the plan, WIH may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

WIH's participation in the plan for the annual period ended December 31, 2015, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2015 and 2014 is for the plan's year-end at December 31, 2015, and December 31, 2014, respectively. The zone status is based on information that WIH received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreements to which the plan is subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2015	Pension Protection Act Zone Status 2014	FIP/RP Status Pending/ Implemented	Contributions of WIH 2015	Contributions of WIH 2014	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
New England Health Care Employees Pension Fund	22-3071963 - 001	Green	Green	No	$ 8,760,480	$ 8,306,710	No	11/30/2016

WIH was listed in the plan's Form 5500 as providing more than 5 percent of the total contributions for the plan years ending December 31, 2015 and December 31, 2014.

At the date the financial statements were issued, Form 5500 was not available for the plan year ending December 31, 2016.

Payments to the plan for the years ended September 30, 2016 and 2015 were $9,129,758 and $8,644,537, respectively.

The Center Retirement Benefit Plan
The Center maintains a profit sharing retirement plan to which The Center may make discretionary contributions. The retirement plan covers all employees of the Center over the age of 21 who have worked for a minimum of 975 hours during the plan year. Participants are vested over a number of years of continuous service. Participants became 100% vested after six years unless the age of 65 is attained, upon which the participant also becomes 100% vested. The Center did not contribute to the retirement plan for the year ended September 30, 2016.

11. Postretirement Plans

Kent sponsors an unfunded noncontributory defined benefit postretirement plan that provides medical and dental benefits to certain salaried and nonsalaried employees. In 1996, Kent amended the plans to eliminate benefits for all employees, except for certain employees with at least 25 years of service at that date.

Included in the charge to net assets that have not yet been recognized in net periodic postretirement benefit cost as of September 30, 2016 and 2015, respectively, is the unrecognized actuarial loss of $275,393 and $145,258. The unrecognized actuarial loss expected to be recognized in net periodic postretirement costs during the fiscal year ended September 30, 2017 is $12,233.

The postretirement benefit cost for these plans was $55,294 in 2016 and $119,610 in 2015.

12. Patient Service Revenue

For the majority of the System's revenue, the Hospitals, the Agency, and the Center have agreements with third-party payors that provide for payments to the Hospitals, the Agency, and the Center at amounts different from their established rates. At the time of rendering service to the patients, the Hospitals, the Agency, and the Center obtain assignment of benefits payable under the patient's health insurance program, plan, or policy (e.g., Medicaid, Blue Cross, health maintenance organizations, commercial insurance, Medicare, and others). The following is a breakdown of gross patient service revenue by payor type for the years ended September 30:

	2016	2015
Medicare and Medicare Managed Care	32 %	33 %
Medicaid and Medicaid Managed Care	28	28
Blue Cross	20	21
Managed care	11	10
Self-pay	2	2
Other third-party payors	7	6
	100 %	100 %

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there will always be a possibility that the recorded estimates of net revenue could change by a significant amount in the future. The Hospitals, the Agency, and the Center believe they are in compliance with all applicable laws and regulations. Cost reports filed annually with third-party payors are subject to audit prior to final settlement.

Medicare
Cost reports for the Hospitals and the Agency have been filed through 2015, and settled through 2015 for the Agency, 2014 for Butler, and 2013 for Kent, WIH, and Memorial.

The filing of these cost reports and associated settlements require the use of estimates. Net patient service revenue was increased by approximately $4,500,000 and $6,000,000 in 2016 and 2015, respectively, to reflect the changes in the estimated settlements for certain prior years.

The Health System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Health System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Health System records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), for the years ended September 30, 2016 and 2015 is summarized as follows:

	2016	**2015**
Patient service revenue (net of contractual allowances and discounts)		
Third-party payors	$ 1,073,363,882	$ 1,033,942,838
Self-pay	20,874,434	27,849,982
Total All Payors	$ 1,094,238,316	$ 1,061,792,820

13. Disproportionate Share

The government has long recognized the financial burdens which are borne by hospitals which serve an unusually large number, or "disproportionate share", of low-income patients. Kent, WIH, and Memorial received payments under the disproportionate share program of $56,539,150 and $50,483,921 from the State of Rhode Island's Medicaid program for the years ended September 30, 2016 and 2015, respectively. Kent, WIH, and Memorial also recorded disproportionate share payments of $2,122,763 and $1,949,220 from Medicare during 2016 and 2015, respectively. Additional payments of $10,219,631 and $12,366,948 were received during 2016 and 2015, respectively, from Medicare as part of new provisions under the Accountable Care Act to offset hospital costs for uncompensated care.

14. Licensure Fees

The State of Rhode Island assesses hospitals an annual licensure fee calculated as a percentage of the hospital's net patient revenue. The Care New England hospitals were assessed $47,792,634 and $43,534,709 for the years ended September 30, 2016 and 2015, respectively.

15. Restructuring Costs

During 2015, the System engaged Huron Healthcare, a nationally recognized healthcare performance improvement consulting firm. Huron began its assessment of the System's issues in June 2015. Following a 90-day assessment of CNE strategy and clinical and financial operations, Huron identified restructuring opportunities in multiple areas. Specific recommendations and action plans support the achievement of these targeted benefits. In August 2015, Huron Healthcare was further engaged to assist with the implementation of those recommendations. The work is organized through teams led by a CNE executives working in tandem with a lead consultant from Huron. Team participants include CNE leaders from across the System as appropriate by area of focus.

Working in partnership with Huron, CNE has started, and will continue to, implement these improvements over the course of the next 15 months.

During fiscal years 2016 and 2015, respectively, the System incurred $29,548,550 and $2,911,571 in expenses relating to the System's restructuring activities, all related to the costs associated with the retention of Huron Healthcare and severance costs.

16. Concentration of Credit Risk

As of September 30, 2016 and 2015, Care New England, the Hospitals, the Agency, and the Center had cash and cash equivalents in excess of Federal Depository Insurance limits at major financial institutions. These financial institutions have a strong credit rating, and management believes that credit risks related to these deposits are minimal.

The Hospitals, the Agency, and the Center receive a significant portion of its payment for services rendered from a limited number of governmental and commercial third-party payors, including Medicare, Medicaid, and Blue Cross. The organization has not historically incurred any significant concentrated credit losses in the normal course of business.

In addition, the organizations routinely grant credit to patients without requiring collateral or other security. The mix of receivables, net of contractual allowances, from patients and third-party payors at September 30, 2016 and 2015, was as follows:

	2016	2015
Medicare and Medicare Managed Care	15 %	19 %
Medicaid and Medicaid Managed Care	23	22
Blue Cross	17	18
Managed care	9	16
Self-pay	18	14
Other third-party payors	18	11
	100 %	100 %

The Health System provides an allowance for doubtful accounts to address the risks of nonpayment of accounts receivable.

17. Commitments and Contingencies

Operating Leases

Care New England, the Hospitals, the Agency, and the Center have entered into operating lease agreements with several vendors for the lease of certain equipment and office space. Future minimum lease payments under noncancelable operating leases as of September 30, 2016 are:

2017	$ 9,819,098
2018	8,751,483
2019	7,372,326
2020	6,500,794
2021	6,381,562
Later years	42,474,259
Total minimum lease payments	$ 81,299,522

Total rent expense for operating leases for the years ended September 30, 2016 and 2015 amounted to $12,159,256 and $6,988,541, respectively.

Butler has entered into several agreements with various parties, mostly non-profit organizations, to lease space on the Butler campus. Rental income in the amount of $2,559,257 and $2,690,521 for the fiscal years ending September 30, 2016 and 2015, respectively, is included in other operating revenues in the consolidated statements of operations.

Litigation

CNE, the Affiliates, the Agency and the Center have been individually named as codefendants in several complaints. It is the opinion of management that the liability, if any, to CNE, the Affiliates, the Agency, and the Center, in excess of insurance coverage will have no material adverse effect on the consolidated financial position of Care New England.

Collective Bargaining Agreements

At September 30, 2016, approximately 38% of the Health System’s employees were covered by collective bargaining agreements. The collective bargaining agreement covering 20% of Memorial’s employees expired on June 14, 2015 and is currently being negotiated. The collective bargaining agreement covering 65% WIH’s employees expired on November 30, 2016, and is subject to negotiation. All remaining bargaining agreements will be in effect through fiscal 2017.

18. Professional and General Liability Claims

Due to strategic and economic issues, as well as the potential for limited availability of commercial insurance policies, the Care New England entities have moved over time to covering the majority of their professional and general liability insurance to self-insured approaches. The adequacy of the coverage provided, reserves, and the funding levels are evaluated annually by independent actuaries who review the soundness of the programs and recommend future funding levels. Potential losses are estimated based on industry as well as entity experience, and a provision for these losses is recorded.

Butler annually contributes to its self-insurance trust fund to provide for risks relating to its existing actuarially calculated primary level of professional and general liabilities, as well as the tail liability related to prior claims-made coverage. Butler’s professional liability coverage for claims in excess of its primary coverage limits is provided by W&I Indemnity.

Kent Hospital established Toll Gate Indemnity in 2004, as an off-shore captive insurance entity to insure primary and excess hospital professional and general liability risks, as well as to supply indemnification coverage for certain eligible medical staff. As of July 1, 2014, Kent Hospital purchased commercial insurance coverage on a claims made basis for professional liability claims in excess of the professional liability coverage provided through Toll Gate Indemnity.

WIH established W&I Indemnity in 1994, as an off-shore captive insurance entity to provide coverage for claims in excess of its underlying policy, as well as to insure the contractual liability arising from indemnification agreements with certain eligible medical staff. In addition, WIH has a self-insurance trust fund for risks relating to prior tail liabilities. As of October 1, 2011, the primary coverage for professional and general liabilities was moved under the off-shore captive.

Effective July 1, 2004, professional liability insurance coverage for Memorial was provided on an occurrence basis. Such coverage was provided on a claims-made basis through June 30, 2004. The claims-made policies cover only claims made during the terms of the policies, and not those occurrences for which claims may be made after expiration of the policies. Memorial is self-insured with respect to incurred but not reported (IBNR) claims incurred prior to July 1, 2004. Memorial purchases annually commercial insurance policies to insure professional and general liability risks.

The provisions for anticipated losses were based upon expected undiscounted values. Trust fund and captive assets are available for the payment of claims.

The Agency purchases general and professional liability insurance from Toll Gate Indemnity.

The Center purchases, annually, commercial insurance policies to insure professional and general liability risks.

19. Other Self-Insurance Reserves

Care New England has established a workers' compensation trust fund to cover all past and future self-insured claims of workers' compensation activity for CNE, Butler, Kent, WIC, Memorial, and the Agency. The reserve for workers' compensation losses is based on an actuarial study and actual experience. At September 30, 2016 and 2015, the amounts accrued for estimated self-insurance costs have not been discounted. The Center purchases a commercial insurance policy annually to insure workers' compensation risks.

CNE, on behalf of itself, Butler, Kent, WIC, and the Agency, has entered into a self-insurance program for health insurance risks. This program covers the health claims for all of CNE's, Butler's, Kent's, WIC's, and the Agency's employees, with the exception of the unionized employees at WIH. The provisions for health insurance losses are based on actuarial assumptions and actual claims experience.

CNE, on behalf of itself, Butler, Kent, WIC, SHS, and the Agency, has entered into a self-insurance program for dental insurance risks. This program covers the dental insurance claims for all of CNE's, Butler's, Kent's, WIC's, SHS' and the Agency's employees. The provisions for dental insurance losses are based on actuarial assumptions and actual claims experience.

The Center has entered into a self-insurance program for health insurance risks. This program covers health insurance claims for substantially all of the Center's full-time employees. The Center limits it losses through the use of stop-loss policies from re-insurers. The provisions for health insurance losses are based on actuarial assumptions and actual claims experience.

20. Affiliation With Rhode Island Hospital

In 1981, RIH and WIH approved an agreement providing for the affiliation of the two Hospitals. The affiliation agreement provides for a program of shared medical services, thereby greatly increasing the scope of comprehensive acute-care services available to WIH in maternal, gynecological, and neonatal care. In accordance with the agreement, the Hospital relocated to the property of RIH.

21. Affiliation With Accredited Medical Schools

Butler, WIH, and Memorial are affiliated with the Warren Alpert Medical School of Brown University. The affiliation agreements provide that Butler, Memorial and WIH are the Major Affiliated Teaching Hospitals of the Medical School for psychiatry and behavioral, primary care medicine, and activities unique to women and newborns, respectively. Kent is affiliated with the University of New England College of Osteopathic Medicine.

22. Functional Expenses

CNE provides healthcare services to residents within their geographic service areas. Expenses related to providing these services for the years ended September 30 are as follows:

	2016	2015
Healthcare services	$ 963,511,889	$ 936,372,671
General and administrative	204,307,931	200,440,999
Other	55,183,830	2,911,571
	$ 1,223,003,650	$ 1,139,725,241

23. Fair Value of Financial Instruments

The Health System values it financial assets and liabilities at fair value in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and delineates the disclosures required about fair value measurements. Financial assets consist primarily of the endowment, Board designated funds, trustee-held funds, and other investments. Additionally, GAAP allows the Health System the use of estimates to fair value certain investments at the measurement date using NAV reported by the investment managers without further adjustment, provided that the Health System does not expect to sell the investments at a value other than the NAV.

GAAP clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment.

Level 2 Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; broker or dealer quotations; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 Valuations using unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities.

The Health System's ownership in investments at NAV consists of limited partnership interests and commingled funds. The value of certain investments at NAV represents the ownership interest in the NAV of the respective fund. The NAV of the securities held that do not have readily determinable fair values are determined by the investment manager or general partner and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager or general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities related. The Health System has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of September 30.

Financial instruments carried at fair value for the System's nonpension plan assets as of September 30, 2016 are classified in the table below in one of the three categories described above:

	2016	Level 1	Level 2	Level 3
Assets				
Endowment and board designated funds				
Cash and cash equivalents	$ 5,132,733	$ 5,132,733	$ -	$ -
Equity securities	14,823,485	14,823,485	-	-
Mutual funds	55,340,378	55,269,931	70,447	-
Assets held under split-interest agreements	25,306,003	-	-	25,306,003
Subtotal	$ 100,602,599	$ 75,226,149	$ 70,447	$ 25,306,003
Investments at NAV (a)	60,536,395			
Total assets	$ 161,138,994			
Trustee-held funds				
Cash and cash equivalents	$ 24,411,650	$ 24,411,650	$ -	$ -
Fixed income securities	9,258,229	6,059,277	3,198,952	-
Equity securities	25,608,612	25,608,612	-	-
Mutual funds	54,844,991	6,311,624	48,533,367	-
Subtotal	$ 114,123,482	$ 62,391,163	$ 51,732,319	$ -
Investments at NAV (a)	47,243,272			
Total assets	$ 161,366,754			
Other investments				
Mutual funds	15,185,364	15,185,364	-	-
Subtotal	$ 15,185,364	$ 15,185,364	$ -	$ -

Financial instruments carried at fair value for the System's nonpension plan assets as of September 30, 2015 are classified in the table below in one of the three categories described above:

	2015	Level 1	Level 2	Level 3
Assets				
Endowment and board designated funds				
Cash and cash equivalents	$ 4,441,937	$ 4,441,937	$ -	$ -
Equity securities	12,941,827	12,941,827	-	-
Mutual funds	55,436,359	55,373,192	63,167	-
Assets held under split-interest agreements	17,679,265	-	-	17,679,265
Subtotal	$ 90,499,388	$ 72,756,956	$ 63,167	$ 17,679,265
Investments at NAV (a)	51,300,288			
Total assets	$ 141,799,676			
Trustee-held funds				
Cash and cash equivalents	$ 37,701,959	$ 37,701,959	$ -	$ -
Fixed income securities	8,149,076	4,260,146	3,888,930	-
Equity securities	22,132,044	22,132,044	-	-
Mutual funds	55,213,464	31,876,084	23,337,380	-
Subtotal	$ 123,196,543	$ 95,970,233	$ 27,226,310	$ -
Investments at NAV (a)	40,272,867			
Total assets	$ 163,469,410			
Other investments				
Cash and cash equivalents	$ 46,130	$ 46,130	$ -	$ -
Fixed income securities	214,422	214,422	-	-
Mutual funds	28,815,161	28,815,161	-	-
Subtotal	$ 29,075,713	$ 29,075,713	$ -	$ -

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The amounts reported in the financial instruments table exclude the values of life insurance policies valued at $29,981,516 as of September 30, 2016 and $29,470,657 as of September 30, 2015, which are valued at the lesser of discounted value or cash surrender value.

All financial instruments are valued using a market approach involving identical or comparable assets.

Financial instruments carried at fair value for assets invested in the CNE Defined Benefit Pension Plan as of September 30, 2016 are classified in the table below in one of the three categories described above:

	2016	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 1,253,941	$ 1,253,941	$ -	$ -
Equity securities	19,454,262	19,454,262	-	-
Mutual funds	26,163,968	26,163,968	-	-
Subtotal	$ 46,872,171	$ 46,872,171	$ -	$ -
Investments at NAV (b)	142,268,817			
Total assets	$ 189,140,988			

Financial instruments carried at fair value for assets invested in the CNE Defined Benefit Pension Plan as of September 30, 2015 are classified in the table below in one of the three categories described above:

	2015	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 2,050,351	$ 2,050,351	$ -	$ -
Equity securities	17,774,545	17,774,545	-	-
Mutual funds	30,554,870	30,554,870	-	-
Subtotal	$ 50,379,766	$ 50,379,766	$ -	$ -
Investments at NAV (b)	131,591,067			
Total assets	$ 181,970,833			

(b) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in Note 10 Retirement Plans.

All financial instruments are valued using a market approach involving identical or comparable assets.

Financial instruments carried at fair value for assets invested in Memorial's Defined Benefit Pension Plan as of September 30, 2016 are classified in the table below in one of the three categories described above:

	2016	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 1,476,309	$ 1,476,309	$ -	$ -
Equity securities	19,728,643	19,728,643	-	-
Mutual funds	12,543,765	12,543,765	-	-
Guaranteed annuity contracts	65,127,661	-	-	65,127,661
	$ 98,876,378	$ 33,748,717	$ -	$ 65,127,661

Financial instruments carried at fair value for assets invested in Memorial's Defined Benefit Pension Plan as of September 30, 2015 are classified in the table below in one of the three categories described above:

	2015	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 837,414	$ 837,414	$ -	$ -
Equity securities	17,026,483	16,898,899	-	127,584
Mutual funds	10,993,199	10,993,199	-	-
Guaranteed annuity contracts	63,025,311	-	-	63,025,311
	$ 91,882,407	$ 28,729,512	$ -	$ 63,152,895

All financial instruments are valued using a market approach involving identical or comparable assets.

During the years ended September 30, 2016 and 2015, respectively, the changes in the fair value for the System's financial instruments in the nonpension plan assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	2016	2015
Fair value at October 1	$ 17,679,265	$ 19,133,355
Total gains (losses)		
Contributions	6,624,607	-
Dividends and interest income	314,640	118,620
Net realized (losses) gains on investments	(35,600)	143,370
Change in net unrealized appreciation on investments	1,764,894	(1,193,795)
Transfers in and/or out of Level 3	(1,041,803)	(522,285)
Fair value at September 30	$ 25,306,003	$ 17,679,265

During the years ended September 30, 2016 and 2015, respectively, the changes in the fair value for the System's financial instruments in Memorial's Defined Benefit Pension Plan assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	2016	2015
Fair value at October 1	$ 63,152,895	$ 65,361,154
Total gains (losses)		
Dividends and interest income	104	-
Net realized (losses) gains on investments	299	-
Change in net unrealized appreciation on investments	2,102,349	(2,335,843)
Transfers in and/or out of Level 3	(127,986)	127,584
Fair value at September 30	$ 65,127,661	$ 63,152,895

The Health System uses NAV to determine the fair value of its investments which do not have a readily determinable fair market value. The following tables summarize the key provisions for the Health System's nonpension plan investments as of September 30, 2016 and September 30, 2015, respectively, which are valued at NAV. There was an outstanding unfunded commitment of $4,883,844 and $10,709,793 at September 30, 2016 and September 30, 2015, respectively.

Redemption Terms as of September 30, 2016	Commingled Funds Equity	Commingled Funds Fixed Income	Commingled Funds Real Assets	Commingled Funds Multi Asset	Limited Partnership	Total
Endowment and board designated funds						
Daily, 0-1 day prior written notice	$ 4,732,629	$ 6,621,063	$ -	$ -	$ -	$ 11,353,692
Weekly, 5 days prior written notice	-	-	-	10,595,510	-	10,595,510
Bi-Monthly, Monthly, 7-30 days prior written notice	7,494,973	-	7,632,391	-	13,239,090	28,366,454
3 years, 90 days prior written notice	-	-	-	-	2,764,275	2,764,275
6-12 years	-	-	-	-	7,456,464	7,456,464
Total	$ 12,227,602	$ 6,621,063	$ 7,632,391	$ 10,595,510	$ 23,459,829	$ 60,536,395
Trustee-held funds						
Daily, 1 day prior written notice	$ -	$ 12,407,197	$ -	$ -	$ -	$ 12,407,197
Monthly, 5-30 days prior written notice	19,699,900	-	-	15,136,175	-	34,836,075
Total	$ 19,699,900	$ 12,407,197	$ -	$ 15,136,175	$ -	$ 47,243,272

Redemption Terms as of September 30, 2015	Commingled Funds Equity	Commingled Funds Fixed Income	Commingled Funds Multi Asset	Commingled Funds Hedge Fund	Limited Partnerships	Total
Endowment and board designated funds						
Daily, 0-1 day prior written notice	$ 2,219,130	$ 6,326,231	$ -	$ -	$ -	$ 8,545,361
Weekly, 5 days prior written notice	-	-	9,703,329	-	-	9,703,329
Bi-Monthly, Monthly, 7-30 days prior written notice	13,121,274	-	-	-	8,804,708	21,925,982
Quarterly, 90 days prior written notice	-	-	-	6,711,958	-	6,711,958
6-12 years	-	-	-	-	4,413,658	4,413,658
Total	$ 15,340,404	$ 6,326,231	$ 9,703,329	$ 6,711,958	$ 13,218,366	$ 51,300,288
Trustee-held funds						
Daily, 1-5 days prior written notice	$ 1,261,320	$ 13,125,820	$ -	$ -	$ -	$ 14,387,140
Monthly, 5-6 days prior written notice	10,253,796	-	15,631,931	-	-	25,885,727
Total	$ 11,515,116	$ 13,125,820	$ 15,631,931	$ -	$ -	$ 40,272,867

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Fixed Income Securities and Fixed Income Mutual Funds
The estimated fair values of investments in fixed income securities and mutual funds are based on quoted prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. The marketable fixed income securities and mutual funds classified as Level 1 were classified based on quoted prices of the actual instruments in active markets. The fixed income securities classified as Level 2 were classified as such due to the usage of observable market prices for similar securities that are traded in less active markets or when observable market prices for identical securities are not available. Marketable debt instruments are priced using: quoted market prices for similar instruments or pricing models, such as a discounted cash flow model, with all significant inputs corroborated with observable market data. These Level 2 securities primarily include corporate bonds, notes and other fixed income securities.

Equity Securities and Equity Mutual Funds
The fair values of investments in equity securities and mutual funds classified primarily as Level 1 are based on quoted market prices.

Assets Held Under Split-Interest Agreements
The estimated fair values of assets held under split-interest agreements are determined based upon information provided by the trustees and assessed for reasonableness by management. Such information is generally based on the pro rata interest in the net assets of the underlying investments. These assets consist primarily of cash equivalents and marketable securities.

Guaranteed Annuity Contracts
The estimated fair values of guaranteed annuity contracts are based on the book value of the contract adjusted by the market value adjustment provided by the insurance company to the contract holder.

24. Subsequent Events

In May 2016, Care New England Health System and Southcoast Health System, Inc. (“Southcoast”), a provider of health care services in southeastern Massachusetts, signed an affiliation agreement to form a new non-profit parent organization that would oversee both systems. Since that time, while conducting due diligence reviews and preparing regulatory filings, the parties came to recognize that their visions for the combined system could no longer be achieved. In October 2016, CNE and Southcoast Boards voted to terminate the agreement to affiliate. CNE and Southcoast parted on amicable terms and will continue their longstanding collegial relationship in the southeastern New England community. The CNE Board and senior leadership will be regrouping to assess the recent changes in the environment and to evaluate our strategic partnership goals for the future.

Care New England and its affiliated hospitals are committed to demonstrating, in all of its activities, the reliability, honesty, trustworthiness, and high degree of integrity expected of a leading healthcare organization and participant in federal health care programs. Care New England maintains an active and effective corporate compliance program designed to prevent problems from occurring, and to identify and resolve problems that do occur (the “Compliance Program”). Substantive areas of emphasis under the Compliance Program include the federal Physician Self-Referral Law, 42 U.S.C. § 1395nn and the regulations promulgated thereunder at 42 C.F.R. § 411.350 *et seq.* (collectively known as the “Stark Law”). Consistent with the goals of the Compliance Program, in December 2015 Care New England conducted an audit of its compensation arrangements with physicians at Butler Hospital, Kent Hospital and Women and

Infants Hospital. As a result of this audit, each of Butler Hospital, Kent Hospital and Women and Infants Hospital will make a voluntary disclosure of certain technical Stark Law violations to the Centers for Medicare and Medicaid Services via the Self-Referral Disclosure Protocol by December 31, 2016. Care New England does not anticipate that the settlement amounts related to such disclosures will materially impact its operations.

Care New England Health System has assessed the impact of subsequent events through December 20, 2016, the date the audited consolidated financial statements were issued and has concluded that there were no such events other than noted above requiring adjustments to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

Supplemental Consolidating Information
Basis of Presentation

The following supplemental consolidating information includes the consolidating balance sheets and the consolidating statement of operations and changes in net assets of the individual consolidated subsidiaries of Care New England Health System as of and for the fiscal year ended September 30, 2016 together with comparative consolidating information as of and for the year ended September 30, 2015. All intercompany accounts and transactions between subsidiaries have been eliminated. The consolidating information presented is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.

Care New England Health System and Affiliates
Consolidating Balance Sheet
September 30, 2016

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Assets										
Current assets										
Cash and cash equivalents	$ (9,058,756)	$ 6,675,169	$ 66,589,193	$ 78,562,398	$ (6,773,137)	$ (80,274,558)	$ (72,046)	$ 309,290	$ -	$ 55,957,553
Investments	-	1,553,781	-	11,674,686	-	-	-	-	-	13,228,467
Patient accounts receivable	9,492,327	46,148,420	72,195,885	11,761	4,278,014	16,023,748	-	9,555,661	-	157,705,816
Less: Allowance for doubtful accounts	(3,880,752)	(15,234,282)	(14,921,600)	-	(639,472)	(6,672,574)	-	(1,962,419)	-	(43,311,099)
Net patient accounts receivable	5,611,575	30,914,138	57,274,285	11,761	3,638,542	9,351,174	-	7,593,242	-	114,394,717
Other receivables	3,802,485	2,088,526	8,645,948	4,322	409,621	1,825,865	115,314	353,724	(139,524)	17,106,281
Pledges receivable, net	159,592	442,244	148,303	-	-	-	-	-	-	750,139
Other current assets	822,519	5,135,999	6,278,588	3,744,684	33,192	2,779,214	-	454,720	-	19,248,916
Current portion of assets whose use is limited	-	-	2,842	1,193,049	-	-	-	-	-	1,195,891
Due from affiliates–other	791,223	-	1,850,790	7,159,434	-	3,349,891	-	-	(13,151,338)	-
Total current assets	2,128,638	46,809,857	140,789,949	102,350,334	(2,691,782)	(62,968,414)	43,268	8,710,976	(13,290,862)	221,881,964
Assets whose use is limited or restricted as to use										
Endowment funds	17,169,576	16,251,943	15,517,705	-	-	11,897,264	-	148,964	-	60,985,452
Board-designated funds	6,146,499	23,493,264	95,185,183	-	764,435	4,545,677	-	-	-	130,135,058
Trustee-held funds	3,069,632	38,509,130	101,732,082	17,269,990	-	9,203	-	776,717	-	161,366,754
Deferred compensation funds	170,691	113,700	564,327	875,918	-	-	-	232,261	-	1,956,897
Total assets limited as to use	26,556,398	78,368,037	212,999,297	18,145,908	764,435	16,452,144	-	1,157,942	-	354,444,161
Less: Amounts required to meet current obligations	-	-	(2,842)	(1,193,049)	-	-	-	-	-	(1,195,891)
Noncurrent assets limited as to use	26,556,398	78,368,037	212,996,455	16,952,859	764,435	16,452,144	-	1,157,942	-	353,248,270
Goodwill	-	-	-	-	-	24,345,364	-	143,611	-	24,488,975
Intangibles	-	-	-	-	-	-	-	1,080,000	-	1,080,000
Property, plant and equipment, net	26,798,222	72,332,008	128,334,509	29,250,569	561,630	30,841,769	-	15,695,416	-	303,814,123
Pledges receivable, net	25,783	81,506	-	-	-	-	-	133,108	-	240,397
Insurance receivable	91,832	-	-	36,117	-	1,307,420	-	-	-	1,435,369
Other assets	-	460,904	1,466	6,908,970	-	-	-	104,621	-	7,475,961
Total assets	$ 55,600,873	$ 198,052,312	$ 482,122,379	$ 155,498,849	$ (1,365,717)	$ 9,978,283	$ 43,268	$ 27,025,674	$ (13,290,862)	$ 913,665,059

Care New England Health System and Affiliates
Consolidating Balance Sheet
September 30, 2016

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Liabilities and Net Assets										
Current liabilities										
Notes payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 639,958	$ -	$ 639,958
Accounts payable and accrued expenses	8,214,522	41,972,121	36,831,983	30,635,399	2,097,805	14,437,802	770,448	2,396,666	(233,683)	137,123,063
Current portion of estimated third-party payor settlements and advances	128,102	829,517	1,948,365	3,000,000	-	19,845	-	-	-	5,925,829
Current portion of long-term debt and capital leases	157,127	80,470	-	2,357,788	-	-	-	66,459	-	2,661,844
Current portion of long-term debt, due to parent	145,310	587,470	577,419	-	-	-	-	-	(1,310,199)	-
Self-insurance reserves	-	-	-	8,820,539	-	-	-	-	-	8,820,539
Pension liability	1,706,481	6,488,166	3,796,444	2,822,275	124,461	1,256,100	-	-	-	16,193,927
Other current liabilities	3,636,867	2,390,540	6,978,125	-	589,266	1,683,541	300,000	249,475	-	15,827,814
Due to affiliates	-	1,860,946	-	-	1,563,948	1,716,857	3,268,108	658,047	(9,067,906)	-
Total current liabilities	13,988,409	54,209,230	50,132,336	47,636,001	4,375,480	19,114,145	4,338,556	4,010,605	(10,611,788)	187,192,974
Long term liabilities										
Self-insurance reserves	2,573,306	36,192,110	83,504,649	8,103,095	-	1,380,742	-	-	-	131,753,902
Long-term portion of estimated third-party payor settlements and advances	2,178,247	1,245,134	14,334,662	-	287,349	4,882,036	-	-	-	22,927,428
Long-term debt and capital leases	3,079,461	1,467,328	-	174,373,899	-	-	-	267,990	-	179,188,678
Pension liability	12,632,752	24,644,174	12,787,658	6,885,881	4,357,838	76,074,765	-	-	-	137,383,068
Postretirement liability	-	1,512,112	-	-	-	-	-	-	-	1,512,112
Other liabilities	1,039,099	1,093,405	580,044	910,661	-	975,495	-	232,261	-	4,830,965
Due to parent, long-term debt	297,127	1,201,250	1,180,697	-	-	-	-	-	(2,679,074)	-
Total long-term liabilities	21,799,992	67,355,513	112,387,710	190,273,536	4,645,187	83,313,038	-	500,251	(2,679,074)	477,596,153
Net assets										
Unrestricted	438,560	59,291,525	296,271,713	(82,410,688)	(10,379,332)	(105,279,326)	(4,295,288)	18,302,954	-	171,940,118
Temporarily restricted	15,883,421	4,328,060	12,248,544	-	(7,052)	2,319,851	-	4,111,864	-	38,884,688
Permanently restricted	3,490,491	12,867,984	11,082,076	-	-	10,510,575	-	100,000	-	38,051,126
Total net assets	19,812,472	76,487,569	319,602,333	(82,410,688)	(10,386,384)	(92,448,900)	(4,295,288)	22,514,818	-	248,875,932
Total liabilities and net assets	$ 55,600,873	$ 198,052,312	$ 482,122,379	$ 155,498,849	$ (1,365,717)	$ 9,978,283	$ 43,268	$ 27,025,674	$ (13,290,862)	$ 913,665,059

Care New England Health System and Affiliates
Consolidating Statement of Operations
Year Ended September 30, 2016

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Revenues and gains										
Patient service revenue (net of contractual allowances)	$ 77,772,633	$ 358,131,380	$ 461,766,578	$ 171,907	$ 21,691,173	$ 130,787,664	$ -	$ 43,916,981	$ -	$ 1,094,238,316
Provision for bad debts	(1,854,413)	(15,760,200)	(10,649,601)	-	(520,047)	(7,892,364)	-	-	-	(36,676,625)
Net patient service revenue less provision for bad debts	75,918,220	342,371,180	451,116,977	171,907	21,171,126	122,895,300	-	43,916,981	-	1,057,561,691
Research revenue	11,316,280	122,609	10,458,586	-	-	1,625,299	-	-	-	23,522,774
Other revenue	19,354,068	37,661,795	41,825,461	135,605,299	798,726	4,493,570	2,364,726	6,221,198	(177,836,552)	70,488,291
Net assets released from restrictions and used for operations	481,174	673,544	773,035	-	10,802	302,154	323,335	587,046	-	3,151,090
Total revenues and gains	107,069,742	380,829,128	504,174,059	135,777,206	21,980,654	129,316,323	2,688,061	50,725,225	(177,836,552)	1,154,723,846
Operating expenses										
Salaries and benefits	69,359,540	194,102,393	256,780,818	75,877,966	17,418,105	70,399,238	3,379,601	38,554,440	201,819	726,073,920
Supplies and other expenses	23,572,606	144,827,557	174,280,326	54,439,899	4,575,474	67,156,652	2,327,377	10,531,044	(177,898,847)	303,812,088
Research expenses	11,175,520	121,396	10,255,036	-	-	1,620,335	-	-	-	23,172,287
Depreciation and amortization	3,938,151	9,240,369	12,727,210	6,692,763	167,441	5,685,042	-	1,148,334	-	39,599,310
Insurance	2,062,242	7,977,288	8,163,739	154,681	636,953	1,617,560	50,960	716,248	(139,524)	21,240,147
Licensure fee	-	16,246,546	23,469,195	-	-	8,076,893	-	-	-	47,792,634
Interest	727,780	1,240,488	2,003,228	1,308,669	486	566,559	-	282,224	-	6,129,434
Restructuring costs	450,008	316,524	-	26,812,663	394,215	1,575,140	-	-	-	29,548,550
Loss on debt refinancing	42,286	89,711	19,102	20,084,181	-	-	-	-	-	20,235,280
Loss on write-off of intangible assets	-	-	-	-	-	5,400,000	-	-	-	5,400,000
Total operating expenses	111,328,133	374,162,272	487,698,654	185,370,822	23,192,674	162,097,419	5,757,938	51,232,290	(177,836,552)	1,223,003,650
(Loss) income from operations	(4,258,391)	6,666,856	16,475,405	(49,593,616)	(1,212,020)	(32,781,096)	(3,069,877)	(507,065)	-	(68,279,804)
Nonoperating gains (losses)					-					
Investment income on assets limited as to use	255,227	(442,821)	(1,479,466)	113,357	(12,423)	(92,297)	-	(77,918)	-	(1,736,341)
Unrestricted gifts and bequests	135,130	398,711	253,330	-	98,275	499,514	-	339,693	-	1,724,653
Change in net unrealized gains (losses) on investments	1,127,377	3,369,246	12,431,049	247,849	82,074	285,051	-	-	-	17,542,646
Other	-	-	-	(2,024,438)	-	-	-	(69,478)	-	(2,093,916)
Net nonoperating gains (losses)	1,517,734	3,325,136	11,204,913	(1,663,232)	167,926	692,268	-	192,297	-	15,437,042
(Deficiency) excess of revenues and gains over expenses and losses	$ (2,740,657)	$ 9,991,992	$ 27,680,318	$ (51,256,848)	$ (1,044,094)	$ (32,088,828)	$ (3,069,877)	$ (314,768)	$ -	$ (52,842,762)

Care New England Health System and Affiliates
Consolidating Statement of Changes in Net Assets
Year Ended September 30, 2016

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Unrestricted net assets										
(Deficiency) excess of revenues and gains over expenses and losses	$ (2,740,657)	$ 9,991,992	$ 27,680,318	$ (51,256,848)	$ (1,044,094)	$ (32,088,828)	$ (3,069,877)	$ (314,768)	$ -	$ (52,842,762)
Pension and postretirement adjustments	(2,510,187)	(3,138,890)	(1,627,710)	(850,371)	(881,404)	(13,806,202)	-	-	-	(22,814,764)
Net assets released from restrictions used for purchase of property, plant and equipment	2,334,493	2,514,686	1,480,243	-	-	141,709	-	225,286	-	6,696,417
Transfer from (to) temporarily restricted net assets	-	-	-	-	-	304,560	-	(553,591)	-	(249,031)
Transfers	-	-	-	(5,369,578)	-	-	-	5,369,578	-	-
(Decrease) increase in unrestricted net assets	(2,916,351)	9,367,788	27,532,851	(57,476,797)	(1,925,498)	(45,448,761)	(3,069,877)	4,726,505	-	(69,210,140)
Temporarily restricted net assets										
Contributions	585,307	939,222	2,403,898	-	3,750	175,643	323,335	567,410	-	4,998,565
Income from investments	156,821	46,399	80,991	-	-	76,174	-	4,541	-	364,926
Net realized and unrealized gains (losses) from investments	1,294,531	380,887	698,026	-	-	280,336	-	3,853	-	2,657,633
Net assets released from restrictions	(3,237,876)	(3,188,230)	(2,253,278)	-	(10,802)	(443,863)	(323,335)	(812,332)	-	(10,269,716)
Transfer (to) from unrestricted net assets	-	-	-	-	-	(304,560)	-	553,591	-	249,031
(Decrease) increase in temporarily restricted net assets	(1,201,217)	(1,821,722)	929,637	-	(7,052)	(216,270)	-	317,063	-	(1,999,561)
Permanently restricted net assets										
Net realized and unrealized gains (losses) from investments	-	475,091	205,537	-	-	321,502	-	-	-	1,002,130
Contributions	355,419	34,391	6,627,047	-	-	-	-	-	-	7,016,857
Increase (decrease) in permanently restricted net assets	355,419	509,482	6,832,584	-	-	321,502	-	-	-	8,018,987
(Decrease) increase in net assets	(3,762,149)	8,055,548	35,295,072	(57,476,797)	(1,932,550)	(45,343,529)	(3,069,877)	5,043,568	-	(63,190,714)
Net assets at beginning of year	23,574,621	68,432,021	284,307,261	(24,933,891)	(8,453,834)	(47,105,371)	(1,225,411)	17,471,250	-	312,066,646
Net assets at end of year	$ 19,812,472	$ 76,487,569	$ 319,602,333	$ (82,410,688)	$ (10,386,384)	$ (92,448,900)	$ (4,295,288)	$ 22,514,818	$ -	$ 248,875,932

Care New England Health System and Affiliates
Consolidating Balance Sheet
September 30, 2015

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Assets										
Current assets										
Cash and cash equivalents	$ 8,098,326	$ 18,004,986	$ 90,313,057	$ (15,028,462)	$ (7,858,324)	$ (46,651,151)	$ (121,924)	$ 2,047,297	$ -	$ 48,803,805
Investments	-	1,621,564	-	25,542,127	-	-	-	-	-	27,163,691
Patient accounts receivable	9,683,721	51,886,900	76,243,383	76,282	6,007,180	32,054,347	-	6,126,219	-	182,078,032
Less: Allowance for doubtful accounts	(3,224,425)	(15,741,533)	(12,647,128)	-	(311,092)	(8,963,723)	-	(1,368,092)	-	(42,255,993)
Net patient accounts receivable	6,459,296	36,145,367	63,596,255	76,282	5,696,088	23,090,624	-	4,758,127	-	139,822,039
Other receivables	4,245,065	2,857,146	11,616,152	300,717	257,616	1,871,152	-	832,158	(575,018)	21,404,988
Pledges receivable, net	135,067	656,701	230,627	-	-	-	-	-	-	1,022,395
Other current assets	584,993	5,189,448	5,677,515	2,437,273	50,643	2,190,025	-	633,754	-	16,763,651
Current portion of assets whose use is limited	-	194,499	2,842	249,486	-	-	-	-	-	446,827
Due from affiliates–other	173,093	813,246	164,507	259,151	-	-	-	-	(1,409,997)	-
Due from affiliates–debt	-	-	-	119,431,068	-	-	-	-	(119,431,068)	-
Total current assets	19,695,840	65,482,957	171,600,955	133,267,642	(1,853,977)	(19,499,350)	(121,924)	8,271,336	(121,416,083)	255,427,396
Assets whose use is limited or restricted as to use										
Endowment funds	15,968,996	15,490,950	8,263,487	-	-	10,960,725	-	135,291	-	50,819,449
Board-designated funds	5,498,595	21,778,283	88,040,307	-	696,477	4,437,222	-	-	-	120,450,884
Trustee-held funds	2,814,511	30,790,997	113,451,348	15,617,033	-	36,421	-	759,100	-	163,469,410
Deferred compensation funds	226,719	369,239	540,423	611,434	-	-	-	164,207	-	1,912,022
Total assets limited as to use	24,508,821	68,429,469	210,295,565	16,228,467	696,477	15,434,368	-	1,058,598	-	336,651,765
Less: Amounts required to meet current obligations	-	(194,499)	(2,842)	(249,486)	-	-	-	-	-	(446,827)
Noncurrent assets limited as to use	24,508,821	68,234,970	210,292,723	15,978,981	696,477	15,434,368	-	1,058,598	-	336,204,938
Goodwill	-	-	-	-	-	24,345,364	-	143,611	-	24,488,975
Intangibles	-	-	-	-	-	5,400,000	-	1,082,500	-	6,482,500
Property, plant and equipment, net	29,717,391	69,810,907	138,899,561	31,622,090	467,132	27,050,897	-	16,300,515	-	313,868,493
Pledges receivable, net	250,787	420,471	77,849	-	-	-	-	181,007	-	930,114
Insurance receivable	-	-	-	1,049,250	-	594,538	-	-	-	1,643,788
Other assets	47,651	697,306	52,978	5,707,018	-	-	-	180,911	-	6,685,864
Total assets	$ 74,220,490	$ 204,646,611	$ 520,924,066	$ 187,624,981	$ (690,368)	$ 53,325,817	$ (121,924)	$ 27,218,478	$ (121,416,083)	$ 945,732,068

Care New England Health System and Affiliates
Consolidating Balance Sheet
September 30, 2015

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Liabilities and Net Assets										
Current liabilities										
Accounts payable and accrued expenses	$ 10,482,098	$ 35,870,109	$ 43,885,775	$ 29,957,913	$ 2,612,911	$ 15,006,151	$ 236,627	$ 3,746,214	$ (584,913)	$ 141,212,885
Current portion of estimated third-party payor settlements and advances	598,072	-	-	-	-	-	-	-	-	598,072
Current portion of long-term debt and capital leases	150,909	-	-	8,507,425	-	-	-	973,532	-	9,631,866
Current portion of long-term debt, due to parent	1,233,503	2,385,639	2,566,872	-	560	616,456	-	-	(6,803,030)	-
Self-insurance reserves	-	-	-	8,689,509	-	-	-	-	-	8,689,509
Pension liability	1,664,548	6,513,053	3,601,017	2,844,814	137,879	1,329,227	-	-	-	16,090,538
Other current liabilities	2,969,106	2,209,473	4,925,359	249,486	621,745	1,587,575	150,000	403,860	-	13,116,604
Due to affiliates	-	-	-	-	547,422	135,820	716,860	-	(1,400,102)	-
Total current liabilities	17,098,236	46,978,274	54,979,023	50,249,147	3,920,517	18,675,229	1,103,487	5,123,606	(8,788,045)	189,339,474
Long term liabilities										
Self-insurance reserves	2,345,060	33,117,220	93,832,831	8,968,999	-	667,860	-	-	-	138,931,970
Long-term portion of estimated third-party payor settlements and advances	2,317,638	4,458,350	16,855,380	-	243,802	6,253,108	-	-	-	30,128,278
Long-term debt and capital leases	3,226,563	-	-	146,897,349	-	-	-	4,623,622	-	154,747,534
Pension liability	10,096,632	21,579,974	11,131,294	6,019,991	3,590,301	63,523,566	-	-	-	115,941,758
Postretirement liability	-	1,447,283	-	-	-	-	-	-	-	1,447,283
Other liabilities	1,059,236	1,042,500	556,140	423,386	-	47,863	-	-	-	3,129,125
Due to parent, long-term debt	14,502,504	27,590,989	59,262,137	-	8,846	11,263,562	-	-	(112,628,038)	-
Total long-term liabilities	33,547,633	89,236,316	181,637,782	162,309,725	3,842,949	81,755,959	-	4,623,622	(112,628,038)	444,325,948
Net assets										
Unrestricted	3,354,911	49,923,737	268,738,862	(24,933,891)	(8,453,834)	(59,830,565)	(1,225,411)	13,576,449	-	241,150,258
Temporarily restricted	17,084,638	6,149,782	11,318,907	-	-	2,536,121	-	3,794,801	-	40,884,249
Permanently restricted	3,135,072	12,358,502	4,249,492	-	-	10,189,073	-	100,000	-	30,032,139
Total net assets	23,574,621	68,432,021	284,307,261	(24,933,891)	(8,453,834)	(47,105,371)	(1,225,411)	17,471,250	-	312,066,646
Total liabilities and net assets	$ 74,220,490	$ 204,646,611	$ 520,924,066	$ 187,624,981	$ (690,368)	$ 53,325,817	$ (121,924)	$ 27,218,478	$ (121,416,083)	$ 945,732,068

Care New England Health System and Affiliates
Consolidating Statement of Operations
Year Ended September 30, 2015

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Revenues and gains										
Patient service revenue (net of contractual allowances)	$ 76,752,480	$ 346,697,713	$ 437,673,643	$ 158,762	$ 23,119,797	$ 146,730,167	$ -	$ 31,933,427	$ (1,273,169)	$ 1,061,792,820
Provision for bad debts	(2,360,585)	(15,689,378)	(8,111,427)	-	(603,970)	(11,915,283)	-	-	-	(38,680,643)
Net patient service revenue less provision for bad debts	74,391,895	331,008,335	429,562,216	158,762	22,515,827	134,814,884	-	31,933,427	(1,273,169)	1,023,112,177
Research revenue	11,438,074	94,491	10,021,374	-	-	1,828,097	-	-	-	23,382,036
Contribution revenue from acquisition	-	-	-	-	-	-	-	13,439,012	-	13,439,012
Other revenue	19,418,455	16,183,864	54,565,740	126,718,669	652,778	3,148,186	436,066	2,648,159	(148,355,454)	75,416,463
Net assets released from restrictions and used for operations	560,312	427,727	975,863	-	66,662	289,688	-	269,553	-	2,589,805
Total revenues and gains	105,808,736	347,714,417	495,125,193	126,877,431	23,235,267	140,080,855	436,066	48,290,151	(149,628,623)	1,137,939,493
Operating expenses										
Salaries and benefits	71,842,098	178,854,018	255,006,218	74,387,375	18,402,217	88,496,500	923,630	27,578,189	(363,190)	715,127,055
Supplies and other expenses	21,080,558	126,025,120	162,665,586	48,055,187	4,891,580	63,882,124	698,327	6,396,060	(149,144,038)	284,550,504
Research expenses	11,567,179	92,096	9,975,999	-	-	1,847,605	-	-	-	23,482,879
Depreciation and amortization	4,103,616	9,365,128	13,847,895	3,227,297	136,244	5,077,797	-	823,350	-	36,581,327
Insurance	2,448,271	6,682,986	14,906,996	268,558	238,382	1,835,977	39,520	399,185	(121,395)	26,698,480
Licensure fee	-	15,973,092	21,552,806	-	-	6,008,811	-	-	-	43,534,709
Interest	801,733	1,408,313	2,281,430	1,559,475	527	572,430	-	214,808	-	6,838,716
Restructuring costs	-	-	-	2,911,571	-	-	-	-	-	2,911,571
Total operating expenses	111,843,455	338,400,753	480,236,930	130,409,463	23,668,950	167,721,244	1,661,477	35,411,592	(149,628,623)	1,139,725,241
Income (loss) from operations	(6,034,719)	9,313,664	14,888,263	(3,532,032)	(433,683)	(27,640,389)	(1,225,411)	12,878,559	-	(1,785,748)
Nonoperating gains (losses)										
Investment income on assets limited as to use	1,048,117	1,116,142	4,348,324	267,015	(1,547)	285,229	-	14,301	-	7,077,581
Unrestricted gifts and bequests	32,267	-	392,411	-	55,923	376,067	-	176,815	-	1,033,483
Change in net unrealized gains (losses) on investments	(934,531)	(5,799,103)	(24,268,258)	112,632	(88,599)	(1,309,589)	-	-	-	(32,287,448)
Other	-	-	-	(1,835,748)	5,094	-	-	(42,525)		(1,873,179)
Net nonoperating gains (losses)	145,853	(4,682,961)	(19,527,523)	(1,456,101)	(29,129)	(648,293)	-	148,591	-	(26,049,563)
Excess (deficiency) of revenues and gains over expenses and losses	$ (5,888,866)	$ 4,630,703	$ (4,639,260)	$ (4,988,133)	$ (462,812)	$ (28,288,682)	$ (1,225,411)	$ 13,027,150	$ -	$ (27,835,311)

Care New England Health System and Affiliates
Consolidating Statement of Changes in Net Assets
Year Ended September 30, 2015

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Unrestricted net assets										
Excess (deficiency) of revenues and gains over expenses and losses	$ (5,888,866)	$ 4,630,703	$ (4,639,260)	$ (4,988,133)	$ (462,812)	$ (28,288,682)	$ (1,225,411)	$ 13,027,150	$ -	$ (27,835,311)
Pension and postretirement adjustments	(4,600,072)	(11,201,158)	(5,608,284)	(3,246,565)	(1,424,393)	(14,887,618)	-	-	-	(40,968,090)
Net assets released from restrictions used for purchase of property, plant and equipment	-	586,343	258,176	-	-	-	-	49,299	-	893,818
Transfer from deferred revenue	-	-	302,009	-	-	-	-	-	-	302,009
Transfer (to) from temporarily restricted net assets	71,181	-	(377,751)	-	-	(475,000)	-	-	-	(781,570)
Transfers	-	-	-	(500,000)	-	-	-	500,000	-	-
(Decrease) increase in unrestricted net assets	(10,417,757)	(5,984,112)	(10,065,110)	(8,734,698)	(1,887,205)	(43,651,300)	(1,225,411)	13,576,449	-	(68,389,144)
Temporarily restricted net assets										
Contributions	650,971	731,762	2,790,052	-	-	219,231	-	312,231		4,704,247
Contribution of temporarily restricted net assets from acquisition	-	-	-	-	-	-	-	3,795,867	-	3,795,867
Income from investments	275,445	77,987	142,378	-	-	31,647	-	3,139	-	530,596
Net realized and unrealized gains (losses) from investments	(1,212,832)	(350,466)	(656,810)	-	-	304,559	-	2,416	-	(1,913,133)
Net assets released from restrictions	(968,312)	(500,950)	(1,234,039)	-	-	(289,688)	-	(318,852)	-	(3,311,841)
Transfer to deferred revenue	-	-	(662,715)	-	-	-	-	-	-	(662,715)
Transfer (to) from unrestricted net assets	(71,181)	-	377,751	-	-	475,000	-	-	-	781,570
Transfer to permanently restricted net assets	(695,687)	(200,939)	-	-	-	-	-	-	-	(896,626)
(Decrease) increase in temporarily restricted net assets	(2,021,596)	(242,606)	756,617	-	-	740,749	-	3,794,801	-	3,027,965
Permanently restricted net assets										
Contribution of permanently restricted net assets from acquisition	-	-	-	-	-	-	-	100,000	-	100,000
Net realized and unrealized gains (losses) from investments	-	(988,719)	-	-	-	(465,373)	-	-	-	(1,454,092)
Contributions	-	33,832	-	-	-	-	-	-	-	33,832
Transfer from temporarily restricted net assets	695,687	200,939	-	-	-	-	-	-	-	896,626
Increase (decrease) in permanently restricted net assets	695,687	(753,948)	-	-	-	(465,373)	-	100,000	-	(423,634)
(Decrease) increase in net assets	(11,743,666)	(6,980,666)	(9,308,493)	(8,734,698)	(1,887,205)	(43,375,924)	(1,225,411)	17,471,250	-	(65,784,813)
Net assets at beginning of year	35,318,287	75,412,687	293,615,754	(16,199,193)	(6,566,629)	(3,729,447)	-	-	-	377,851,459
Net assets at end of year	$ 23,574,621	$ 68,432,021	$ 284,307,261	$ (24,933,891)	$ (8,453,834)	$ (47,105,371)	$ (1,225,411)	$ 17,471,250	$ -	$ 312,066,646