DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

Consolidated Financial Statements as of and for the Years Ended June 30, 2017 and 2016 and Independent Auditors' Report

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dignity Health
San Francisco, California

We have audited the accompanying consolidated financial statements of Dignity Health and Subordinate Corporations ("Dignity Health"), which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Dignity Health'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 Dignity Health's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

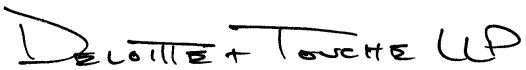
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dignity Health and Subordinate Corporations as of June 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Unsponsored Community Benefit Expense Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The unsponsored community benefit expense information in Note 23 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This supplementary information is the responsibility of Dignity Health's management. Such information has not been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, accordingly it is inappropriate to and we do not express an opinion on the supplementary information referred to above.



September 26, 2017

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED BALANCE SHEETS
June 30, 2017 and 2016 (in thousands)

Assets	2017	2016
Current assets:		
Cash and cash equivalents	$ 582,237	$ 569,473
Short-term investments	2,261,116	2,047,997
Collateral held under securities lending program	51,861	162,239
Assets limited as to use	1,774,988	1,014,919
Patient accounts receivable, net of allowance for doubtful accounts of $629,158 and $631,628 in 2017 and 2016, respectively	1,816,392	1,816,529
Broker receivables for unsettled investment trades	41,901	82,487
Provider fee receivable	878,875	1,088,686
Other current assets	666,908	607,454
Total current assets	8,074,278	7,389,784
Assets limited as to use:		
Board-designated assets (including $134,685 and $325,011 of assets loaned under securities lending program in 2017 and 2016, respectively) for:		
Capital projects	2,438,388	2,266,976
Workers' compensation	422,314	400,022
Professional and general liability	336,159	291,415
Under bond indenture agreements for:		
Capital projects	12,399	45,591
Debt service	48,979	95,551
Donor-restricted	489,639	445,212
Other	65,894	66,009
Less amount required to meet current obligations	(1,774,988)	(1,014,919)
Net assets limited as to use	2,038,784	2,595,857
Property and equipment, net	4,949,114	4,909,980
Ownership interests in health-related activities	1,457,825	1,324,540
Goodwill	589,920	574,355
Intangible assets, net	211,206	213,185
Other long-term assets, net	93,277	74,961
Total assets	$ 17,414,404	$ 17,082,662

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED BALANCE SHEETS
June 30, 2017 and 2016 (in thousands)

Liabilities and Net Assets	2017	2016
Current liabilities:		
Current portion of long-term debt	$ 909,328	$ 112,283
Demand bonds subject to short-term liquidity arrangements, excluding current maturities	752,886	761,800
Accounts payable	649,948	659,536
Payable under securities lending program	51,861	162,241
Accrued salaries and benefits	704,332	681,835
Accrued workers' compensation	46,920	47,042
Accrued professional and general liability	65,511	68,417
Pension and other postretirement benefit liabilities	292,828	356,217
Broker payables for unsettled investment trades	227,489	14,930
Derivative instruments	176,853	248,913
Provider fee and CHFT grant payables	246,129	355,857
Other accrued liabilities	333,285	343,757
Total current liabilities	4,457,370	3,812,828
Other liabilities:		
Workers' compensation	348,577	344,927
Professional and general liability	294,790	266,278
Pension and other postretirement benefit liabilities	1,424,026	1,604,163
Deferred tax liabilities	116,221	108,534
Other	130,946	112,725
Total other liabilities	2,314,560	2,436,627
Long-term debt, net of current portion	3,635,918	4,605,283
Total liabilities	10,407,848	10,854,738
Net assets:		
Unrestricted - attributable to Dignity Health	6,259,117	5,550,726
Unrestricted - noncontrolling interests	255,957	231,337
Temporarily restricted	384,771	331,128
Permanently restricted	106,711	114,733
Total net assets	7,006,556	6,227,924
Total liabilities and net assets	$ 17,414,404	$ 17,082,662

(Concluded)

See notes to consolidated financial statements.

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED June 30, 2017 and 2016 (in thousands)

	2017	2016
Unrestricted revenues and other support:		
Patient revenue, net of contractual allowances and discounts	$ 12,120,184	$ 12,234,018
Provision for bad debts	(547,797)	(691,756)
Net patient revenue	11,572,387	11,542,262
Premium revenue	755,427	633,395
Revenue from health-related activities, net	139,013	66,586
Other operating revenue	364,631	376,580
Contributions	18,649	17,452
Total unrestricted revenues and other support	12,850,107	12,636,275
Expenses:		
Salaries and benefits	6,883,671	6,581,323
Supplies	1,850,519	1,769,212
Purchased services and other	3,454,313	3,497,502
Depreciation and amortization	606,370	581,624
Interest expense, net	122,018	270,034
Total expenses	12,916,891	12,699,695
Operating loss	(66,784)	(63,420)
Other income (loss):		
Investment income (loss), net	555,538	(123,869)
Loss on early extinguishment of debt	(48,012)	-
Income tax expense	(15,024)	(14,189)
Total other income (loss), net	492,502	(138,058)
Excess (deficit) of revenues over expenses	$ 425,718	$ (201,478)
Less excess of revenues over expenses attributable to noncontrolling interests	42,143	36,337
Excess (deficit) of revenues over expenses attributable to Dignity Health	$ 383,575	$ (237,815)

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED June 30, 2017 and 2016 (in thousands)

	2017	2016
Unrestricted net assets attributable to Dignity Health:		
Excess (deficit) of revenues over expenses attributable to Dignity Health	$ 383,575	$ (237,815)
Net assets released from restrictions used for purchase of property and equipment	14,988	11,411
Change in funded status of pension and other postretirement benefit plans	297,159	(886,749)
Gain (loss) from discontinued operations, net	245	(276)
Change in net assets of unconsolidated equity method investments	4,937	10,151
Change in ownership interests held by controlled subsidiaries	(3,882)	(17,384)
Change in accumulated unrealized derivative gains, net	2,683	2,683
Funds donated from unconsolidated sources for purchase of property and equipment	9,422	11,051
Other	(736)	3,812
Increase (decrease) in unrestricted net assets attributable to Dignity Health	708,391	(1,103,116)
Unrestricted net assets attributable to noncontrolling interests:		
Excess of revenues over expenses attributable to noncontrolling interests	42,143	36,337
Change in ownership interest and other, net	(17,523)	(2,530)
Increase in unrestricted net assets attributable to noncontrolling interests	24,620	33,807
Temporarily restricted net assets:		
Contributions and restricted proceeds	47,052	49,802
Net realized and unrealized gains (losses) on investments	9,422	(1,482)
Net assets released from restrictions	(44,930)	(39,453)
Change in interest in net assets of unconsolidated foundations	41,942	(13,624)
Other	157	3,364
Increase (decrease) in temporarily restricted net assets	53,643	(1,393)
Permanently restricted net assets:		
Contributions	5,602	4,770
Net realized and unrealized gains on investments	212	89
Change in interest in net assets of unconsolidated foundations	(13,453)	2,949
Other	(383)	-
Increase (decrease) in permanently restricted net assets	(8,022)	7,808
Increase (decrease) in net assets	778,632	(1,062,894)
Net assets, beginning of period	6,227,924	7,290,818
Net assets, end of period	$ 7,006,556	$ 6,227,924

(Concluded)

See notes to consolidated financial statements.

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2017 and 2016 (in thousands)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 778,632	$ (1,062,894)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Loss on early extinguishment of debt	48,012	-
Depreciation and amortization	610,703	584,212
Health-related activities:		
Changes in equity of unconsolidated entities	(183,030)	(64,907)
Changes in ownership of consolidated entities	(4,383)	(25,650)
Loss (gain), net, on disposal of assets	9,661	(17,433)
Change in deferred taxes	7,687	11,799
Restricted contributions	(48,473)	(60,156)
Change in funded status of pension and other postretirement benefit plans	(297,159)	886,749
Undistributed portion of change in net assets of unconsolidated foundations	(28,489)	10,675
Change in net realized and unrealized gains on investments	(519,749)	181,024
Change in fair value of swaps	(76,020)	70,428
Changes in certain assets and liabilities:		
Accounts receivable, net	137	(101,189)
Accounts payable	(1,018)	45,672
Workers' compensation and professional and general liabilities	36,525	5,081
Accrued salaries and benefits	22,497	11,178
Pension and other postretirement liabilities	53,633	(33,427)
Provider fee assets and liabilities	100,083	(225,936)
Estimated receivables from/payables to third-party payors, net	1,752	(9,415)
Other accrued liabilities	(13,008)	32,106
Prepaid and other current assets	(53,260)	(24,951)
Other, net	(19,209)	(11,720)
Cash provided by operating activities	425,524	201,246

(Continued)

DIGNITY HEALTH AND SUBORDINATE CORPORATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2017 and 2016 (in thousands)

	2017	2016
Cash flows from investing activities:		
Purchase of investments	(6,077,952)	(4,088,020)
Proceeds from investments	6,545,147	4,815,937
Cash proceeds on disposal of assets	-	62,351
Investments in health-related activities	(36,225)	(107,433)
Cash distributions from health-related activities	7,167	17,445
Additions to operating property and equipment	(633,448)	(641,711)
Decrease in securities lending collateral	110,380	60,214
Other, net	(20,040)	(28,941)
Cash provided by (used in) investing activities	(104,971)	89,842
Cash flows from financing activities:		
Borrowings	1,170,970	206,694
Repayments	(1,366,608)	(209,581)
Decrease in payable under securities lending program	(110,380)	(60,214)
Direct costs related to the sale of noncontrolling interest	-	(3,913)
Contingent consideration payments related to acquisitions	(1,201)	(325)
Restricted contributions	48,473	60,156
Debt extinguishment costs	(48,012)	-
Deferred financing costs	(1,031)	-
Cash used in financing activities	(307,789)	(7,183)
Net increase in cash and cash equivalents	12,764	283,905
Cash and cash equivalents at beginning of the year	569,473	285,568
Cash and cash equivalents at end of the year	$ 582,237	$ 569,473
Components of cash and cash equivalents and investments at end of year:		
Cash and cash equivalents	582,237	569,473
Short-term investments	2,261,116	2,047,997
Board-designated assets for capital projects	2,438,388	2,266,976
Total	$ 5,281,741	$ 4,884,446
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest	$ 217,028	$ 197,513
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired through capital lease or note payable	$ 9,429	$ 32,597
Accrued purchases of property and equipment	$ 103,357	$ 114,823
Broker receivables for unsettled investment trades	$ 41,901	$ 82,487
Broker payables for unsettled investment trades	$ 227,489	$ 14,930

(Concluded)

See notes to consolidated financial statements.

1. ORGANIZATION

Dignity Health ("the Corporation") is a California nonprofit public benefit corporation exempt from federal and state income taxes. Dignity Health owns and operates health care facilities in California, Arizona and Nevada, and is the sole corporate member (parent corporation) of other primarily nonprofit corporations in California, Arizona and Nevada, which are exempt from federal and state income taxes. These organizations provide a variety of health care-related activities, education and other benefits to the communities in which they operate. Health care services include inpatient, outpatient, subacute, and home health care services, as well as physician services through Dignity Health Medical Foundation and other affiliated medical groups. Dignity Health also provides occupational health and urgent care services in 19 additional states through U.S. HealthWorks, Inc. ("USHW"). The accompanying consolidated financial statements include Dignity Health and its subordinate corporations and subsidiaries (together "Dignity Health"), as disclosed in Note 24.

As part of a system-wide corporate financing plan, Dignity Health established an Obligated Group to access the capital markets and make loans to its members. Obligated Group members are jointly and severally liable for the long-term debt outstanding under a Master Trust Indenture. None of the other Dignity Health subordinate corporations and subsidiaries have assumed any financial obligation related to payment of debt service on obligations issued under the Master Trust Indenture. A list of Obligated Group members and other subordinate corporations and subsidiaries is included in Note 24.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis for Presentation – The accompanying consolidated financial statements include the accounts of Dignity Health after elimination of intercompany transactions and balances. Certain reclassifications and changes in presentation were made in the 2016 consolidated financial statements to conform to the 2017 presentation.

Use of Estimates – The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Dignity Health considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes contractual allowances and discounts; provisions for bad debts and charity care; recorded values of primary assets, investments and goodwill; losses and expenses related to self-insured workers' compensation and professional and general liabilities; and risks and assumptions for measurement of pension and other postretirement liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular circumstances. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents consist primarily of cash and highly liquid marketable securities with an original maturity of three months or less.

Securities Lending Program – Dignity Health participates in securities lending transactions with its custodian whereby Dignity Health lends a portion of its investments to various brokers in exchange for collateral for the securities loaned, usually on a short-term basis. Dignity Health maintains effective control of the loaned securities through its custodian during the term of the arrangement in that they may be recalled at any time. Collateral is provided by brokers at an amount equal to at least 100% of the original value of the securities on loan, and is subsequently adjusted for market fluctuations. Dignity Health must return to the borrower the original value of collateral received regardless of the impact of market fluctuations. Under the terms of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed.

The securities on loan under this program are recorded in Board-designated assets in the accompanying consolidated balance sheets. Dignity Health receives both cash and non-cash collateral. Cash collateral is recorded as an asset of the organization. The market value of collateral held for loaned securities is reported as

collateral held under securities lending program, and an obligation is reported for repayment of collateral upon settlement of the lending transaction as payable under securities lending program.

Inventory – Inventories are stated at the lower of cost or market value, determined using the first-in, first-out method.

Broker Receivables and Payables for Unsettled Investment Trades – Dignity Health accounts for its investments on a trade date basis. Amounts due to/from brokers for investment activity relate to transactions that have been initiated prior to the consolidated balance sheet date which are formally settled subsequent to the consolidated balance sheet date.

Investments and Investment Income – The Dignity Health Board of Directors Investment Committee establishes guidelines for investment decisions. Within those guidelines, Dignity Health invests in equity and debt securities which are measured at fair value and are classified as trading securities.

Dignity Health also invests in alternative investments through limited partnerships. Alternative investments are comprised of private equity, real estate, hedge fund and other investment vehicles. Dignity Health receives a proportionate share of the investment gains and losses of the partnerships. The limited partnerships generally contract with managers who have full discretionary authority over the investment decisions, within Dignity Health's guidelines. These alternative investment vehicles invest in equity securities, fixed income securities, currencies, real estate, commodities, and derivatives.

Dignity Health accounts for its ownership interests in these alternative investments under the equity method, the value of which is based on the net asset value ("NAV"), which approximates fair value, and is determined using investment valuations provided by the external investment managers, fund managers or the general partners.

Alternative investments generally are not marketable and many alternative investments have underlying investments which may not have quoted market values. The estimated value of such investments is subject to uncertainty and could differ had a ready market existed. Such differences could be material. Dignity Health's risk is limited to its capital investment in each investment and capital call commitments as discussed in Note 8.

Investment income or loss is included in excess (deficit) of revenues over expenses unless the income or loss is restricted by donor or law. Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects.

Board-Designated Assets for Capital Projects – The Board of Directors has a policy of funding depreciation, to the extent that funds are available, to be used for replacement, expansion and improvement of operating property and equipment.

Deferred Financing Costs and Original Issue Discounts/Premiums on Bond Indebtedness – Dignity Health amortizes deferred financing costs and original issue discounts/premiums on bond indebtedness over the estimated average period the related bonds will be outstanding. Both deferred financing costs and original issue discounts/premiums are recorded with the related debt.

Property and Equipment – Property and equipment are stated at cost if purchased, and at fair market value if donated. Depreciation of property and equipment is recorded using the straight-line method. Amortization of capital lease assets is included in depreciation expense. Estimated useful lives by major classification are as follows:

Land improvements	2 to 40 years
Buildings	3 to 65 years
Equipment	2 to 40 years
Software development	3 to 10 years

Asset Retirement Obligations – Dignity Health recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets. Liabilities for such obligations of $36.9 million and $36.0

million are recorded in other long-term liabilities as of June 30, 2017 and 2016, respectively. The year over year increase of $0.9 million is primarily related to accretion of the liability.

Asset Impairment – Dignity Health routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. The impairment tests are based on financial projections prepared by management that incorporate anticipated results from programs and initiatives being implemented and market value assessments of the assets. If these projections are not met, or if negative trends occur that impact the future outlook, the value of the long-lived assets may be impaired.

Goodwill and indefinite-lived intangible assets are tested for impairment annually on various dates and when an event or circumstance indicates the value of the reporting unit or intangible asset may be impaired. Dignity Health uses the income and market approaches to estimate the fair value of its reporting units and uses the income approach to estimate the fair value of its indefinite-lived intangible assets. If the carrying value exceeds the fair value, an impairment charge is recognized. See Notes 11 and 12.

Fair Value of Financial Instruments – The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities. The fair value of investments and debt is disclosed in Note 8.

Derivative Instruments – Dignity Health utilizes derivative arrangements to manage interest costs and the risk associated with changing interest rates. Dignity Health records derivative instruments on the consolidated balance sheets as either an asset or liability measured at its fair value. See Notes 8 and 17.

Dignity Health does not currently have derivative instruments that are designated as hedges. Changes in fair value of non-hedged derivative instruments are included in interest expense, net, in the consolidated statements of operations and changes in net assets.

Ownership Interests in Health-Related Activities – Generally, when the ownership interest in health-related activities is more than 50% and Dignity Health has a controlling interest, the ownership interest is consolidated and a noncontrolling interest is recorded in unrestricted net assets. When the ownership interest is at least 20%, but not more than 50%, or Dignity Health has the ability to exercise significant influence over operating and financial policies of the investee, it is accounted for under the equity method and the income or loss is reflected in revenue from health-related activities, net. Ownership interests for which Dignity Health's ownership is less than 20% or for which Dignity Health does not have the ability to exercise significant influence are carried at the lower of cost or estimated net realizable value. See Note 10.

Self-Insurance Plans – Dignity Health maintains self-insurance programs for workers' compensation benefits for employees and for professional and general liability risks. Annual self-insurance expense under these programs is based on past claims experience and projected losses. Actuarial estimates of uninsured losses for each program at June 30, 2017 and 2016, have been accrued as liabilities and include an actuarial estimate for claims incurred but not reported ("IBNR").

Dignity Health has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities.

Dignity Health maintains separate trusts for these programs from which claims and related expenses and costs of administering the plans are paid. Dignity Health's policy is to fund the trusts such that over time, assets held equal liabilities for claims incurred for workers' compensation and claims made for professional liability risks.

Self-insurance expense decreased $50.1 million and $34.7 million in 2017 and 2016, respectively, related to revisions to prior years' actuarially estimated liabilities. The expenses and related adjustments are recorded in salaries and benefits for workers' compensation benefits and in purchased services and other for professional and general liability risks in the accompanying consolidated statements of operations and changes in net assets.

Patient Accounts Receivable, Allowance for Doubtful Accounts and Net Patient Revenue – Dignity Health has agreements with third-party payors that provide for payments at amounts different from each hospital's established rates. Payment arrangements with third-party payors include prospectively determined rates per discharge, per diem payments, discounted charges and reimbursed costs. Patient accounts receivable and net

patient revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Net patient revenue includes estimated settlements under payment agreements with third-party payors. Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. At June 30, 2017 and 2016, estimated receivables for third-party payor settlements recorded in other current assets were $65.9 million and $63.7 million, respectively, and estimated payables for third-party payor settlements recorded in other accrued liabilities were $38.3 million and $34.4 million, respectively.

Dignity Health recognizes patient revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered and estimated collectability of deductibles and co-insurance. Net revenues for uninsured patients are recognized using a combination of a discounted rate and historical data, including those that resulted in charity discounts based on certain financial criteria. Dignity Health regularly updates historical reserve percentages to account for changes in health care coverage and other collection indicators. A portion of Dignity Health's uninsured patients are unable or unwilling to pay for the services provided. Thus, Dignity Health records a provision for bad debts related to uninsured patients in the period the services are provided.

Dignity Health seeks to deliver compassionate, high quality, affordable health care and to advocate for those who are poor and disenfranchised. In furtherance of this mission, Dignity Health offers charity care and discounts to eligible patients who may not have the financial capacity to pay for health care services and who otherwise may not be able to receive these services. Dignity Health seeks to determine eligibility for financial assistance prior to hospital services being rendered and does so after services are rendered when it is not possible to make the determination at an earlier stage. After satisfaction of amounts due from insurance, the application of any uninsured or other discounts or payments received on the account, and reasonable efforts to collect from the patient have been exhausted, Dignity Health follows established guidelines for placing certain past-due patient balances with collection agencies, subject to certain restrictions on collection efforts as determined by Dignity Health.

Premium Revenue – Dignity Health has at-risk agreements with various payors to provide medical services to enrollees. Under these agreements, Dignity Health receives monthly payments based on the number of enrollees, regardless of services actually performed by Dignity Health. Dignity Health accrues costs when services are rendered under these contracts, including estimates of IBNR claims and amounts receivable/payable under risk-sharing arrangements. The IBNR accrual includes an estimate of the costs of services for which Dignity Health is responsible, including out-of-network services, and is recorded in other accrued liabilities.

Traditional Charity Care – Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet Dignity Health's criteria for financial assistance. The amount of services written off as charity quantified at customary charges was $478.3 million and $451.5 million for 2017 and 2016, respectively. Dignity Health estimates the cost of charity care by calculating a ratio of cost to usual and customary charges and applying that ratio to the usual and customary uncompensated charges associated with providing care to patients that qualify for charity care. The estimated cost of charity care associated with write-offs in 2017 and 2016 was $98.8 million and $96.5 million, respectively. See Note 23.

Other Operating Revenue – Other operating revenue includes grant revenues, retail pharmacy revenues, meaningful use incentives, management services revenues, rental revenues, cafeteria revenues, certain contributions released from restrictions and other nonpatient-care revenues.

Contributions and Restricted Net Assets – 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 met, temporarily restricted net assets related to capital purchases are reclassified as unrestricted and reflected as net assets released from restrictions used for the purchase of property and equipment on the statements of operations and changes in net assets, whereas temporarily restricted net assets related to other gifts are reclassified as unrestricted and recorded as other operating revenue in unrestricted revenues and other support. Gifts received with no restrictions are recorded as contributions in unrestricted revenues and other support. Gifts of long-lived operating assets, such as property and equipment, are reported as additions to unrestricted net assets unless otherwise specified by the donor.

Unconditional promises to give cash and other assets to Dignity Health are recorded at fair value at the date the promise is received using a discount rate of 2.0% and are generally due within 5 years. Conditional promises to give are recorded when the conditions have been substantially met. Indications of intentions to give are not recorded; such gifts are recorded at fair value only upon actual receipt of the gift. Investment income on temporarily or permanently restricted net assets is classified pursuant to the intent or requirement of the donor.

Endowment assets, which are primarily to be used for equipment and expansion, research and education, or charity purposes, include donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Donor-restricted endowment net assets totaled $167.4 million and $150.2 million in 2017 and 2016, respectively. Changes in endowment net assets primarily relate to investment returns, contributions, and appropriations for expenditures. Dignity Health preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor. Portions of donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure. Dignity Health 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 purposes of the organization 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, (6) other resources of the organization, and (7) the investment policies of Dignity Health.

Dignity Health has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets.

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, Dignity Health relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Dignity Health targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that Dignity Health is required to retain as a fund of perpetual duration. Deficits of this nature are reported in unrestricted net assets, unless otherwise specified by the donor.

Community Benefits – As part of its mission, Dignity Health provides services to the poor and benefits for the broader community. The costs incurred to provide such services are included in excess of revenues over expenses in the consolidated statements of operations and changes in net assets. Dignity Health prepares a summary of unsponsored community benefit expense in accordance with Internal Revenue Service Form 990, Schedule H, and the Catholic Health Association of the United States ("CHA") publication, *A Guide for Planning and Reporting Community Benefit*. See Note 23.

Interest Expense – Interest expense on debt issued for construction projects is capitalized until the projects are placed in service. The components of interest expense, net, include interest and fees on debt, swap cash settlements, and market adjustment on swaps. See Note 18.

Income Taxes – Dignity Health has established its status as an organization exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and the laws of the states in which it operates, and as such, is generally not subject to federal or state income taxes. However, Dignity Health's exempt organizations are subject to income taxes on net income derived from a trade or business, regularly carried on, which does not further the organizations' exempt purposes. No significant income tax provision has been recorded in the accompanying consolidated financial statements for net income derived from unrelated trade or business.

Dignity Health's for-profit subsidiaries account for income taxes related to their operations. The for-profit subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of their assets and liabilities along with net operating loss and tax credit carryovers for tax positions that meet the more likely than not recognition criteria. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. See Note 21.

Income tax interest and penalties are recorded as income tax expense. For the years ended June 30, 2017 and 2016, Dignity Health's taxable entities recorded an immaterial amount of interest and penalties as part of the provision for income taxes.

Dignity Health reviews its tax positions quarterly and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements.

Performance Indicator – Management considers excess of revenues over expenses attributable to Dignity Health to be Dignity Health's performance indicator. Excess of revenues over expenses attributable to Dignity Health includes all changes in unrestricted net assets attributable to Dignity Health except for the effect of changes in accounting principles, gains and losses from discontinued operations, net assets released from restrictions used for purchase of property and equipment, change in funded status of pension and other postretirement benefit plans, change in ownership interests held by controlled subsidiaries, change in net assets of unconsolidated equity method investments, change in accumulated unrealized derivative gains and losses, and funds donated from unconsolidated sources for purchase of property and equipment.

Transactions between Related Organizations – Certain Obligated Group members have a policy whereby assets are periodically transferred as charitable distributions or capital contributions to nonprofit and for-profit corporations, respectively, that are subordinate corporations and subsidiaries of Dignity Health but are not members of the Obligated Group. It is anticipated that Obligated Group members will continue to make asset transfers to these organizations.

Recent Accounting Pronouncements – In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14")*, which requires improved presentation and disclosures to help not-for-profit entities provide more relevant information about their resources to donors, grantors, creditors, and other issues. The guidance is effective for Dignity Health as of July 1, 2018. Dignity Health is in the process of determining the potential impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842) ("ASU 2016-02")*, which affects any entity that enters into a lease (as that term is defined in ASU 2016-02), with some specified scope exceptions. The main difference between the guidance in ASU 2016-02 and previous guidance is the recognition of lease assets and lease liabilities by lessees for certain leases classified as operating leases under current guidance. The guidance is effective for Dignity Health as of July 1, 2019. Dignity Health is in the process of determining the potential impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent), ("ASU 2015-07"),* which removes the requirement to categorize, within the fair value hierarchy, investments for which fair value is measured using the net asset value per share practical expedient. It also limits disclosures related to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance of ASU 2015-07 was adopted by Dignity Health effective July 1, 2016. The guidance is applied retrospectively, as required by ASU 2015-07, by removing from the fair value hierarchy any investments for which fair value is measured using the NAV per share practical expedient.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers ("ASU 2014-09"),* which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance, as amended by ASU 2015-14, *Revenue From Contracts with Customers (Topic 606),* is effective for Dignity Health as of July 1, 2018. Dignity Health is currently evaluating the impact of adopting this guidance, and expects to adopt under the full retrospective approach.

Subsequent Events – Dignity Health has evaluated subsequent events occurring between the end of the most recent fiscal year and September 26, 2017, the date the financial statements were issued. See Note 16.

3. MERGERS, ACQUISITIONS AND DIVESTITURES

Investments in Joint Ventures – In October 2016, Dignity Health and Catholic Health Initiatives signed a non-binding letter of intent to explore aligning their organizations and expanding their mission of service in communities across the nation. The boards and sponsors of the two health systems are in the final stages of the due diligence process to assess the potential alignment which is expected to strengthen their leadership role in transforming health care through increased access and enhanced clinical excellence.

Dispositions – The accompanying consolidated statements of operations and changes in net assets reflect the results of the operations of facilities sold, closed or held for sale as discontinued operations for all periods presented, including revenues of $0.0 million and $0.1 million for 2017 and 2016, respectively.

4. NET PATIENT REVENUE AND PATIENT ACCOUNTS RECEIVABLE

The percentage of inpatient and outpatient services, calculated on the basis of usual and customary charges, is as follows:

	2017	2016
Inpatient services	57%	58%
Outpatient services	43%	42%

Patient revenue, net of contractual allowances and discounts (before provision for bad debts) is comprised of the following (in thousands):

	2017	2016
Government	$ 6,392,948	$ 6,593,409
Contracted	4,702,377	4,714,397
Self-pay and other	1,024,859	926,212
	$ 12,120,184	$ 12,234,018

Government payor type includes Medicare fee for service, Medicare capitated, Medicare managed care fee for service, Medicaid fee for service, Medicaid capitated and Medicaid managed care fee for service patient accounts. Contracted payor type includes contracted rate payors and commercial capitated patient accounts.

5. REVENUE FROM GOVERNMENT PROGRAMS

The following revenues, which enhance or adjust the per case, per diem, per procedure or per visit amounts received, have been recognized for patient services:

Medicaid Supplemental Reimbursement Programs – Net patient revenue includes $592.8 million and $990.0 million related to supplemental Medi-Cal payments provided under the California provider fee programs in 2017 and 2016, respectively. These programs are funded by quality assurance fees paid by participating hospitals and matching federal funds. Dignity Health recorded $302.3 million and $503.2 million in such fees in purchased services and other expense in 2017 and 2016, respectively. Grant expense related to the California Health Foundation and Trust ("CHFT") was recognized in connection with the California provider fee programs resulting in $9.6 million and $10.5 million recorded in purchased services and other expense in 2017 and 2016, respectively. Total net income recognized in 2017 and 2016 was $280.9 million and $476.3 million, respectively.

California's participation in a provider fee program, as authorized under federal regulations, has been made permanent by the passage of Proposition 52, an initiative on the November 2016 ballot. However, the first iteration of the hospital provider fee program under the permanent legislation covering the period from January

1, 2017 to December 31, 2019, has not yet been approved by the Centers for Medicare and Medicaid Services ("CMS"). Acordingly, the activity under this program related to January 1, 2017 through June 30, 2017, has not been recorded in the accompanying consolidated financial statements.

As the supplemental payments and quality assurance fees paid by Dignity Health related to periods prior to June 30, 2017, in the amounts of $423.9 million and $207.7 million, respectively, which are anticipated to be recorded in 2018, are material to Dignity Health's financial results for 2017, a summary is provided below to reflect the financial position and results of operations as of and for the year ended June 30, 2017, to estimated amounts for that period had CMS approval been obtained (in thousands):

	Actual Results	Estimated Supplemental Provider Fee Payments and Fees Not Yet Approved		Results Had Supplemental Provider Fee Payments and Fees Been Approved
Assets	$ 17,414,404	$ 423,885	(a)	$ 17,838,289
Liabilities	10,407,848	207,697	(b)	10,615,545
Liabilities and net assets	17,414,404	423,885		17,838,289
Excess of revenues over expenses				
Unrestricted revenues and other support	12,850,107	423,885	(c)	13,273,992
Expenses	12,916,891	207,697	(d)	13,124,588
Operating income (loss)	(66,784)	216,188		149,404
Excess of revenues over expenses attributable to Dignity Health	383,575	216,188		599,763

(a) Reflects the estimated provider fee receivable for supplemental Medi-Cal payments for the period January 1, 2017, through June 30, 2017.
(b) Reflects the estimated provider fee and CHFT grant payables of $198.7 million and $9.0 million, respectively, for the period January 1, 2017, through June 30, 2017.
(c) Net patient revenue related to supplemental payments under the California provider fee program for the period January 1, 2017 through June 30, 2017.
(d) Purchased services expense related to the quality assurance fee and pledge agreement with CHFT of $198.7 million and $9.0 million, respectively, for the period January 1, 2017 through June 30, 2017.

Medicaid Disproportionate Share Payments **-** Certain hospitals qualified for and received state funding as disproportionate-share hospitals. The amounts recorded from the State of California in 2017 and 2016 were $123.1 million and $107.2 million, respectively, and are included in net patient revenue.

6. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30, 2017 and 2016 (in thousands):

	2017	2016
Inventories	$ 206,965	$ 198,302
Receivables, other than patient accounts receivable	322,866	298,387
Prepaid expenses	83,691	71,735
Other	53,386	39,030
Total other current assets	$ 666,908	$ 607,454

7. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use consist of the following at June 30, 2017 and 2016 (in thousands):

	2017	2016
Cash and cash equivalents	$ 337,773	$ 350,377
U.S. government securities	710,285	312,608
U.S. corporate bonds	586,636	720,404
U.S. equity securities	1,096,822	1,232,712
Foreign government securities	6,453	10,087
Foreign corporate bonds	107,733	102,262
Foreign equity securities	1,061,507	947,080
Asset-backed securities	5,816	10,756
Structured debt	30,490	68,029
Private equity investments	416,642	357,080
Multi-strategy hedge fund investments	975,425	879,451
Real estate	190,425	210,030
Other	260,395	197,834
Interest in net assets of unconsolidated foundations	288,486	260,063
Total	$ 6,074,888	$ 5,658,773
Assets limited as to use:		
Current	$ 1,774,988	$ 1,014,919
Long-term	2,038,784	2,595,857
Short-term investments	2,261,116	2,047,997
Total	$ 6,074,888	$ 5,658,773

The current portion of assets limited as to use includes the amount of assets available to meet current obligations for debt service and claims payments under the self-insured programs for workers' compensation for employees and professional and general liability.

8. FAIR VALUE MEASUREMENTS

Dignity Health accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one

of the three levels and is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category include U.S. Treasury securities and listed equities.

Level 2: Pricing inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and derivative inistruments.

Level 3: Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. Financial assets in this category include alternative investments and contingent consideration.

The following represents assets and liabilities measured at fair value on a recurring basis and certain assets accounted for under the equity method as of June 30, 2017 and 2016 (in thousands):

	2017				
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**NAV Practical Expedient**	**Total Balance at June 30, 2017**
Assets					
Cash and cash equivalents	$ 337,773	$ -	$ -	$ -	$ 337,773
U.S. government securities	693,614	16,671	-	-	710,285
U.S. corporate bonds	76,504	91,898	-	418,234	586,636
U.S. equity securities	731,611	2,205	-	363,006	1,096,822
Foreign government securities	-	6,453	-	-	6,453
Foreign corporate bonds	1,499	1,771	-	104,463	107,733
Foreign equity securities	465,842	-	-	595,665	1,061,507
Asset-backed securities	214	5,602	-	-	5,816
Structured debt	528	29,962	-	-	30,490
Private equity	-	-	40,923	375,719	416,642
Multi-strategy hedge funds	532	-	-	974,893	975,425
Real estate	12,652	-	-	177,773	190,425
Collateral held under securities lending program	-	51,861	-	-	51,861
Derivative instruments	-	3,960	-	-	3,960
Other fund investments	9,880	-	-	-	9,880
Total assets	$ 2,330,649	$ 210,383	$ 40,923	$ 3,009,753	$ 5,591,708
Liabilities					
Derivative instruments	$ -	$ 176,853	$ -	$ -	$ 176,853
Other	-	-	2,775	-	2,775
Total liabilities	$ -	$ 176,853	$ 2,775	$ -	$ 179,628

	2016				
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient	Total Balance at June 30, 2016
Assets					
Cash and cash equivalents	$ 350,377	$ -	$ -	$ -	$ 350,377
U.S. government securities	285,502	27,106	-	-	312,608
U.S. corporate bonds	71,467	235,230	-	413,707	720,404
U.S. equity securities	774,511	2,856	-	455,345	1,232,712
Foreign government securities	7	10,080	-	-	10,087
Foreign corporate bonds	508	7,316	-	94,438	102,262
Foreign equity securities	352,470	131	-	594,479	947,080
Asset-backed securities	-	10,756	-	-	10,756
Structured debt	627	67,402	-	-	68,029
Private equity	-	-	30,961	326,119	357,080
Multi-strategy hedge funds	-	-	-	879,451	879,451
Real estate	18,322	-	-	191,708	210,030
Collateral held under securities lending program	-	162,239	-	-	162,239
Other fund investments	6,022	-	-	-	6,022
Total assets	$ 1,859,813	$ 523,116	$ 30,961	$ 2,955,247	$ 5,369,137
Liabilities					
Derivative instruments	$ -	$ 248,913	$ -	$ -	$ 248,913
Other	-	-	2,190	-	2,190
Total liabilities	$ -	$ 248,913	$ 2,190	$ -	$ 251,103

The carrying amounts reported in the consolidated balance sheets for assets and liabilities such as cash, accounts payable and accrued expenses, receivables, interests in unconsolidated foundations, excess insurance receivables, community investment loans, and broker receivables and payables on unsettled investment trades approximate fair value due to the nature of these items. Assets and liabilities measured at fair value on a recurring basis reflected in the table above are reported in short-term investments, assets limited as to use, and current liabilities in the consolidated balance sheets.

There were no transfers among any of the levels of fair value hierarchy during the periods presented.

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

For marketable securities such as U.S. and foreign government securities, U.S. and foreign corporate bonds, U.S. and foreign equity securities, asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques such as the income or market approach. Dignity Health classifies all such investments as Level 2.

For private equity investments where no fair value is readily available, the fair value is determined using models that take into account relevant information considered material. Due to the significant unobservable inputs present in these valuations, Dignity Health classifies all such investments as Level 3.

The fair value of collateral held under securities lending program is classified as Level 2. The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above. Amounts reported do not include non-cash collateral of $90.2 million and $169.7 million as of June 30, 2017 and 2016, respectively.

The fair value of assets and liabilities for derivative instruments such as interest rate swaps classified as Level 2 is determined using an industry standard valuation model, which is based on a market approach. A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model. Each leg is discounted and the difference between the present value of each leg's cash flows equals the market value of the swap.

Investments that are measured using the NAV per share practical expedient (see Note 2) have not been classified in the fair value hierarchy. The NAV amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

Related to investments valued using the NAV per share practical expedient, management also performs, on a regular basis when information is available, various validations and testing of NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards.

The following table presents the change in the balance of Level 3 financial assets in 2017 and 2016 (in thousands):

	2017	2016
Balance at beginning of period	$ 30,961	$ 29,478
Total realized gains, net, included in excess of revenues over expenses	2	-
Total unrealized losses, net, included in excess (deficit) of revenues over expenses	(1,664)	(6,413)
Purchases	11,624	8,695
Sales	-	(799)
Balance at end of period	$ 40,923	$ 30,961

The following table and explanations identify attributes relating to the nature and risk of investments for which fair value is determined using a calculated NAV as of June 30, 2017 and 2016 (in thousands):

		As of June 30, 2017			
		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
NAV Practical Expedient					
Private equity	(1)	$ 375,719	$ 235,807	-	-
Multi-strategy hedge funds	(2)	974,893	-	Monthly, Quarterly, Semi-Annually, Annually	5 - 120 days
Real estate fund	(3)	177,773	22,527	Quarterly	90 days
Commingled funds - debt securities	(4)	522,697	31,465	Daily, Monthly, Quarterly	1 - 90 days
Commingled funds - equity securities	(5)	958,671	-	Daily, Bi-Monthly, Monthly, Quarterly	1 - 120 days
Total NAV Practical Expedient		$ 3,009,753	$ 289,799		

		As of June 30, 2016			
		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
NAV Practical Expedient					
Private equity	(1)	$ 326,119	$ 213,281	-	-
Multi-strategy hedge funds	(2)	879,451	-	Monthly, Quarterly, Semi-Annually, Annually	5 - 120 days
Real estate fund	(3)	191,708	15,899	Quarterly	90 days
Commingled funds - debt securities	(4)	508,145	28,754	Daily, Monthly, Quarterly	1 - 90 days
Commingled funds - equity securities	(5)	1,049,824	-	Daily, Semi-Monthly, Monthly, Quarterly	1 - 120 days
Total NAV Practical Expedient		$ 2,955,247	$ 257,934		

(1) This category includes private equity funds that specialize in providing capital to a variety of investment groups, including but not limited to venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations. There are no provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2017, to be over the next 11 years.

(2) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. The primary objective for these funds is to seek attractive long-term risk adjusted absolute returns. Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted. The following table reflects the various redemption frequencies, notice periods, and any applicable lock-up periods or gates to redemption as of June 30, 2017:

Percentage of the Value of Category (2)		Redemption	Redemption Notice	Redemption Locked Up Until	Redemption Gate % of Account
Total	Subtotal	Frequency	Period	(if applicable)	(if applicable)
16.6%	11.1%	Annually	60 days	-	up to 50.0%
	5.5%	Annually	75 - 90 days	-	up to 10.0%
5.7%	5.6%	Semi-Annually	45 days	-	-
	0.1%	Semi-Annually	75 days	-	-
51.3%	5.4%	Quarterly	30 days	-	-
	30.7%	Quarterly	60 - 65 days	3/31/2018	up to 25.0% - 97.0%
	15.2%	Quarterly	75 - 90 days	-	up to 12.5% - 25.0%
26.4%	11.0%	Monthly	5 - 20 days	-	-
	2.9%	Monthly	45 days	-	up to 16.7%
	12.5%	Monthly	60 - 120 days	-	up to 25.0% - 33.3%

(3) This category includes investments in real estate funds that invest primarily in institutional quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Investments representing 19.5 percent of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2017, to be over the next 10 years.

(4) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets. Also included in this category are commingled fixed income funds that provide capital in a variety of mezzanine debt, distressed debt and other special debt securities situations. Investments representing approximately 9.6 percent of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2017, to be over the next 3 years.

(5) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match or exceed the returns of specific equity indices.

The investments included above are not expected to be sold at amounts that are materially different from NAV.

Fair Value of Debt - The fair value of Dignity Health's debt is estimated based on the quoted market prices and/or other market data for the same or similar issues and transactions in active markets or on the current rates offered to Dignity Health for debt of the same remaining maturities, discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques. Based on the inputs and valuation techniques, the fair value of long-term debt is classified as Level 2 within the fair value hierarchy. The carrying value of Dignity Health's debt is reported within the current portion of long-term debt, demand bonds subject to short-term liquidity arrangements and long-term debt, net of current portion, on the consolidated balance sheets. The estimated fair value of Dignity Health's long-term debt instruments as of June 30, 2017, is as follows (in thousands):

	Carrying Value	Fair Value
Debt issued under Master Trust Indenture:		
Fixed rate revenue bonds	$ 1,462,588	$ 1,512,986
Taxable bonds	1,474,566	1,493,424
Senior secured notes payable	179,894	186,903
Taxable direct placement loans	360,877	361,000
Variable rate demand bonds	761,186	761,800
Auction rate certificates	270,400	270,400
Notes payable to banks under credit agreements	648,759	648,863
Total debt under Master Trust Indenture	5,158,270	5,235,376
Other	139,862	139,862
Total debt	$ 5,298,132	$ 5,375,238

The fair value amounts do not represent the amount Dignity Health would be required to expend to retire the indebtedness.

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at June 30, 2017 and 2016 (in thousands):

	2017	2016
Land	$ 242,880	$ 236,732
Land improvements	124,756	123,701
Buildings	5,837,379	5,553,762
Buildings under capital lease	50,413	50,494
Equipment	4,924,892	4,672,886
Equipment under capital lease	55,407	51,083
Construction in progress	520,662	582,617
Total	11,756,389	11,271,275
Less: Accumulated depreciation	(6,807,275)	(6,361,295)
Property and equipment, net	$ 4,949,114	$ 4,909,980

10. OWNERSHIP INTERESTS IN HEALTH-RELATED ACTIVITIES

Dignity Health has four significant ownership interests, as further described below, that are accounted for under the equity method and reflected in the accompanying balance sheet in ownership interests in health-related activities:

- Dignity Health and Ascension Health each hold a 50% investment in Southwest Catholic Healthcare Network, dba Mercy Care Plan. Since June 1985, Mercy Care Plan provides medical care under various contracts with Arizona Health Care Cost Containment System, a department of the state of Arizona charged with administering health care for the state's indigent population, and physical and behavioral health care services in conjunction with Maricopa County Special Health Care District.
- Dignity Health and Scripps Health ("Scripps") entered into an affiliation agreement in August 1995 to enhance their mutual ability to serve the San Diego community. Through the affiliation, Dignity Health transferred the sole voting membership of one of its subordinate corporations, Mercy Healthcare San Diego ("MHSD") to Scripps, along with the responsibility for its operation and governance. MHSD's principal activity is the operation of a hospital and a network of clinics. Pursuant to the affiliation agreement, among other things, Dignity Health obtained the right to 20% of the net proceeds, with certain restrictions, upon the liquidation of Scripps. Twenty percent of the members of the Scripps Board of Directors are elected from nominees proposed by Dignity Health.
- Dignity Health transferred and contributed to Phoenix Children's Hospital, Inc. ("PCH"), substantially all of the pediatric program services and related assets of its facility in Phoenix, Arizona in June 2011. Pursuant to the transaction, Dignity Health obtained 20% of the outstanding membership interests of PCH.
- Dignity Health transferred and contributed to Optum360, LLC ("Optum360º"), certain equipment and the intellectual property related to its internal revenue cycle management functions for a noncontrolling minority interest in Optum360° in September 2013. Optum360° also provides revenue cycle management functions for other health care organizations. Dignity Health's ownership interest in Optum360º was 23% at June 30, 2017 and 2016.

The following table summarizes the financial position and results of operations for the health-related organizations discussed above which are accounted for under the equity method, as of and for the 12 months ended June 30, 2017 and 2016 (in thousands):

	2017	
	Hospitals	**Other**
Total assets	$ 6,570,411	$ 2,118,846
Total liabilities	2,419,306	503,324
Total net assets	4,151,105	1,615,522
Total revenues, net	4,030,097	3,278,575
Excess of revenues over expenses	468,530	136,057
Investment at June 30 recorded in ownership interests in health-related activities	774,218	424,915
Income recorded in revenue from health-related activities, net	93,750	45,574

	2016	
	Hospitals	Other
Total assets	$ 6,115,057	$ 1,920,005
Total liabilities	2,456,916	417,557
Total net assets	3,658,141	1,502,448
Total revenues, net	3,655,974	2,949,048
Excess of revenues over expenses	55,814	142,701
Investment at June 30 recorded in ownership interests in health-related activities	678,162	376,921
Income recorded in revenue from health-related activities, net	11,163	49,108

Other than the investments described above, ownership interests are not material individually or in the aggregate to the consolidated financial statements.

11. GOODWILL

Goodwill is measured as of the effective date of a business combination as the excess of the aggregate of the fair value of consideration transferred over the fair value of the tangible and intangible assets acquired and liabilities assumed.

The changes in the carrying amount of goodwill are as follows (in thousands):

	2017	2016
Balance at beginning of period	$ 574,355	$ 572,957
Addition from acquisitions	17,361	23,823
Acquisition accounting and other adjustments	(1,796)	(22,425)
Balance at end of period	589,920	$ 574,355

12. INTANGIBLE ASSETS, NET

Intangible assets reported in the consolidated balance sheets consist primarily of amounts for the trade name of USHW, customer relationships, developed technology, favorable leasehold interests, non-compete agreements, licensing fees, and management fee contracts related to certain business combinations accounted for under the acquisition method.

Information related to intangible assets at June 30, 2017 and 2016, is as follows (in thousands):

	2017			
	Gross Carrying Amount	Accumulated Amortization	Net Balance at End of Period	Amortization period
Trademark	$ 153,279	$ -	$ 153,279	Indefinite
Customer relationships	66,014	(20,519)	45,495	5 - 15 years
Noncompete agreements	9,597	(6,104)	3,493	60 months
Management agreements	3,933	-	3,933	Indefinite
Other	35,037	(30,031)	5,006	36 - 150 months
	$ 267,860	$ (56,654)	$ 211,206	

	2016			
	Gross Carrying Amount	Accumulated Amortization	Net Balance at End of Period	Amortization period
Trademark	$ 152,700	$ -	$ 152,700	Indefinite
Customer relationship	60,800	(15,520)	45,280	10 - 15 years
Noncompete agreements	9,142	(4,212)	4,930	60 months
Management agreements	2,633	-	2,633	Indefinite
Other	33,420	(25,778)	7,642	36 - 80 months
	$ 258,695	$ (45,510)	$ 213,185	

The aggregate amount of amortization expense related to intangible assets subject to amortization is $11.1 million and $9.9 million for the years ended June 30, 2017 and 2016, respectively.

Estimated amortization expense related to intangible assets subject to amortization for the next five years and thereafter is as follows (in thousands):

	Amortization of Intangible Assets
2018	$ 8,395
2019	7,190
2020	6,118
2021	5,725
2022	4,591
Thereafter	21,975
Total	$ 53,994

13. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following at June 30, 2017 and 2016 (in thousands):

	2017	2016
Notes receivable, primarily secured	$ 27,497	$ 30,660
Other prepaid assets	8,280	4,156
Other	57,500	40,145
Total other long-term assets, net	$ 93,277	$ 74,961

14. OTHER ACCRUED LIABILITIES

Other accrued liabilities, net, consist of the following at June 30, 2017 and 2016 (in thousands):

	2017	2016
Accrued interest expense	$ 36,081	$ 60,005
Due to government agencies	38,333	34,382
Accrued employee health insurance claims	71,886	47,976
Construction retention and contracts payable	13,364	10,629
Other	173,621	190,765
Total other accrued liabilities	$ 333,285	$ 343,757

15. RETIREMENT PROGRAMS

Dignity Health maintains defined benefit pension plans and other postretirement benefit plans that cover most employees. Benefits for both types of plans are generally based on age, years of service and employee compensation.

Actuarial valuations are performed for each of the plans. These valuations are dependent on various assumptions. These assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover and the rate of compensation increases. Dignity Health evaluates all assumptions in conjunction with the valuation updates and modifies them as appropriate.

Pension costs and other postretirement benefit costs are allocated over the service period of the employees in the plans. The principle underlying this accounting is that employees render service ratably over the period and, therefore, the effects in the consolidated statements of operations and changes in net assets follow the same pattern. Net actuarial gains and losses are amortized to expense on a plan-by-plan basis when they exceed the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required and is equal to 10% of the greater of the plan assets or benefit obligations. Gains or losses outside of the corridor are subject to amortization over the average employee future service period.

Contributions to the defined benefit pension plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Management believes these plans qualify under a church plan exemption, and as such are not subject to Employee Retirement Income Security Act (“ERISA”) funding requirements. Dignity Health’s funding policy requires that, at a minimum, contributions equal the unfunded normal cost plus amortization of any unfunded actuarial accrued liability. Contributions to these funded plans are anticipated at $270.4 million in 2018, which exceed the funding policy minimum contributions.

The accumulated benefit obligation exceeds plan assets for each of the defined benefit plans and postretirement benefit plans for the years ended June 30, 2017 and 2016. The following summarizes the benefit obligations and funded status for the defined benefit pension and postretirement benefit plans for 2017 and 2016 (in thousands):

	2017		2016	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Change in benefit obligation:				
Benefit obligation at beginning of period	$ 5,607,066	$ 178,036	$ 4,819,729	$ 161,455
Service cost	307,147	7,819	264,596	7,819
Interest cost	220,668	7,082	225,104	7,082
Plan changes/amendments	-	-	(9,269)	-
Actuarial loss (gain)	83,980	(1,474)	494,614	12,989
Administrative expenses paid	(6,246)	-	(8,689)	-
Benefits paid	(186,293)	(11,212)	(179,019)	(11,309)
Benefit obligation at end of period	$ 6,026,322	$ 180,251	$ 5,607,066	$ 178,036
Accumulated benefit obligation	$ 5,637,647	$ 180,251	$ 5,302,211	$ 178,036
Change in plan assets:				
Fair value of plan assets at beginning of period	$ 3,831,435	$ -	$ 3,879,596	$ -
Actual return on plan assets	559,740	-	(133,261)	-
Employer contributions	295,687	11,212	272,808	11,309
Benefits paid	(186,293)	(11,212)	(179,019)	(11,309)
Administrative expenses paid	(6,246)	-	(8,689)	-
Fair value of plan assets at end of period, net	$ 4,494,323	$ -	$ 3,831,435	$ -
Funded status	$ (1,531,999)	$ (180,251)	$ (1,775,631)	$ (178,036)

The net actuarial loss of $494.6 million in 2016 was primarily due to the change in discount rate.

The following table summarizes the amounts recognized in unrestricted net assets as of June 30, 2017 and 2016 (in thousands):

	2017		2016	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Net actuarial loss	2,060,867	35,245	$ 2,389,940	$ 37,804
Prior service cost (credit)	(289,677)	9,373	(330,207)	15,430
Amounts in unrestricted net assets	$ 1,771,190	$ 44,618	$ 2,059,733	$ 53,234

The estimated net loss and prior service credit for the pension plans and postretirement benefit plans that will be amortized from unrestricted net assets into net periodic benefit cost in 2018 are $123.9 million and $34.4 million, respectively.

Current pension and other postretirement benefit liabilities reflect amounts expected to be funded in the following year. The following table summarizes the amounts recognized in the consolidated balance sheets as of June 30, 2017 and 2016 (in thousands):

	2017		2016	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Current liabilities	275,981	12,485	$ 339,360	$ 11,466
Long-term liabilities	1,256,018	167,766	1,436,271	166,570
Accrued benefit cost	$ 1,531,999	$ 180,251	$ 1,775,631	$ 178,036

The following table summarizes the weighted-average assumptions used to determine benefit obligations as of June 30, 2017 and 2016:

	2017		2016	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
To determine benefit obligations:				
Discount rate	4.00%	4.00%	4.00%	3.75%
Rate of compensation increase	3.59%	3.59%	3.57%	4.00%
To determine net periodic benefit cost:				
Discount rate	4.00%	4.50%	4.75%	4.50%
Expected return on plan assets	7.70%	N/A	8.00%	N/A
Rate of compensation increase	3.57%	3.57%	4.00%	4.00%

The following table summarizes the components of net periodic cost recognized in the consolidated statements of operations and changes in net assets for 2017 and 2016 (in thousands):

	2017		2016	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Service cost	$ 307,147	$ 7,819	$ 264,596	$ 7,819
Interest cost	220,668	7,082	225,104	7,082
Expected return on plan assets	(300,777)	-	(314,335)	-
Net prior service cost (credit) amortization	(40,530)	6,057	(42,127)	6,057
Net loss amortization	154,090	1,084	94,167	1,084
Net periodic benefit cost	$ 340,598	$ 22,042	$ 227,405	$ 22,042

The following represents the fair value of plan assets, net, measured on a recurring basis as of June 30, 2017 and 2016 (in thousands). See Note 8 for the definition of Levels 1 and 2 in the fair value hierarchy and investments valued using the NAV practical expedient and discussion regarding fair value measurement.

	2017			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	**Significant Other Observable Inputs (Level 2)**	**NAV Practical Expedient**	**Total Balance at June 30, 2017**
Assets				
Cash and cash equivalents	$ 333,956	$ -	$ -	$ 333,956
U.S. government securities	250,240	10,427	-	260,667
U.S. corporate bonds	-	85,308	327,160	412,468
U.S. equity securities	870,607	1,394	428,041	1,300,042
Foreign government securities	-	3,381	-	3,381
Foreign corporate bonds	-	1,497	49,737	51,234
Foreign equity securities	444,968	1	663,450	1,108,419
Asset-backed securities	-	2,063	-	2,063
Structured debt	-	10,794	-	10,794
Private equity investments	-	-	377,337	377,337
Multi-strategy hedge fund investments	-	-	727,575	727,575
Real estate	15,963	-	2,341	18,304
Collateral held under securities lending program	-	58,135	-	58,135
Total assets	$ 1,915,734	$ 173,000	$ 2,575,641	$ 4,664,375
Liabilities - Payable under securities lending program	$ -	$ (58,135)	$ -	$ (58,135)
Other plan assets (liabilities)				
Due from brokers for unsettled investment trades				27,590
Due to brokers for unsettled investment trades				(139,507)
Fair value of plan assets, net				$ 4,494,323

	2016			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant NAV Practical Expedient	Total Balance at June 30, 2016
Assets				
Cash and cash equivalents	$ 216,749	$ -	$ -	$ 216,749
U.S. government securities	121,436	7,394	-	128,830
U.S. corporate bonds	-	74,127	234,765	308,892
U.S. equity securities	775,316	51	437,350	1,212,717
Foreign government securities	-	3,624	-	3,624
Foreign corporate bonds	-	1,935	39,920	41,855
Foreign equity securities	359,763	109	557,844	917,716
Asset-backed securities	-	1,837	-	1,837
Structured debt	-	12,167	-	12,167
Private equity investments	-	-	313,679	313,679
Multi-strategy hedge fund investments	-	-	653,959	653,959
Real estate	17,607	-	-	17,607
Collateral held under securities lending program	-	102,293	-	102,293
Total assets	$ 1,490,871	$ 203,537	$ 2,237,517	$ 3,931,925
Liabilities - Payable under securities lending program	$ -	$ (102,293)	$ -	$ (102,293)
Other plan assets (liabilities)				
Due from brokers for unsettled investment trades				15,095
Due to brokers for unsettled investment trades				(13,292)
Fair value of plan assets, net				$ 3,831,435

The following table summarizes the weighted-average asset allocations by asset category for the pension plans for 2017 and 2016:

	Plan Assets at June 30	
	2017	2016
Cash and cash equivalents	7%	7%
U.S. government securities	6%	3%
U.S. corporate bonds	9%	8%
U.S. equity securities	28%	32%
Foreign corporate bonds	1%	1%
Foreign equity securities	25%	24%
Private equity investments	8%	8%
Multi-strategy hedge fund investments	16%	17%
Total	100%	100%

The asset allocation policy for the pension plans for 2017 and 2016 is as follows: domestic fixed income, 20%; domestic equity, 28%; international equity, 24%; private equity, 12%; and hedge funds, 16%.

Dignity Health's investment strategy for the assets of the pension plans is designed to achieve returns to meet obligations and grow the assets of the portfolio longer term, consistent with a prudent level of risk. The strategy balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future obligations. The target asset allocation is diversified across traditional and non-traditional asset classes. Diversification is also achieved through participation in U.S. and non-U.S. markets, market capitalization, and investment manager style and philosophy. The complimentary investment styles and approaches used by both traditional and alternative investment managers are aimed at reducing volatility while capturing the equity premium from the capital markets over the long term. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. Consistent with Dignity Health's fiduciary responsibilities, the fixed income allocation generally provides for security of principal to meet near term expenses and obligations. Periodic reviews of the market values and corresponding asset allocation percentages are performed to determine whether a rebalancing of the portfolio is necessary.

Dignity Health's pension plan portfolio return assumptions of 7.7% for 2017 and 8.0% for 2016 were based on the long-term weighted average returns of comparative market indices for the asset classes represented in the portfolio and expectations about future returns.

The following benefit payments, which reflect expected future service, are expected to be paid (in thousands):

	Pension Benefits	Other Benefits
2018	$ 205,289	$ 12,485
2019	227,395	13,509
2020	250,525	14,198
2021	273,757	15,478
2022	297,752	15,900
2023 - 2027	1,805,118	82,442
Total	$ 3,059,836	$ 154,012

In addition to the plans above, Dignity Health participates in a multi-employer retirement plan covering certain employees at three facilities. The net assets available for benefits exceeded the actuarially computed value of vested benefits, calculated using a 6.75% discount rate, as of January 1, 2016, the most recent actuarial valuation. The participating Dignity Health hospitals funded $7.0 million and $6.0 million for 2017 and 2016,

respectively. The minimum funding requirement under ERISA was $0 for 2016, according to the most recent actuarial valuation.

Dignity Health maintains defined contribution retirement plans for most employees. Employer contributions to those plans of $62.5 million and $60.5 million for 2017 and 2016, respectively, are primarily based on a percentage of a participant's contribution.

Total retirement and postretirement benefit expenses under all plans, including the defined contribution plans, was $436.5 million and $322.2 million for 2017 and 2016, respectively, and are included in salaries and benefits in the consolidated statements of operations and changes in net assets.

16. DEBT

Debt consists of the following at June 30, 2017 and 2016 (in thousands):

	2017	2016
Under Master Trust Indenture:		
Fixed rate debt:		
Fixed rate revenue bonds payable in installments through 2042; interest at 3.25% to 6.25%	$ 1,462,588	$ 2,135,666
Taxable bonds payable in installments through 2065; interest at 2.6% to 5.3%	1,474,566	1,472,267
Senior secured notes payable in 2018; interest at 6.5%	179,894	179,777
Total fixed rate debt	3,117,048	3,787,710
Variable rate debt:		
Taxable direct placement loans payable in 2019 and 2020; interest set at prevailing market rates (1.93% to 2.15% at June 30, 2017)	360,877	364,807
Variable rate demand bonds payable in installments through 2047; interest set at prevailing market rates (0.86% to 0.95% at June 30, 2017)	761,186	768,568
Auction rate certificates payable in installments through 2042; interest set at prevailing market rates (0.79% to 1.36% at June 30, 2017)	270,400	275,447
Notes payable to banks under credit agreements payable in 2018 and 2019; interest set at prevailing market rates (1.74% to 1.75% at June 30, 2017)	648,759	150,000
Total variable rate debt	2,041,222	1,558,822
Total debt under Master Trust Indenture	5,158,270	5,346,532
Other		
Various notes payable and other debt payable in installments through 2042; interest ranging up to 9.7%	83,338	69,120
Capitalized lease obligations	56,524	63,714
Total debt	5,298,132	5,479,366
Less current portion of long-term debt	(909,328)	(112,283)
Less demand bonds subject to short-term liquidity arrangements, excluding current maturities	(752,886)	(761,800)
Total long-term debt	$ 3,635,918	$ 4,605,283

Scheduled principal debt payments, net of discounts and considering obligations subject to short-term liquidity arrangements as due according to their long-term amortization schedule, for the next five years and thereafter, are as follows (in thousands):

	Long-Term Debt Other Than Demand Bonds	Demand Bonds Subject to Short-Term Liquidity Arrangements	Total Long-Term Debt
2018	$ 904,735	$ 8,300	$ 913,035
2019	278,433	9,000	287,433
2020	589,358	9,800	599,158
2021	53,261	10,700	63,961
2022	63,136	-	63,136
Thereafter	2,665,340	724,000	3,389,340
Total	$ 4,554,263	$ 761,800	$ 5,316,063

Master Trust Indenture – Dignity Health issues debt under a Master Trust Indenture of the Obligated Group which requires, among other things, gross revenue pledged as collateral, certain limitations on additional indebtedness, liens on property and disposition or transfers of assets, and the maintenance of certain cash balances and other financial ratios. Dignity Health is in compliance with these requirements at June 30, 2017.

***Debt Arrangements* - Fixed Rate Revenue Bonds** – Dignity Health has fixed rate revenue bonds outstanding, substantially all of which may be redeemed, in whole or in part, prior to the stated maturities without a premium.

Taxable Bonds and Senior Secured Notes Payable – Dignity Health has taxable fixed rate bonds that are due in November 2019, 2022, 2024, 2042 and 2064, and senior secured notes outstanding at a fixed interest rate that are due in May 2018. Early redemption of the debt, in whole or in part, may require a premium depending on market rates.

Taxable Direct Placement Loan – Dignity Health has three taxable direct placement loans with two banks at variable interest rates.

Variable Rate Demand Bonds – Variable rate demand bonds ("VRDBs") are remarketed weekly and the VRDBs may be put at the option of the holders. Dignity Health maintains bank letters of credit of $761.8 as credit enhancement for the VRDBs to ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket.

Letters of credit from three banks in amounts to support VRDBs of $140.4 million, $195.6 million, and $57.0 million expire in October 2018, October 2019, and December 2019, respectively. The bank letters of credit supporting $91.0 million, $90.0 million, $37.8 million, and $150.0 million of VRDBs expire in June 2019, March 2018, July 2018, and November 2021, respectively.

Certain bank bonds are subject to various repayment provisions ranging from one to five years with further accelerations upon successful bond remarketing, early redemptions, bond cancellations, conversion to a different interest rate mode, defaults, substitution of letter of credit providers or under certain other conditions.

Auction Rate Certificates – Dignity Health has $240.0 million of auction rate certificates ("ARCs") that are remarketed weekly and $30.4 million of ARCs that are remarketed every 35 days. The certificates are insured by various bond insurers. Holders of ARCs are required to hold the certificates until the remarketing agent can find a new buyer for any tendered certificates.

Notes Payable to Banks Under Credit Agreements – In 2017 and 2016, Dignity Health maintained a $680.0 million syndicated line of credit facility for working capital, letters of credit, capital expenditures and other general corporate purposes. During 2017 and 2016, the maximum amount outstanding under the syndicated credit facility were $374.0 million and $200.7 million, respectively. There were no letters of credit issued under this facility as of June 30, 2017 and 2016. This credit facility expires in July 2018.

In 2017, Dignity Health entered into two lines of credit with separate banks to advance refund certain debt for $400.0 million and $250.0 million, which expire in June 2018 and December 2017, respectively. During 2017, the maximum amounts outstanding on these lines were $400.0 million and $248.8 million, respectively.

Dignity Health also maintained a $35.0 million single-bank line of credit facility for standby letters of credit. Letters of credit issued under this facility were $23.4 million and $21.4 million as of June 30, 2017 and 2016, respectively, but no amounts have been drawn. This credit facility expires in July 2018.

2017 Financing Activity - In July 2016, Dignity Health provided for the redemption of $24.1 million of tax-exempt fixed rate bonds. The redemptions were financed with draws on the syndicated line of credit.

In July 2016, the letters of credit issued in July 2009 to support variable rate demand bonds of $37.8 million were extended to July 2018. This did not change the terms, provisions or classification of the VRDBs.

In December 2016, Dignity Health issued $270.1 million of tax-exempt fixed rate bonds in a private placement. The proceeds were used to advance refund $256.8 million of outstanding tax-exempt fixed rate bonds. Proceeds were placed in an irrevocable trust and the bonds were legally defeased. The bonds will mature in March 2042.

In December 2016, Dignity Health entered into two taxable lines of credit of $400.0 million and $250.0 million with two separate banks. Proceeds were used to advance refund $474.9 million of outstanding tax-exempt fixed rate bonds. The $400.0 million taxable line of credit was fully drawn and $124.0 million was drawn on the $250.0 million line of credit. Proceeds from both taxable lines of credit were placed in an irrevocable trust and the bonds were legally defeased.

Dignity Health recorded a $45.7 million loss on early extinguishment of debt related to the December transactions.

In January 2017, Dignity Health drew an additional $124.8 million on the $250.0 million taxable line of credit. Proceeds were used to advance refund $122.0 million of outstanding tax-exempt fixed rate bonds. Proceeds from the taxable line of credit were placed in an irrevocable trust and the bonds were legally defeased. Dignity Health recorded a $2.3 million loss on early extinguishment of debt upon the date of this transaction.

In June 2017, the letters of credit issued in June 2014 to support variable rate demand bonds ("VRDBs") of $91.0 million were extended to June 2019. This did not change the terms, provisions or classification of the VRDBs.

Dignity Health drew $100.0 million on its syndicated line of credit in each of July 2016 and October 2016 for general working capital purposes and to legally defease $24.1 million of tax-exempt fixed rate bonds. Throughout 2017, $374.0 million was repaid on the syndicated line of credit.

In September 2017, Dignity Health drew $150.0 million on its syndicated line of credit for working capital purposes.

2016 Financing Activity - In September 2015, the letter of credit issued in October 2012 to support VRDBs of $140.4 million was extended to October 2018. This did not change the terms, provisions or classification of the VRDBs.

In October 2015, the letters of credit issued in October 2012 to support VRDBs of $76.0 million, $60.0 million and $59.6 million were extended to October 2019. This did not change the terms, provisions or classifications of the VRDBs.

In December 2015, an arrangement was made with a substitute bank to take over as the credit facility provider for a letter of credit issued in October 2012 to support VRDBs of $57.0 million. Under the terms of the new arrangement, the letter of credit will expire in December 2019. The substitution did not change the terms, provisions or classification of the VRDBs.

In June 2016, the letters of credit issued in November 2011 to support VRDBs of $150.0 million were extended to November 2021. This did not change the terms, provisions or classification of the VRDBs.

In July 2016, the letter of credit issued in July 2009 to support VRDBs of $37.8 million was extended to July 2018. This did not change the terms, provisions or classification of the VRDBs.

In July 2016, Dignity Health provided for the redemption of $7.3 million of tax-exempt fixed rate bonds maturing on July 1, 2021 and $16.8 million of tax-exempt fixed rate bonds maturing on March 1, 2024. These

redemptions were financed with draws on the syndicated line of credit. The bonds were redeemed without premium.

Dignity Health drew $100.0 million on its syndicated line of credit in each of January 2016, April 2016 and July 2016, for general working capital purposes and to legally defease auction rate securities of $27.8 million. Throughout 2016, $59.0 million was repaid on the syndicated line of credit.

17. DERIVATIVE INSTRUMENTS

Dignity Health's derivative instruments include 16 floating-to-fixed rate interest rate swaps as of June 30, 2017 and 2016. Dignity Health uses floating-to-fixed interest rate swaps to manage interest rate risk associated with outstanding variable rate debt. Under these floating-to-fixed rate swaps, Dignity Health receives a percentage of LIBOR ranging from 57.00% to 58.96% plus a spread ranging from 0.13% to 0.32% and pays a fixed rate. Dignity Health's derivative instruments also include five fixed-to-floating risk participation agreements and one total return swap as of June 30, 2017. Dignity Health uses these fixed-to-floating derivatives to reduce interest expense associated with fixed rate debt. Under the risk participation and total return swap agreements, Dignity Health receives a fixed rate and pays a variable rate percentage of SIFMA plus a spread.

The following table shows the outstanding notional amount of derivative instruments measured at fair value, net of credit value adjustments, as reported in the consolidated balance sheets as of June 30, 2017 and 2016 (in thousands):

	Maturity Date of Derivatives	Interest Rate	Notional Amount Outstanding	Fair Value
			June 30, 2017	
Derivatives not designated as hedges				
Interest rate swaps	2026 - 2042	3.2% - 3.4%	$ 922,600	$ (176,853)
Risk participation agreements	2017 - 2025, with extension options	SIFMA plus spread	509,510	-
Total return swap	2024	SIFMA plus spread	270,095	3,960
Total derivative instruments			$ 1,702,205	$ (172,893)
			June 30, 2016	
Derivatives not designated as hedges				
Interest rate swaps	2026 - 2042	3.2% - 3.4%	$ 937,750	$ (248,913)
Risk participation agreements	2017 - 2025, with extension options	SIFMA plus spread	509,510	-
Total derivative instruments			$ 1,447,260	$ (248,913)

Changes in fair value of derivative instruments have been recorded for 2017 and 2016 as follows (in thousands):

	2017	2016
Loss reclassified from unrestricted net assets into interest expense, net, related to derivatives in cash flow hedging relationships:		
Interest rate swaps - amortization	$ (2,683)	$ (2,683)
Gain (loss) recognized in interest expense, net:		
Changes in fair value of non-hedged derivatives	76,020	(70,428)
Amortization of amounts in unrestricted net assets - interest rate swaps	(2,683)	(2,683)
Total	$ 73,337	$ (73,111)

Of the amounts classified in unrestricted net assets as of June 30, 2017, Dignity Health anticipates reclassifying approximately $2.7 million of additional non-cash losses from unrestricted net assets into interest expense, net, in the next twelve months. Amounts in unrestricted net assets are being amortized into earnings as the interest payments being economically hedged are made.

Of the $922.6 million and $937.8 million notional amount of interest rate swaps held by Dignity Health at June 30, 2017 and 2016, respectively, $160.0 million are insured and have a negative fair value of $45.6 million and $61.8 million at June 30, 2017 and 2016, respectively. In the event the insurer, Assured Guaranty, is downgraded below A2/A or A3/A- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps if Dignity Health does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade. If the insurer is downgraded below the thresholds noted above and Dignity Health is downgraded below Baa3/BBB- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps.

Dignity Health had $762.6 million and $777.8 million of interest rate swaps that are not insured as of June 30, 2017 and 2016, respectively. While Dignity Health has the right to terminate the swaps prior to maturity for any reason, counterparties have various rights to terminate, including swaps in the outstanding notional amount of $100.0 million at each five-year anniversary date commencing in March 2018 and swaps in the notional amount of $209.8 million at each two-year anniversary commencing in May 2019. Swaps in the notional amount of $60.0 million and swaps in the notional amount of $67.7 million have mandatory puts in March 2021 and March 2023, respectively. The termination value would be the fair market value or the replacement cost of the swaps, depending on the circumstances. These interest rate swaps have a negative fair value of $78.7 million and $111.9 million at June 30, 2017 and 2016, respectively. The remaining uninsured swaps in the notional amount of $325.1 million and $340.3 have a negative fair value of $52.6 million and $75.2 million as of June 30, 2017 and 2016, respectively.

Dignity Health had floating rate derivatives in the notional amount of $779.6 million as of June 30, 2017. Risk participation agreements in the notional amount of $509.5 million have a fair value deemed immaterial as of June 30, 2017. In December 2016, Dignity Health entered into a total return swap in the notional amount of $270.1 million to reduce interest expense associated with fixed rate debt. Dignity Health receives a fixed rate and pays a variable rate of SIFMA plus a spread. Dignity Health has the right to terminate the swap for any reason after December 2017, prior to its maturity in December 2023. The total return swap has a positive fair value of $4.0 million at June 30, 2017.

All of the derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, failure to comply with or perform obligations under the agreements, bankruptcy or insolvency, and defaults under other agreements (cross-default provision). Other than the insured swaps described above, the termination events include credit ratings dropping below Baa1/BBB+ (Moody's/Standard & Poor's) by either party on the notional amount of $714.9 million of swaps and below Baa2/BBB on a notional amount of $827.3 million and Dignity Health's cash on hand dropping below 85 days.

Dignity Health, under the terms of its Master Trust Indenture, is prohibited from posting collateral on derivative instruments.

18. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in thousands):

	2017	2016
Interest and fees on debt and swap cash settlements	$ 200,085	$ 215,486
Market adjustment on swaps and amortization of amounts in unrestricted net assets	(73,337)	73,111
Total interest expense	126,748	288,597
Capitalized interest expense	(4,730)	(18,563)
Interest expense, net	$ 122,018	$ 270,034

19. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Restricted net assets as of June 30, 2017 and 2016, consist of donor-restricted contributions and grants, which are to be used as follows (in thousands):

	2017	2016
Equipment and expansion	$ 66,445	$ 68,914
Research and education	57,892	53,157
Charity and other	260,434	209,057
Total temporarily restricted net assets	$ 384,771	$ 331,128
Permanently restricted net assets	106,711	114,733
Total restricted net assets	$ 491,482	$ 445,861

20. INVESTMENT INCOME, NET

Investment income, net, on assets limited as to use, cash equivalents, collateral held under securities lending program, notes receivable, and investments are comprised of the following (in thousands):

	2017	2016
Interest and dividend income	$ 69,776	$ 77,783
Net realized gains on sales of securities	235,678	107,997
Net unrealized gains (losses) on securities	272,016	(286,378)
Other, net of capitalized investment income	(21,932)	(23,271)
Investment income (loss), net	$ 555,538	$ (123,869)

21. INCOME TAXES

As an exempt organization, Dignity Health is not subject to income taxes, however, certain subordinate corporations and subsidiaries are taxable entities. For Dignity Health's taxable entities, the components of income tax expense consist of the following (in thousands):

	2017	2016
Current tax expense:		
Federal	$ 2,936	$ 906
State	3,105	2,819
Total current tax expense	6,041	3,725
Deferred tax expense (benefit):		
Federal	9,720	11,310
State	(737)	(846)
Total deferred tax expense	8,983	10,464
Total income tax expense	$ 15,024	$ 14,189

The primary differences between the amount of reported income tax expense and the amount computed by multiplying the taxable entities' income (loss) from continuing operations before income taxes by the statutory federal income tax rate of 35% relate to state income tax expense, changes in valuation allowances and depreciation adjustments.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial reporting basis and the respective tax basis of the taxable entities' assets and liabilities, and expected benefits of utilizing net operating loss, capital loss, and tax-credit carryforwards.

Dignity Health's taxable entities did not have any material unrecognized income tax benefits as of June 30, 2017 and 2016.

22. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

The following summary encompasses matters previously disclosed in Dignity Health's audited financial statements, as well as additional developments since the date of those financial statements, related to litigation, regulatory and compliance matters.

***Litigation, Regulatory and Compliance Matters* - General** – The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, controlled substances, privacy, government program participation, government reimbursement, antitrust, anti-kickback, prohibited referrals by physicians, false claims, and in the case of tax-exempt organizations, the requirements of tax exemption. In recent years, government activity has increased with respect to investigations and allegations of wrongdoing. In addition, during the course of business, Dignity Health becomes involved in civil litigation. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure. Following is a discussion of matters of note.

U.S. Department of Justice and OIG Investigations – Dignity Health and/or its facilities periodically receive notices from governmental agencies, such as the U.S. Department of Justice ("DOJ") or the Office of Inspector General ("OIG"), requesting information regarding billing, payment, or other reimbursement matters, or initiating investigations, or indicating the existence of whistleblower litigation. The health care industry in general is experiencing an increase in these activities, as the federal government increases enforcement activities and institutes new programs designed to identify potential irregularities in reimbursement or quality of

patient care. Resolution of such matters can result in civil and/or criminal charges, cash payments and/or administrative measures by the entity subject to such investigations. Dignity Health does not presently have information indicating that pending matters or their resolution will have a material effect on Dignity Health's financial statements, taken as a whole. Nevertheless, there can be no assurance that the resolution of matters of these types will not affect the financial condition or operations of Dignity Health, taken as a whole.

Within this category of activities, in October 2014, Dignity Health completed a civil settlement and entered into a Corporate Integrity Agreement ("CIA") with the OIG to resolve an investigation into government reimbursement of hospital inpatient stays. The CIA requires, for a five-year period, enhanced compliance program obligations, education and training, and that Dignity Health retain an independent review organization to review the accuracy of certain claims for hospital services furnished to federal health care program beneficiaries.

Medicare Certification – From time to time, Dignity Health and/or its facilities receive notices from CMS indicating that steps to terminate the provider agreements of certain hospital facilities will be taken unless specific corrective actions related to qualification for Medicare participation are pursued. The process of responding to these notices involves plan(s) of correction submitted by the facility and resurvey by CMS or its designee. Currently, Community Hospital of San Bernardino is in the process of addressing such a notice. While Dignity Health does not expect a loss of Medicare qualification by any facility, there can be no assurance that the loss of Medicare qualification by a facility or facilities will not occur and have a material effect on the financial condition or operations of Dignity Health, taken as a whole.

Pension Plan Litigation – In April 2013, Dignity Health was served with a class action lawsuit filed in the United States District Court for the Northern District of California by a former employee alleging breaches of fiduciary duty and other claims under ERISA in connection with the Dignity Health Pension Plan ("DHPP"). Among other things, the complaint originally alleged that, because Dignity Health is not a church or an association of churches, the DHPP does not qualify as a "church plan". The complaint also challenged the constitutionality of ERISA's church plan exemption. Dignity Health and the sponsoring religious orders established the DHPP and determined the DHPP was a church plan that should be exempt from ERISA, including ERISA's funding requirements, and received private letter rulings from the Internal Revenue Service that confirmed its church plan status. The plaintiff sought to represent a class comprised of participants and beneficiaries of the DHPP as of April 2013, when the complaint was filed.

In July 2014, the District Court ruled that only a church or an association of churches may establish a church plan, the DHPP did not qualify as a church plan since Dignity Health was not a church when the plan was established, and, therefore, DHPP was not exempt from ERISA. Dignity Health appealed the decision but in July 2016, the Ninth Circuit Court of Appeals issued its opinion, which affirmed the District Court's order and held that a church plan must be established by a church or by an association of churches and must be maintained either by a church or by a church-controlled or church-affiliated organization whose principal purpose or function is to provide benefits to church employees. The Ninth Circuit remanded the case to the District Court for further proceedings.

Dignity Health appealed the decision to the Supreme Court and the Supreme Court agreed to hear Dignity Health's case together with those of two other faith-based health systems facing similar challenges to church plan status.

On June 5, 2017, the Supreme Court issued its unanimous opinion reversing the decision of the Ninth Circuit. The Court concluded that the 1980 amendment to Section 3(33)(C) of ERISA was intended by Congress to expand the types of pension plans that could qualify as church plans to include plans maintained by faith-based organizations such as Dignity Health and regardless of who first established the plans. The decision did not determine whether Dignity Health satisfied the requirements to maintain a church plan. In fact, the Court specifically noted that it was not deciding (1) whether any hospital was sufficiently associated with a church for its pension plan to qualify for the church plan exemption, or (2) whether an internal retirement committee could qualify as a "principal purpose" organization entitled to maintain a church plan. The Supreme Court remanded the case to the Ninth Circuit for further action based on its decision.

Based on the Supreme Court's decision, the Ninth Circuit will formally return the case to the District Court so that it can reverse and revise its earlier decisions, and continue the proceedings with regard to the two outstanding questions and other claims that were not decided by the Supreme Court.

While Dignity Health believes its position will ultimately prevail, there can be no assurance about the final resolution of this matter and, under certain circumstances, a negative final and non-appealable ruling against Dignity Health may have a material adverse effect on the financial condition or operations of Dignity Health, taken as a whole.

Operating Leases – Dignity Health leases various equipment and facilities under operating leases. Gross rental expense for 2017 and 2016 was $169.2 million and $165.7 million, respectively, which was offset by sublease income of $2.9 million and $3.0 million for 2017 and 2016, respectively. These amounts are recorded in purchased services and other on the accompanying statements of operations and changes in net assets.

Net future minimum lease payments under non-cancelable operating leases as of June 30, 2017, are as follows (in thousands):

	Lease Payments	Sublease Income	Net Future Minimum Lease Payments
2018	$ 118,036	$ (4,263)	$ 113,773
2019	104,651	(3,609)	101,042
2020	89,564	(3,196)	86,368
2021	68,177	(2,607)	65,570
2022	48,142	(1,946)	46,196
Thereafter	158,165	(8,210)	149,955
Total	$ 586,735	$ (23,831)	$ 562,904

Long-term Contract – In September 2013, concurrent with the formation of Optum360°, Dignity Health entered into a Master Services Agreement ("MSA") with Optum360º for a 10-year term for the purchase of revenue cycle management services. The agreement, as amended from time to time, resulted in a cost for services of $319.3 million and $273.9 million during 2017 and 2016, respectively, and is subject to annual adjustments for inflation and achievement of certain performance levels, which reflects market terms. The MSA is subject to significant penalties for cancellation without cause.

Capital and Purchase Commitments – Dignity Health has undertaken various construction and expansion projects that include certain capital commitments and enters into various agreements that require certain minimum purchases of goods and services, including management services agreements or information and clinical technology, at levels consistent with normal business requirements. Excluding the capital and long-term contract commitments discussed above, outstanding capital and purchase commitments were approximately $103.8 million and $238.3 million at June 30, 2017, respectively.

Guarantees – Dignity Health has guaranteed the indebtedness of other organizations, which indebtedness was outstanding in the amount of $1.1 million and $5.6 million as of June 30, 2017 and 2016, respectively.

Dignity Health enters into physician recruitment agreements with certain physicians who agree to relocate to its communities to fill a need in the hospitals' service areas and commit to remain in practice there. Under these agreements, Dignity Health makes loans available to the physicians that are earned over the period the physicians fulfill their commitment to the community, which is typically three years, or are repayable by the physicians. The maximum potential amount of future undiscounted payments Dignity Health could be required to make under these guarantees is $10.3 million and $17.7 million as of June 30, 2017 and 2016, respectively. Dignity Health recorded $6.7 million and $11.2 million in other current liabilities as of June 30, 2017 and 2016, respectively, and $3.6 million and $4.1 million in other long-term liabilities as of June 30, 2017 and 2016, respectively, related to these guarantees.

Seismic Standards – The State of California issued seismic safety standards in 1994 which have been amended on several occasions since then. The regulations called for more stringent structural building standards to be in place by January 2013 for buildings remaining in acute care service beyond that date, with a two-year extension in most circumstances upon meeting certain milestone dates, and further extension of the deadlines for achieving compliance in certain circumstances. California law currently imposes a separate more rigorous set of

seismic standards that become effective in 2030 for acute care facilities.

Each of the acute care service buildings at Dignity Health's California facilities either: (1) already meets the standards in effect until 2030, (2) is not subject to those standards, (3) will not be used for acute care services beyond the extended deadline, or (4) is scheduled to undergo remediation before applicable deadline dates. Management currently estimates that remaining remediation costs required for meeting the standards for projects specific to structural and non-structural performance in effect until 2030 is approximately $200.0 million. Management has initiated planning, design and construction efforts at all facilities to meet these deadlines.

In addition to the foregoing, in late 2014, the State of California created a new seismic performance category allowing buildings that were previously required to be decommissioned in 2030 to remain in use indefinitely if they could be retrofitted to meet certain new standards. Dignity Health is undertaking the necessary evaluation of its buildings to test the viability of their continued use beyond 2030. Dignity Health may choose to withdraw selected buildings from acute care service rather than satisfy the seismic standards.

23. UNSPONSORED COMMUNITY BENEFIT EXPENSE (UNAUDITED)

Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued, or would need to be provided by another nonprofit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs, and/or (e) involve education or research that improves overall community health.

Benefits for the Poor include services provided to persons who are economically poor or are medically indigent and cannot afford to pay for health care services because they have inadequate resources and/or are uninsured or underinsured.

Benefits for the Broader Community refer to programs in the general communities that Dignity Health serves, beyond and including those for a target population. Most services for the broader community are aimed at improving the health and welfare of the overall community. Such services include the interest rate differential on below market rate loans Dignity Health provides to nonprofit organizations that promote the total health of their local communities, including the development of affordable housing for low-income persons and families, increasing opportunities for jobs and job training, and expanding access to health care for uninsured and underinsured persons. As of June 30, 2017 and 2016, Dignity Health's community investment loan portfolio totaled $53.8 million and $47.7 million, respectively, which is included in other assets limited as to use.

Traditional Charity Care is free or discounted health services provided to persons who cannot afford to pay and who meet Dignity Health's criteria for financial assistance.

Net Community Benefit, excluding the unpaid cost of Medicare, is the total cost incurred after deducting direct offsetting revenue from government programs, patients, and other sources of payment or reimbursement for services provided to program patients. The comparable amount of net community benefit was $1.3 billion for 2016, and Net Community Benefit including the unpaid cost of Medicare was $2.2 billion for 2016.

Following is a summary of Dignity Health's community benefits for 2017, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with Internal Revenue Service Form 990, Schedule H and the CHA publication, *A Guide for Planning and Reporting Community Benefit* (dollars in thousands):

	Unaudited				
	Persons Served	**Total Benefit Expense**	**Direct Offsetting Revenue**	**Net Community Benefit**	**% of Total Expenses**
Benefits for the poor:					
Traditional charity care	88,031	98,884	(77)	98,807	0.8%
Unpaid costs of Medicaid / Medi-Cal	1,656,712	3,597,386	(2,523,293)	1,074,093	8.3%
Other means-tested programs	305,907	12,651	(2,839)	9,812	0.1%
Community services:					
Community health services	351,566	48,817	(10,559)	38,258	0.3%
Health professions education	48	177	-	177	0.0%
Subsidized health services	352,535	99,095	(43,823)	55,272	0.4%
Donations	111,409	23,974	(504)	23,470	0.2%
Community building activities	2,233	3,453	(1,389)	2,064	0.0%
Community benefit operations	1,732	9,173	(161)	9,012	0.1%
Total community services for the poor	819,523	184,689	(56,436)	128,253	1.0%
Total benefits for the poor	2,870,173	3,893,610	(2,582,645)	1,310,965	10.2%
Benefits for the broader community:					
Community services:					
Community health services	312,585	16,399	(1,986)	14,413	0.1%
Health professions education	34,107	115,958	(48,567)	67,391	0.5%
Subsidized health services	2,780	2,791	(1,305)	1,486	0.0%
Research	703	33,089	(24,285)	8,804	0.1%
Donations	22,184	8,579	(36)	8,543	0.1%
Community building activities	20,730	2,854	(425)	2,429	0.0%
Community benefit operations	54	1,180	-	1,180	0.0%
Total benefits for the broader community	393,143	180,850	(76,604)	104,246	0.8%
Total Community Benefits	3,263,316	$ 4,074,460	$ (2,659,249)	$ 1,415,211	11.0%
Unpaid costs of Medicare	1,384,961	4,446,354	(3,249,408)	1,196,946	9.3%
Total Community Benefits including unpaid costs of Medicare	4,648,277	$ 8,520,814	$ (5,908,657)	$ 2,612,157	20.3%

24. DIGNITY HEALTH, SUBORDINATE CORPORATIONS AND SUBSIDIARIES

Following is a list of subordinate corporations and subsidiaries that are included in the accompanying consolidated financial statements for 2017. Unless otherwise indicated, such entities are nonprofit corporations. The Obligated Group Members are denoted by an asterisk (*). Unless otherwise indicated, subsidiaries are not Obligated Group Members.

Dignity Health*
- Operating dba's of Dignity Health
  - Arroyo Grande Community Hospital
  - California Hospital Medical Center – Los Angeles
  - Chandler Regional Medical Center
  - Dominican Hospital
  - French Hospital Medical Center
  - Glendale Memorial Hospital and Health Center
  - Marian Regional Medical Center
  - Marian Regional Medical Center West
  - Mercy General Hospital
  - Mercy Gilbert Medical Center
  - Mercy Hospital (Bakersfield)
  - Mercy Hospital of Folsom
  - Mercy Medical Center (Merced)
  - Mercy Medical Center Mt. Shasta
  - Mercy Medical Center Redding
  - Mercy San Juan Medical Center
  - Mercy Southwest Hospital
  - Methodist Hospital of Sacramento
  - Northridge Hospital Medical Center
  - Sequoia Hospital
  - St. Bernardine Medical Center
  - St. Elizabeth Community Hospital
  - St. John's Pleasant Valley Hospital
  - St. John's Regional Medical Center
  - St. Joseph's Hospital and Medical Center
  - St. Joseph's Westgate Medical Center
  - St. Mary Medical Center
  - St. Mary's Medical Center
  - St. Rose Dominican Hospital Rose de Lima Campus
  - St. Rose Dominican Hospital San Martin Campus
  - St. Rose Dominican Hospital Siena Campus
  - Woodland Memorial Hospital
- Dignity Health Hospital and Professional Liability Self-Insurance Trust (California trust)
- Dignity Health Workers' Compensation Self-Insurance Trust (California trust)
- Dignity Health Insurance Ltd. (Cayman Island corporation)
- Dignity Health Insurance Nevada, Ltd.
- Bakersfield Memorial Hospital*
- Dignity Health Medical Foundation*
- Community Hospital of San Bernardino*
- Mercy McMahon Terrace*
- Saint Francis Memorial Hospital*
- Sierra Nevada Memorial-Miners Hospital*
- Arroyo Grande Community Hospital Foundation
- California Hospital Medical Center Foundation
- Community Hospital of San Bernardino Foundation
- Dignity Health Foundation
- Dignity Health Foundation East Valley
- Dominican Hospital Foundation
- French Hospital Medical Center Foundation
- Glendale Memorial Health Foundation
- Marian Regional Medical Center Foundation
- Mercy Foundation, Bakersfield
- Mercy Medical Center Merced Foundation
- Northridge Hospital Foundation
- St. Bernardine Medical Center Foundation
- St. Francis Foundation of Santa Barbara
- St. John's Healthcare Foundation (Oxnard and Pleasant Valley)
- St. Joseph's Foundation (Phoenix)
- St. Joseph's Foundation of San Joaquin
- St. Mary Medical Center Foundation
- St. Mary's Medical Center Foundation
- St. Rose Dominican Health Foundation
- The Congenital Heart Foundation
- CHMC Hope Street Family Center Property Management, LLC
- DHRT Holdings, LLC
- Dignity Health Holding Corporation (for-profit)
- Dignity Health International, LLC
- Dignity Health Management Services Organization, LLC
- Dignity Health Medical Group Nevada, LLC
- Dignity Health Nevada Imaging Company LLC
- Dignity Health Provider Resources, Inc. (for-profit)
- Dignity Health Provider Resources, LLC
- Dignity Health Purchasing Network, LLC
- Dominican Health Services
- Dominican Oaks Corporation
- GEMCare Mercy Memorial Health System, LLC
- Golden Umbrella
- Health Services of the Pacific Central Coast, Inc. (for-profit)
- MedProvidex, LLC
- Managed Care Systems, LLC
- Management Services Organization of Santa Maria, Inc. (for-profit)
- Mark Twain Medical Center
- North State Quality Care Network, LLC
- Pacific Central Coast Health Centers
- Sequoia Quality Care Network, LLC
- Shasta Senior Nutrition Program
- SLO Health Pavillion, LLC
- Southern California Integrated Care Network, LLC
- St. Francis Foundation, LLC
- St. John's Regional Imaging Center, LLC
- St. Mary Catholic Housing Corporation
- St. Mary Health Ventures, Inc. (for-profit)
- St. Mary Professional Building, Inc.
- St. Rose Quality Care Network, LLC
- TrinityCare, LLC
- TrinityCare Infusion Services (for-profit)
- U.S. HealthWorks, Inc. (for-profit)
- USHW state subsidiaries (for-profit)
- Valley Integrated Provider Network, LLC

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