LIFESPAN CORPORATION AND AFFILIATES

Auditors’ Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Government Auditing Standards* and Related Information

Year Ended September 30, 2017

LIFESPAN CORPORATION AND AFFILIATES

Auditors' Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Government Auditing Standards* and Related Information

Year ended September 30, 2017

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KPMG LLP
One Financial Plaza, Suite 2300
Providence, RI 02903

Exhibit I

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

The Board of Directors
Lifespan Corporation:

Report on Compliance for Each Major Federal Program

We have audited Lifespan Corporation and Affiliates' (Lifespan) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Lifespan's major federal program for the year ended September 30, 2017. Lifespan's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Lifespan's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance*). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lifespan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for Lifespan's major federal program. However, our audit does not provide a legal determination of Lifespan's compliance.

Opinion on Each Major Federal Program

In our opinion, Lifespan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of Lifespan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lifespan's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lifespan's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Providence, Rhode Island
June 7, 2018

KPMG LLP
One Financial Plaza, Suite 2300
Providence, RI 02903

Exhibit II

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Lifespan Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Lifespan Corporation and Affiliates (Lifespan), which comprise the consolidated statement of financial position as of September 30, 2017, the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Lifespan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lifespan's internal control. Accordingly, we do not express an opinion on the effectiveness of Lifespan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lifespan's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Exhibit II

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lifespan's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lifespan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Providence, Rhode Island
February 15, 2018

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Findings and Questioned Costs

Year ended September 30, 2017

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:	Unmodified			
Internal control over financial reporting:				
• Material weaknesses?	_____	Yes	X	No
• Significant deficiencies?	_____	Yes	X	None reported
Noncompliance material to the financial statements noted?	_____	Yes	X	No

Federal Awards

Internal control over major program:				
• Material weaknesses?	_____	Yes	X	No
• Significant deficiencies?	_____	Yes	X	None reported
Type of auditors' report issued on compliance for major program:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance?	_____	Yes	X	No

Identification of Major Programs

Name of federal program or cluster	CFDA #
Research and Development Cluster	Various

Dollar threshold used to distinguish between Type A and Type B programs:	$1,844,299			
Auditee qualified as low-risk auditee?	X	Yes	_____	No

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Findings and Questioned Costs

Year ended September 30, 2017

(2) Findings Relating to Financial Statement Findings Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.

Exhibit IV

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Financial Statements and Supplementary Information –
Schedule of Expenditures of Federal Awards

September 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

Exhibit IV

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Financial Statements and Supplementary Information –
Schedule of Expenditures of Federal Awards

September 30, 2017 and 2016

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KPMG LLP
One Financial Plaza, Suite 2300
Providence, RI 02903

Exhibit IV

Independent Auditors' Report

The Board of Directors
Lifespan Corporation:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lifespan Corporation and Affiliates (Lifespan), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, 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 Financial Statements

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

Auditors' Responsibility

Our responsibility is express an opinion on these consolidated financial statements based on our audits. We conducted our audits accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 consolidated financial position of Lifespan Corporation and Affiliates as of September 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Exhibit IV

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (Schedule 1) is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2018 on our consideration of Lifespan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lifespan's internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lifespan's internal control and compliance.

KPMG LLP

Providence, Rhode Island
February 15, 2018, except
for our report on the
accompanying Schedule of
Expenditures of Federal Awards,
which is dated June 7, 2018

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Financial Position

September 30, 2017 and 2016

(In thousands)

Assets	2017	2016
Current assets:		
Cash and cash equivalents	$ 109,089	$ 121,391
Patient accounts receivable	259,556	256,539
Less allowance for doubtful accounts	(52,579)	(65,056)
Net patient accounts receivable	206,977	191,483
Other receivables	22,044	19,994
Current portion of contributions receivable, net	2,729	2,094
Total receivables	231,750	213,571
Assets limited as to use	38,469	35,405
Inventories	29,228	26,018
Prepaid expenses and other current assets	12,906	14,393
Total current assets	421,442	410,778
Assets limited as to use	1,209,714	1,125,550
Less amount required to meet current obligations	(38,469)	(35,405)
Noncurrent assets limited as to use	1,171,245	1,090,145
Property and equipment, net	849,367	877,275
Other assets:		
Contributions receivable, net	5,264	2,368
Other noncurrent assets	28,747	25,503
Total other assets	34,011	27,871
Total assets	$ 2,476,065	$ 2,406,069

Liabilities and Net Assets	2017	2016
Current liabilities:		
Accounts payable	$ 89,649	$ 89,104
Accrued employee benefits and compensation	85,417	81,029
Other accrued expenses	18,016	10,494
Revolving credit loan payable	1,000	29,000
Current portion of long-term debt	20,989	23,309
Current portion of estimated third-party payor settlements	18,534	15,721
Current portion of estimated malpractice and other self-insurance costs	53,788	48,838
Total current liabilities	287,393	297,495
Long-term debt, net of current portion	313,883	340,435
Estimated third-party payor settlements, net of current portion	29,993	29,993
Estimated malpractice self-insurance costs, net of current portion	90,862	76,460
Accrued pension liability	264,388	301,505
Other liabilities	51,546	49,051
Total liabilities	1,038,065	1,094,939
Net assets:		
Unrestricted	898,988	812,857
Temporarily restricted	376,205	340,676
Permanently restricted	162,807	157,597
Total net assets	1,438,000	1,311,130
Total liabilities and net assets	$ 2,476,065	$ 2,406,069

See accompanying notes to consolidated financial statements.

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2017 and 2016

(In thousands)

	2017	2016
Unrestricted revenues and other support:		
Patient service revenue, net of contractual allowances	$ 1,982,231	$ 1,888,468
Provision for bad debts	(68,545)	(64,076)
Net patient service revenue	1,913,686	1,824,392
Other revenue	118,850	112,871
Endowment earnings contributed toward community benefit	14,458	14,720
Net assets released from restrictions used for operations	21,910	21,687
Net assets released from restrictions used for research	84,626	80,396
Total unrestricted revenues and other support	2,153,530	2,054,066
Operating expenses:		
Compensation and benefits	1,324,089	1,265,166
Supplies and other expenses	507,438	480,452
Purchased services	127,605	124,938
Depreciation and amortization	82,895	78,795
Interest	10,094	17,202
License fees	86,813	85,287
Total operating expenses	2,138,934	2,051,840
Income from operations	14,596	2,226
Nonoperating gains and losses:		
Unrestricted gifts and bequests	2,923	2,961
Unrestricted income from board-designated investments	2,001	1,408
Net realized gains (losses) on board-designated investments	13,567	(7,015)
Loss on advance refunding of debt	—	(22,161)
Grants to outside agencies	(33)	(34)
Fundraising expenses	(4,397)	(4,012)
Other nonoperating losses, net	(1,715)	(2,416)
Total nonoperating gains (losses), net	12,346	(31,269)
Excess (deficiency) of revenues over expenses	$ 26,942	$ (29,043)

(Continued)

LIFESPAN CORPORATION AND AFFILIATES

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

Years ended September 30, 2017 and 2016

(In thousands)

	2017	2016
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	$ 26,942	$ (29,043)
Other changes in unrestricted net assets:		
Change in funded status of pension and other postretirement plans, other than net periodic pension and postretirement benefit costs	33,201	(50,268)
Net change in unrealized gains on investments available for sale	20,035	12,190
Net assets released from restrictions used for purchase of property and equipment	5,769	7,418
Other increases	184	25
Increase (decrease) in unrestricted net assets	86,131	(59,678)
Temporarily restricted net assets:		
Gifts, grants, and bequests	104,846	99,951
Income from restricted endowment and other restricted investments	4,157	4,610
Net assets released from restrictions	(112,305)	(109,501)
Net realized and unrealized gains on investments	41,713	15,863
Fundraising expenses	(1,599)	(1,505)
Grants to outside agencies	(1,165)	(869)
Other decreases	(118)	(57)
Increase in temporarily restricted net assets	35,529	8,492
Permanently restricted net assets:		
Gifts and bequests	799	488
Net change in unrealized gains on investments held in perpetual trusts by others	4,395	1,626
Other increases	16	—
Increase in permanently restricted net assets	5,210	2,114
Increase (decrease) in net assets	126,870	(49,072)
Net assets, beginning of year	1,311,130	1,360,202
Net assets, end of year	$ 1,438,000	$ 1,311,130

See accompanying notes to consolidated financial statements.

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2017 and 2016

(In thousands)

		2017		2016
Cash flows from operating activities:				
Increase (decrease) in net assets	$	126,870	$	(49,072)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:				
Change in funded status of pension and other postretirement plans, other than net periodic pension and postretirement benefit costs		(33,201)		50,268
Loss on advance refunding of debt		—		22,161
Loss on disposal of property and equipment		473		1,426
Net realized and unrealized gains on investments		(79,710)		(22,664)
Permanently restricted gifts and bequests		(799)		(488)
Depreciation and amortization		82,895		78,795
Provision for estimated self-insurance costs		183,554		170,210
Decrease in liabilities for estimated self-insurance costs resulting from claims paid		(164,201)		(169,221)
Net (increase) decrease in patient accounts receivable		(15,494)		5,893
Increase (decrease) in accounts payable		545		(6,395)
Increase in accrued employee benefits and compensation		4,388		9,564
Increase in estimated third-party payor settlements		2,813		8,975
Decrease in all other current and noncurrent assets and liabilities, net		(8,345)		(11,075)
Net cash provided by operating activities		99,788		88,377
Cash flows from investing activities:				
Purchase of property and equipment		(55,460)		(51,487)
Purchases of assets limited as to use		(1,366,407)		(1,079,284)
Proceeds from sales of assets limited as to use		1,364,997		1,080,811
Net decrease in funds held by third parties under long-term debt agreements		135		18,582
Other net increases in assets limited as to use		(3,180)		(887)
Net cash used in investing activities		(59,915)		(32,265)
Cash flows from financing activities:				
Payments on revolving credit loan payable		(28,000)		(11,000)
Proceeds from issuance of long-term debt		—		310,644
Payments to defease refunded bonds		—		(317,352)
Payments on long-term debt		(24,974)		(22,642)
Permanently restricted gifts and bequests		799		488
Net cash used in financing activities		(52,175)		(39,862)
Net (decrease) increase in cash and cash equivalents		(12,302)		16,250
Cash and cash equivalents at:				
Beginning of year		121,391		105,141
End of year	$	109,089	$	121,391
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	11,205	$	15,446

See accompanying notes to consolidated financial statements.

(1) Description of Organization

Lifespan Corporation and Affiliates (Lifespan), established in August 1994, is an integrated regional health care delivery system comprised of teaching hospitals, a community hospital, a psychiatric hospital, community mental and behavioral health providers, and other care givers, with locations throughout Rhode Island. As a complement to its role in service and education, Lifespan actively supports research. Lifespan Corporation (Lifespan Corp.) is a nonprofit company located in Providence, Rhode Island, which operates for the benefit of and to support each of its nonprofit charitable hospitals and other affiliated corporations.

The composition of the Boards of Trustees of each of the Lifespan system hospitals and of both Newport Health Care Corporation and Gateway Healthcare, Inc. is defined as those persons serving from time to time as the directors of Lifespan Corp. As a result, the Boards of each entity are comprised of the same individuals. The Board of each entity, however, retains its responsibilities and authorities to that entity. Certain other affiliates of Lifespan Corp. are governed by Boards of Trustees which are elected annually by Lifespan Corp.

Affiliated corporations of Lifespan Corp. are as follows:

Member, Shareholder, or Entity with Reserved Powers	Affiliate
Lifespan Corp.	Rhode Island Hospital (RIH)
	The Miriam Hospital (TMH)
	Emma Pendleton Bradley Hospital (Bradley)
	Newport Hospital (NH)
	Newport Hospital Foundation, Inc. (NHF)
	Newport Health Care Corporation (NHCC)
	R.I. Sound Enterprises Insurance Co. Ltd. (RISE)
	Lifespan Risk Services, Inc. (LRS)
	RIH Ventures (RIHV), d/b/a Lifespan Laboratories
	Lifespan Physician Group, Inc. (LPG)
	NHCC Medical Associates, Inc. (NHCCMA)
	Gateway Healthcare, Inc.
	Lifespan Diversified Services, Inc. (LDS)
	Hospital Properties, Inc. (HPI)
	Rhode Island Hospital Foundation (RIHF)
	The Miriam Hospital Foundation (TMHF)
	Bradley Hospital Foundation (BHF)
	Lifespan Foundation (LF)
	Lifespan Management Services Organization, Inc. (MSO)
	Lifespan of Massachusetts, Inc. (Lifespan MA)

(1) Description of Organization (continued)

Member, Shareholder, or Entity with Reserved Powers	Affiliate
Rhode Island Hospital	Radiosurgery Center of Rhode Island, LLC (RCRI) Lifespan Pharmacy, LLC
Emma Pendleton Bradley Hospital	Lifespan School Solutions, Inc. (LSS), d/b/a The Bradley School
Newport Health Care Corporation (NHCC)	Newport Health Property Management, Inc.
Gateway Healthcare, Inc. (Gateway)	Alternative Living Concepts, Inc., d/b/a Human Services Realty Families Reaching into Each New Day, Inc., d/b/a FRIENDS WAY The Autism Project Capital City Community Centers, Inc. Bayberry Courts, Inc. JM Apartments, Inc. LJR Corporation Mill River Community Housing Corporation Obed Apartments, Inc. Pathways, Inc. Shore Courts, Inc. Westerly Courts, Inc. TLR Realty Wentworth Corporation
Lifespan Diversified Services, Inc. (LDS)	VNA Technicare, Inc., d/b/a Lifespan Home Medical

The consolidated financial statements include the financial information of Lifespan Physician Group, Inc. (LPG), a physician entity with a Board comprised entirely of physicians which was formed and became an affiliate of Lifespan Corp. on May 25, 2012. Two Lifespan physician-designees are selected by Lifespan Corp. to serve on the LPG Board and hold designated reserved powers.

(Continued)

(In thousands)

(2) Charity Care and Other Community Benefits

The total net cost of charity care and other community benefits provided by Lifespan for the years ended September 30, 2017 and 2016 is summarized in the following table:

	2017	2016
Charity care	$ 26,077	$ 26,357
Medical education, net	65,502	60,105
Research	14,776	15,471
Subsidized health services	25,120	29,913
Community health improvement services and community benefit operations	1,788	1,769
Unreimbursed Medicaid costs	63,312	62,604
Total	$ 196,575	$ 196,219

Charity Care

Lifespan provides full charity care for individuals at or below twice the federal poverty level, with a sliding scale for individuals based upon the federal poverty level guidelines, as set by the Department of Health and Human Services. In addition, a substantial discount consistent with Medicare program reimbursement is offered to all other uninsured patients. Lifespan determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including compensation and benefits, supplies, and other operating expenses, based on data from its costing system. The total cost, excluding medical education and research, incurred by Lifespan to provide charity care amounted to $26,077 and $26,357 in 2017 and 2016, respectively. Charges forgone, based on established rates, amounted to $93,095 and $90,545 in 2017 and 2016, respectively.

(2) Charity Care and Other Community Benefits (continued)

Medical Education

Lifespan provides the setting for and substantially supports medical education in various clinical training and nursing programs. The total cost of medical education provided by Lifespan exceeded the reimbursement received from third-party payors by $65,502 and $60,105 in 2017 and 2016, respectively. In 1969, RIH, TMH, Bradley, and certain other Rhode Island hospitals entered into an affiliation agreement to participate jointly in various clinical training programs and research activities with Brown Medical School, renamed The Warren Alpert Medical School of Brown University (Brown). In 2010, Brown named RIH its Principal Teaching Hospital. TMH and Bradley continue to be designated as major teaching affiliates. The goals of the partnership are to facilitate the expansion of joint educational and research programs in order to compete both clinically and academically. RIH currently sponsors 49 graduate medical education programs accredited by or under the auspices of the Accreditation Council for Graduate Medical Education (ACGME), while also sponsoring another 35 hospital-approved residency and fellowship programs. RIH serves as the principal setting for these clinical training programs, which encompass the following disciplines: anesthesiology; internal medicine and medicine subspecialties, including hematology and oncology; orthopedics and orthopedic subspecialties; clinical neurosciences and related subspecialties; general surgery and surgical subspecialties; pediatrics and pediatric subspecialties, including hematology and oncology; dermatology; radiology and radiology subspecialties; pathology; child psychiatry; emergency medicine and emergency medicine subspecialties; dentistry; and medical physics. TMH participates in Brown programs in anesthesiology, internal medicine and medicine subspecialties, general surgery and surgical subspecialties, psychiatry, emergency medicine and emergency medicine subspecialties, orthopedics and orthopedic subspecialties, and dermatology. RIH and TMH provide stipends to residents and physician fellows while in training. Bradley participates in the Child and Adolescent Psychiatry Fellowship as well as the Triple Board Residency Program (Pediatrics/Psychiatry/Child and Adolescent Psychiatry).

In addition, RIH and TMH are participating clinical training sites for residents from other programs in anesthesiology, family medicine, internal medicine, hematology/oncology, obstetrics/gynecology (OB/Gyn) and OB/Gyn subspecialties, otolaryngology, pediatric dentistry, podiatry, psychiatry and its subspecialties of forensic psychiatry and geriatric psychiatry, orthopedics, rheumatology, and radiation oncology. Bradley serves as a participating site for the Brown Residency Program in Psychiatry sponsored by Butler Hospital. NH serves as an elective site for both RIH-sponsored programs and other residencies.

Various departments and specialties at RIH, TMH, NH, and Bradley serve as clinical sites for the physician assistant schools of Johnson & Wales University, Bryant University, and the Massachusetts College of Pharmacy. In addition, Behavioral Medicine at RIH, TMH, and Bradley, in collaboration with Brown, sponsors research and clinical psychology training programs for interns, postdoctoral fellows, and faculty trainees.

(2) Charity Care and Other Community Benefits (continued)

Medical Education (continued)

With respect to nursing education, RIH, TMH, and NH have developed educational affiliations with the University of Rhode Island College of Nursing; Rhode Island College School of Nursing; Community College of Rhode Island (CCRI); Salve Regina University; Boston College; Yale University; Regis College; Simmons College; St. Joseph's Health Services' School of Nursing; the University of Massachusetts campuses at Dartmouth, Boston, Amherst, and Worcester; Framingham State University; the University of Connecticut; The New England Institute of Technology; Northeastern University; Drexel University; Walden University; Georgetown University School of Nursing and Health Studies; Duke University School of Nursing; and the University of Pennsylvania, as well as other Schools of Nursing, pursuant to which their nursing students obtain clinical training and experience at RIH, TMH, and NH. RIH, TMH, and NH do not receive any compensation from the various schools for providing a clinical setting for the student nurse training. RIH also serves as a clinical site for Certified Nursing Assistants, while TMH serves as a clinical site for Medical Assistants.

The Lifespan School of Medical Imaging collaborates with Rhode Island College in the following programs: diagnostic medical sonography; nuclear medicine technology; radiologic technology; and magnetic resonance imaging. Students complete educational experiences at RIH, TMH, and NH, as well as other outpatient sites. RIH also sponsors training programs in computed tomography and mammography.

At RIH, clinical affiliations/student clinical training programs are provided through contracts with a number of colleges and universities in the professional areas of speech-language pathology and audiology, physical therapy, physical therapy assistants, occupational therapy, certified occupational therapy assistants, and child development. RIH has clinical training affiliations in respiratory therapy with The New England Institute of Technology and CCRI. In addition, RIH is the host for training programs in histology, cytology, phlebotomy, and medical laboratory science (medical technology), sponsored jointly through the University of Rhode Island, Salve Regina University, and Rhode Island College. These programs allow students to obtain didactic coursework at partner universities and at RIH, and clinical education and experience on site at RIH, resulting in certification for careers in clinical laboratories.

TMH sponsors training programs for a variety of allied health care professionals, including required clinical and fieldwork experiences in physical, speech, and occupational therapy, to university students in each discipline through contracts with the various universities. TMH acts as a clinical training site for students from CCRI in its vascular and cardiology ultrasound programs and provides training experiences for both phlebotomy students and physical therapy assistant students. TMH serves as a clinical training site for students from The Nuclear Medicine Institute of the University of Findlay (Ohio) and has educational affiliations with the respiratory therapy programs at both CCRI and The New England Institute of Technology. TMH's EEG Department provides clinical training to neurodiagnostic technology students from Laboure College (Massachusetts).

(2) Charity Care and Other Community Benefits (continued)

Medical Education (continued)

RIH, TMH, NH, and Bradley have clinical affiliations/student clinical training programs for pharmacy students provided through contracts with a number of colleges and universities. A majority of the pharmacy students attend the University of Rhode Island, Massachusetts College of Pharmacy and Allied Health Sciences, and Northeastern University. In addition, the RIH Pharmacy Department co-sponsors second-year postgraduate specialized residency programs in oncology and ambulatory care pharmacy. Lifespan pharmacists participate in the education of pharmacy, nursing, and physician assistant students by providing didactic lectures at the University of Rhode Island's College of Pharmacy, Rhode Island College's Advanced Practice Nursing Program, Johnson & Wales University's Center for Physician Assistant Studies, and Bryant University's Physician Assistant Program. In addition, RIH and TMH have clinical social work student contracts with Rhode Island College, Boston University, Boston College, Smith College, Simmons College, and Bridgewater State University. NH has clinical social work student contracts with Boston University and the University of New England.

Research

Lifespan conducts extensive medical research, with RIH and TMH in the forefront of biomedical health care delivery research and among the leaders nationally in the National Institutes of Health programs. Lifespan also sponsors a significant level of these research activities, as indicated in the table on page 9.

Federal support accounts for approximately 72% of all externally funded research at Lifespan. Researchers focus on clinical trials which investigate prevention and treatment of HIV/AIDS, obesity, cancer, diabetes, cardiac disease, neurological problems, orthopedic advancements, mental health concerns, and brain science. Researchers work in the laboratory or with patients, or both.

Subsidized Health Services

Lifespan substantially subsidizes various health services including the following programs: adult psychiatry, diabetes, tuberculosis, and Alzheimer's, as well as the Center for Special Children, Vanderbilt Rehabilitation, and certain other specialty services. Lifespan also supports comprehensive mental health evaluation and treatment of children, adolescents, and families under several programs, including outpatient, day treatment, and residential.

(2) Charity Care and Other Community Benefits (continued)

Community Health Improvement Services and Community Benefit Operations

Lifespan also provides numerous other services to the community for which charges are not generated. These services include certain emergency services, community health screenings for cardiac health, prostate cancer and other diseases, smoking cessation, immunization and nutrition programs, diabetes education, community health training programs, patient advocacy, foreign language translation, physician referral services, and charitable contributions.

Unreimbursed Medicaid Costs

Lifespan subsidizes the cost of treating patients who receive government assistance where reimbursement is below cost. Medicaid is a means-tested health insurance program, jointly funded by state and federal governments. States administer the program and set rules for eligibility, benefits, and provider payments within broad federal guidelines. The program provides health care coverage to low-income children and families, pregnant women, long-term unemployed adults, seniors, and persons with disabilities. Eligibility is determined by a variety of factors, which include income relative to the federal poverty line, age and immigration status, and assets. The unreimbursed Medicaid costs do not include any allocation of medical education or research costs.

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements, which are prepared on the accrual basis of accounting, include the accounts of Lifespan Corp. and its affiliates after elimination of significant intercompany accounts and transactions.

Lifespan considers events and transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on February 15, 2018 and subsequent events have been evaluated through that date.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Estimates are used in accounting for, among other items, uncollectible accounts receivable, third-party payor settlements, malpractice self-insurance costs, and pensions. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with maturities of three months or less when purchased, excluding amounts limited as to use by board-designation or other arrangements under trust agreements.

(Continued)

(3) Summary of Significant Accounting Policies (continued)

(d) Investments and Investment Income

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10), defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. ASC 820-10 establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but which are corroborated by market data; and
- Level 3 – unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, Lifespan utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Following is a description of the valuation methodologies used for investments measured at fair value:

Cash and short-term investments: Valued at the net asset value (NAV) reported by the financial institution, with maturities of three months or less when purchased.

U.S. government/agency and corporate obligations: Valued using market quotations or prices obtained from independent pricing sources which may employ various pricing methods to value the investments, including matrix pricing based on quoted prices for securities with similar coupons, ratings and maturities. These investments are designated by Lifespan as trading securities.

Corporate equity securities: Valued at the closing prices reported by an active market in which the individual securities are traded. These investments are designated by Lifespan as trading securities.

Collective investment funds: Investments in collective investment funds with monthly pricing and liquidity are valued using NAV as reported by the investment manager, which approximates the market values of the underlying investments within the fund or realizable value as estimated by the investment manager. Otherwise, such investments are recorded at historical cost. Lifespan owns interests in collective investment funds that are generally reported at NAV reported by the fund managers, unless the fund has a readily determinable fair value which is used as a practical expedient to estimate the fair value of Lifespan's interest therein. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. As of September 30, 2017 and 2016, Lifespan had no plans or intentions to sell investments at amounts different from NAV.

(3) Summary of Significant Accounting Policies (continued)

(d) Investments and Investment Income (continued)

Investments of less than 5% in limited partnerships are recorded at historical cost. Investments of 5% or more in limited partnerships, limited liability corporations, or similar investments are accounted for using the equity method.

Investments in real estate included in assets held in trust as permanently restricted funds are measured at fair market value based on independent appraisals conducted by the trustee from time to time.

Investments designated by Lifespan as trading securities are reported at fair value, with gains or losses resulting from changes in fair value recognized in the consolidated statements of operations and changes in net assets as realized gains or losses on investments. For investment securities other than trading, a decline in the market value of the security below its cost that is designated to be other than temporary is recognized through an impairment charge classified as a realized loss, and a new cost basis is established.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess (deficiency) of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments other than those designated as trading securities are excluded from the excess (deficiency) of revenues over expenses.

Realized gains or losses on sales of investments are determined by the average cost method. Realized gains or losses on unrestricted investments are recorded as nonoperating gains or losses; realized gains or losses on restricted investments are recorded as an addition to or deduction from the appropriate restricted net asset category.

Investment income from funds available for self-insurance liabilities is recorded as other revenue. Lifespan maintains a spending policy for certain board-designated funds of its patient care affiliates, which provides that investment income from such funds is recorded within unrestricted revenues as endowment earnings contributed toward community benefit.

Income from permanently restricted investments is recorded within nonoperating gains when unrestricted by the donor and as an addition to the net assets of the appropriate temporarily restricted fund when restricted by the donor.

(3) Summary of Significant Accounting Policies (continued)

(e) Assets Limited as to Use

Assets limited as to use primarily include designated assets set aside by Lifespan's Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets whose use by Lifespan has been permanently restricted by donors or limited by grantors or donors to a specific purpose, as well as assets held by third parties under long-term debt agreements, self-insurance arrangements, and assets held in trust. Amounts required to meet current liabilities of Lifespan are reported in current assets in the consolidated statements of financial position.

(f) Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed over the estimated useful life of each class of depreciable asset using the straight-line method. Buildings and improvements lives range from 5 to 40 years and equipment lives range from 3 to 20 years. Repairs and maintenance are expensed as incurred.

(g) Deferred Financing Costs

Deferred financing costs, which relate to the issuance of long-term bonds payable to the Rhode Island Health and Educational Building Corporation (RIHEBC), are being amortized ratably over the periods the bonds are outstanding.

(h) Classification of Net Assets

FASB ASC Subtopic 958-250 (ASC 958-250) provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and also requires disclosures about endowment funds, including donor-restricted endowment funds and board-designated endowment funds.

Lifespan is incorporated in and subject to the laws of Rhode Island, which adopted UPMIFA effective as of June 30, 2009. Under UPMIFA, the assets of a donor-restricted endowment fund may be appropriated for expenditure by Lifespan in accordance with the standard of prudence prescribed by UPMIFA. As a result of this law and ASC 958-250, Lifespan has classified its net assets as follows:

Permanently restricted net assets contain donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of Lifespan and primarily consist of the historic dollar value of contributions to establish or add to donor-restricted endowment funds.

(3) Summary of Significant Accounting Policies (continued)

(h) Classification of Net Assets (continued)

Temporarily restricted net assets contain grantor or donor-imposed stipulations as to the timing of their availability or use for a particular purpose, including research activities. These net assets are released from restrictions when the specified time elapses or when actions have been taken to meet the restrictions. Net assets of donor-restricted endowment funds in excess of their historic dollar value are classified as temporarily restricted net assets until appropriated by Lifespan and spent in accordance with the standard of prudence imposed by UPMIFA.

Unrestricted net assets contain no donor-imposed restrictions and are available for the general operations of Lifespan. Such net assets may be designated by Lifespan for specific purposes, including functioning as endowment funds.

See note 5 for more information about Lifespan's endowment.

(i) Excess (Deficiency) of Revenues over Expenses

The consolidated statements of operations and changes in net assets include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include the change in the funded status of pension and other postretirement plans, the net change in unrealized gains on investments available-for-sale, and net assets released from restrictions used for purchase of property and equipment.

(j) Net Patient Service Revenue

Lifespan hospitals provide care to patients under Medicare, Medicaid, managed care, and commercial insurance contractual arrangements. The hospitals have agreements with many third-party payors that provide for payments to the hospitals at amounts less than their established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with some third-party payors.

Medicare and Medicaid utilize prospective payment systems for most inpatient hospital services rendered to program beneficiaries based on the classification of each case into a diagnostic-related group (DRG). Outpatient hospital services are primarily paid using an ambulatory payment classification system.

The majority of payments from managed care and commercial insurance companies are based upon fixed fee arrangements, some of which follow a DRG-based approach, while others employ a combination of per diem rates and specific case rates for inpatient services, along with fixed fees applicable to outpatient services.

(3) Summary of Significant Accounting Policies (continued)

(j) Net Patient Service Revenue (continued)

Settlements and adjustments arising under reimbursement arrangements with some third-party payors, primarily Medicare, Medicaid, and Blue Cross, are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Lifespan has classified a portion of accrued estimated third-party payor settlements as long-term because such amounts, by their nature or by virtue of regulation or legislation, will not be paid within one year. Changes in the Medicare and Medicaid programs, such as the reduction of reimbursement, could have an adverse impact on certain Lifespan affiliates.

(k) Provision for Bad Debts

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

Lifespan's allowance for doubtful accounts for self-pay patients decreased from 86% of self-pay accounts receivable at September 30, 2016 to 83% of self-pay accounts receivable at September 30, 2017. Lifespan's self-pay writeoffs for the years ended September 30, 2017 and 2016 amounted to $77,836 and $55,001, respectively. Lifespan did not change its charity care or uninsured discount policies during the years ended September 30, 2017 and 2016, respectively.

(l) Charity Care

Lifespan hospitals provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Because the Lifespan hospitals do not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue (see note 2).

(3) Summary of Significant Accounting Policies (continued)

(m) Donor-Restricted Gifts

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in gifts, grants, and bequests. Conditional promises to give are not included as support until the conditions are substantially met.

Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor or grantor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

(n) Inventories

Inventories, consisting primarily of medical/surgical supplies and pharmaceuticals, are stated at the lower of cost or net realizable value.

(o) Estimated Self-Insurance Costs

Lifespan is self-insured for losses arising from professional liability/medical malpractice, general liability, and workers' compensation claims. The provision for these self-insured losses includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. RISE, Lifespan's affiliated captive insurance company, pays professional liability/medical malpractice and general liability claims. Lifespan has segregated certain investments included in assets limited as to use for payment of workers' compensation claims. Independent actuaries have been retained to assist Lifespan with determining both the provision for self-insured losses and amounts to be deposited in funds available for self-insurance liabilities.

Lifespan provides self-insured health benefit options to the employees of all affiliates. Lifespan has recorded a provision for estimated claims, which is based on Lifespan's own experience. The provision for these self-insured losses includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

(3) Summary of Significant Accounting Policies (continued)

(p) Fair Value of Financial Instruments

The carrying amounts recorded in the consolidated statements of financial position for cash and cash equivalents, patient accounts receivable, contributions receivable, assets limited as to use, accounts payable, accrued expenses, estimated third-party payor settlements, and estimated self-insurance costs approximate their respective fair values. The estimated fair values of Lifespan's assets limited as to use and pension-related assets are disclosed in notes 5 and 8, respectively.

(q) Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 reporting format.

(4) Disproportionate Share

RIH, TMH, Bradley, and NH (the Hospitals) are participants in the State of Rhode Island's Disproportionate Share Program, established in 1995 to assist hospitals which provide a disproportionate amount of uncompensated care. Under the program, Rhode Island hospitals, including the Hospitals, receive federal and state Medicaid funds as additional reimbursement for treating a disproportionate share of low income patients. Total payments to the Hospitals under the Disproportionate Share Program aggregated $66,311 and $62,437 in 2017 and 2016, respectively, and are reflected as part of net patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

For periods beyond 2018, the federal government is scheduled to reduce the level of federal matching funds for the Disproportionate Share Program. Accordingly, it may be necessary for the State of Rhode Island to modify the program and the reimbursement to Rhode Island hospitals under the program. At this time, the scope of such modifications or their effect on the Hospitals cannot be reasonably determined.

(In thousands)

(5) Investments

The composition of assets limited as to use at September 30, 2017 and 2016 is set forth in the following table:

		2017		2016
Funds available for self-insurance liabilities	$	156,783	$	137,273
Unrestricted board-designated funds		529,730		499,122
Funds held by third parties under long-term debt agreements		1		136
Temporarily restricted funds		361,093		331,565
Permanently restricted funds		162,107		157,454
Total	$	1,209,714	$	1,125,550

Assets limited as to use at September 30 are classified as follows:

		2017		2016
Available-for-sale	$	746,568	$	620,699
Trading		463,146		504,851
Total	$	1,209,714	$	1,125,550

Assets limited as to use are classified as trading securities if the buy/sell decision with respect to each portfolio security is the responsibility of an external investment manager. All other assets limited as to use are classified as available-for-sale securities.

(Continued)

(In thousands)

(5) Investments (continued)

Fair Value

The following tables summarize Lifespan's investments and assets held in trust by major category within the ASC 820-10 fair value hierarchy as of September 30, 2017 and 2016, as well as related strategy and liquidity/notice requirements:

	2017				Redemption	Days'
	Level 1	Level 2	Level 3	Total	frequency	notice
U.S. equities:						
Large cap value	$ 54,608	$ —	$ —	$ 54,608	Daily	One
Mid-cap value	57,324	—	—	57,324	Daily	One
Large cap growth	126,043	—	—	126,043	Daily	One
International equities:						
Developed markets	—	92,126	—	92,126	Monthly	Five - Thirty-one
Emerging markets	115,579	—	—	115,579	Daily	One
Commodities:						
Energy	17,573	—	—	17,573	Daily	One
Various	14,094	—	—	14,094	Daily	One
Real estate	—	19,026	—	19,026	Monthly	Sixteen
Fixed income:						
U.S. Treasuries	54,946	—	—	54,946	Daily	One
U.S. Treasury inflation-protected	—	18,588		18,588	Daily	Two
U.S. Government and agency	—	28,232	—	28,232	Daily	One
Domestic bonds	—	117,971	—	117,971	Daily	One
Cash and short-term investments	22,366	—	—	22,366	Daily	One
	462,533	275,943	—	738,476		
Assets held in trust (note 6)	—	—	67,086	67,086	Illiquid	N/A
Held by third parties under long-term debt agreements (note 12)	1	—	—	1	Daily	One
Total	$ 462,534	$ 275,943	$ 67,086	$ 805,563		

(In thousands)

(5) Investments (continued)

	2016 Level 1	2016 Level 2	2016 Level 3	2016 Total	Redemption frequency	Days' notice
U.S. equities:						
Large cap value	$ 45,268	$ —	$ —	$ 45,268	Daily	One
Mid-cap value	52,899	—	—	52,899	Daily	One
Large cap growth	116,974	—	—	116,974	Daily	One
International equities:						
Developed markets	—	75,024	—	75,024	Monthly	Five - Thirty-one
Emerging markets	11,494	—	—	11,494	Daily	One
Commodities:						
Energy	17,633	—	—	17,633	Daily	One
Various	13,566	—	—	13,566	Daily	One
Real estate	—	18,722	—	18,722	Monthly	Sixteen
Fixed income:						
U.S. Treasuries	93,734	—	—	93,734	Daily	One
U.S. Treasury inflation-protected	—	18,727		18,727	Daily	Two
U.S. Government and agency	—	26,879	—	26,879	Daily	One
Domestic bonds	—	143,581	—	143,581	Daily	One
Cash and short-term investments	26,257	—	—	26,257	Daily	One
	377,825	282,933	—	660,758		
Assets held in trust (note 6)	—	—	62,693	62,693	Illiquid	N/A
Held by third parties under long-term debt agreements (note 12)	136	—	—	136	Daily	One
Total	$ 377,961	$ 282,933	$ 62,693	$ 723,587		

The following tables reconcile investments in certain funds measured at NAV or its equivalent as a practical expedient to investments reported in the consolidated statements of financial position as of September 30, 2017 and 2016.

	2017	Redemption frequency	Days' notice
Marketable alternatives:			
Multiple strategies	$ 58,742	Quarterly - Annually	Sixty - Ninety
Multiple strategies	25,030	Illiquid	N/A
Long-short equity	46,611	Monthly - Quarterly	Forty-five - Sixty
Absolute return strategies	94,498	Semi-monthly - Quarterly	Five - Sixty-five
Absolute return strategies	2,900	Illiquid	N/A
International equities:			
Developed markets	56,397	Monthly	Ten
Emerging markets	70,851	Monthly - Quarterly	Ten
Total investments measured at NAV	355,029		
All other investments	805,563		
Total investments	$ 1,160,592		

(In thousands)

(5) Investments (continued)

		2016	Redemption frequency	Days' notice
Marketable alternatives:				
Multiple strategies	$	54,163	Quarterly	Sixty - Ninety
Multiple strategies		5,133	Illiquid	N/A
Long-short equity		22,716	Monthly	Sixty
Absolute return strategies		155,927	Semi-monthly - Annually	Five - Sixty-five
International equities:				
Developed markets		44,308	Monthly	Ten
Emerging markets		79,639	Monthly - Quarterly	Ten - Ninety
Total investments measured at NAV		361,886		
All other investments		723,587		
Total investments	$	1,085,473		

Investments held by third parties under long-term debt agreements consist of money market funds invested in U.S. Government and agency obligations and other high-quality, short-term debt securities.

Investments of less than 5% in collective investment funds which do not have monthly pricing or liquidity are recorded at historical cost. Investments of less than 5% in limited partnerships are also recorded at historical cost. The aggregate historical cost of these investments, which is less than market value as reported by investment managers, amounted to $49,122 at September 30, 2017 and $40,077 at September 30, 2016.

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended September 30, 2017 and 2016.

The following table presents Lifespan's activity for the years ended September 30, 2017 and 2016 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820-10:

	Assets held in trust			
		2017		2016
Fair value at October 1	$	62,693	$	61,068
Net unrealized gains		4,393		1,625
Fair value at September 30	$	67,086	$	62,693

(In thousands)

(5) Investments (continued)

Investment Income, Gains and Losses

Investment income, gains and losses for cash equivalents and assets limited as to use are comprised of the following for the years ended September 30:

	2017	2016
Other revenue:		
Investment income	$ 4,209	$ 6,473
Endowment earnings contributed toward community benefit:		
Interest and dividend income	$ 14,458	$ 14,720
Nonoperating gains and losses:		
Unrestricted income from board-designated investments	$ 2,001	$ 1,408
Net realized gains (losses) on board-designated investments	13,567	(7,015)
	$ 15,568	$ (5,607)
Other changes in unrestricted net assets:		
Net change in unrealized gains on investments available for sale	$ 20,035	$ 12,190
Changes in temporarily restricted net assets:		
Income from restricted endowment and other restricted investments	$ 4,157	$ 4,610
Net realized and unrealized gains on investments	41,713	15,863
	$ 45,870	$ 20,473
Changes in permanently restricted net assets:		
Net change in unrealized gains on investments held in perpetual trusts by others	$ 4,395	$ 1,626

(Continued)

(In thousands)

(5) Investments (continued)

Commitments

Venture capital, private equity, and certain energy investments are made through limited partnerships. Under the terms of these agreements, Lifespan is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally ten years, and such agreements may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. Lifespan cannot anticipate such changes because they are based on unforeseen events, but should they occur they may result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with the above noted investment categories as of September 30, 2017 was $74,350.

Investments With Unrealized Losses

Information regarding investments with unrealized losses at September 30, 2017 and 2016 is presented below, segregated between those that have been in a continuous unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve or more months:

	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
September 30, 2017:						
Unrestricted board-designated and temporarily restricted funds:						
Collective investment funds	$ 78	$ 1	$ 22,233	$ 73	$ 22,311	$ 74
Total temporarily impaired securities	$ 78	$ 1	$ 22,233	$ 73	$ 22,311	$ 74

	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
September 30, 2016:						
Unrestricted board-designated and temporarily restricted funds:						
Collective investment funds	$ 21,700	$ 684	$ 83,041	$ 4,752	$ 104,741	$ 5,436
Total temporarily impaired securities	$ 21,700	$ 684	$ 83,041	$ 4,752	$ 104,741	$ 5,436

(In thousands)

(5) Investments (continued)

Lifespan reviewed the above investments with unrealized losses and determined that no impairment was considered to be other than temporary. In the evaluation of whether an impairment is other than temporary, Lifespan considers the reasons for the impairment, its ability and intent to hold the investment until the market price recovers, the severity and duration of the impairment, current market conditions, and expected future performance.

Endowments

Lifespan's endowment consists of approximately 490 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by Lifespan to function as endowments. Investments associated with endowment funds, including funds designated by Lifespan to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment funds consist of the following at September 30, 2017:

	Unrestricted board-designated	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	$ 361,093	$ 162,107	$ 523,200
Internally board-designated endowment funds	529,730	—	—	529,730
Total endowment funds	$ 529,730	$ 361,093	$ 162,107	$ 1,052,930

Endowment funds consist of the following at September 30, 2016:

	Unrestricted board-designated	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	$ 331,565	$ 157,454	$ 489,019
Internally board-designated endowment funds	499,122	—	—	499,122
Total endowment funds	$ 499,122	$ 331,565	$ 157,454	$ 988,141

(In thousands)

(5) Investments (continued)

Endowments (continued)

Changes in endowment funds for the year ended September 30, 2017 are as follows:

	Unrestricted board-designated	Temporarily restricted	Permanently restricted	Total
Endowment funds, October 1, 2016	$ 499,122	$ 331,565	$ 157,454	$ 988,141
Interest and dividend income	14,023	4,157	—	18,180
Net realized and unrealized gains	30,644	41,713	4,395	76,752
Cash gifts, grants, and bequests	2,923	98,845	242	102,010
Net assets released from restrictions	—	(112,305)	—	(112,305)
Withdrawals	(16,982)	—	—	(16,982)
Other (decreases) increases	—	(2,882)	16	(2,866)
Endowment funds, September 30, 2017	$ 529,730	$ 361,093	$ 162,107	$ 1,052,930

Changes in endowment funds for the year ended September 30, 2016 are as follows:

	Unrestricted board-designated	Temporarily restricted	Permanently restricted	Total
Endowment funds, October 1, 2015	$ 491,542	$ 322,971	$ 155,297	$ 969,810
Interest and dividend income	14,498	4,610	—	19,108
Net realized and unrealized gains	7,382	15,863	1,626	24,871
Cash gifts, grants, and bequests	2,961	100,053	531	103,545
Net assets released from restrictions	—	(109,501)	—	(109,501)
Deposits	2,924	—	—	2,924
Withdrawals	(20,185)	—	—	(20,185)
Other decreases	—	(2,431)	—	(2,431)
Endowment funds, September 30, 2016	$ 499,122	$ 331,565	$ 157,454	$ 988,141

(Continued)

(5) Investments (continued)

Endowments (continued)

(a) *Interpretation of Relevant Law*

The portion of donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the applicable Lifespan affiliates in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, these Lifespan affiliates consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the applicable Lifespan affiliate and donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the applicable Lifespan affiliate
- Lifespan's investment policy

(b) *Return Objectives and Risk Parameters*

Lifespan has created an investment policy for endowment assets with the objective of providing a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, including both donor-restricted funds and unrestricted board-designated funds. Under this policy, as approved by Lifespan, the endowment assets are invested in a manner that is intended to produce results that exceed the total benchmark return while assuming a moderate level of investment risk. Lifespan expects its endowment funds, over a full market cycle, to provide an average annual real rate of return of approximately 5% plus inflation annually. Actual returns in any given year or period of years may vary from this amount.

(c) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate of return objectives, Lifespan 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). Lifespan utilizes a diversified asset allocation that places emphasis on investments in public equity, private investments, marketable alternatives, real assets, and fixed income to achieve its long-term return objectives within prudent risk parameters.

(In thousands)

(5) Investments (continued)

Endowments (continued)

(d) ***Spending Policy***

Lifespan invests its endowment funds in accordance with the total return concept. Applicable endowments include unrestricted board-designated endowment funds and donor-restricted endowment funds. The governing Boards of certain Lifespan affiliates have approved an endowment spending rate of 4% based on all of the above factors. This spending rate is applied to the average fair value of the applicable endowments for the immediately preceding three years.

(6) Assets Held in Trust

Certain Lifespan affiliates (Bradley, RIH, and NH) are beneficiaries of various irrevocable charitable and split-interest trusts. The fair market value of these investments at September 30, 2017 and 2016 was $67,086 and $62,693, respectively, and is reported as permanently restricted funds within assets limited as to use in the consolidated statements of financial position.

(7) Property and Equipment

Property and equipment, by major category, is as follows at September 30:

	2017	2016
Land and improvements	$ 48,311	$ 48,921
Buildings and improvements	1,207,518	1,213,366
Equipment	680,001	725,020
	1,935,830	1,987,307
Less accumulated depreciation and amortization	1,107,266	1,123,518
	828,564	863,789
Construction in progress	20,803	13,486
Property and equipment, net	$ 849,367	$ 877,275

Depreciation and amortization expense for the years ended September 30, 2017 and 2016 amounted to $82,895 and $78,795, respectively.

The estimated cost of completion of construction in progress approximated $9,398 at September 30, 2017, comprised principally of RIH ($6,800) and TMH ($2,000) projects. In addition, NH, RIH, TMH, and EPBH have several building renovation projects pending contractual commitments with estimated costs of completion of approximately $12,570, $8,000, $3,000, and $1,000, respectively.

(8) Pension and Other Postretirement Benefits

Pension Benefits – Lifespan Corporation Retirement Plan

Lifespan Corp. sponsors the Lifespan Corporation Retirement Plan (the Plan), which was established effective January 1, 1996 when the Rhode Island Hospital Retirement Plan (the RIH Plan) merged into The Miriam Hospital Retirement Plan (the TMH Plan). Upon completion of the merger, the new plan was renamed and is governed by provisions of the Plan. Each employee who was a participant in the RIH Plan or the TMH Plan and was an eligible employee on January 1, 1996 continues to be a participant on and after January 1, 1996, subject to the provisions of the Plan. Employees are included in the Plan on the first of the month which is the later of their first anniversary of employment or the attainment of age 18. Effective January 1, 1997, the Emma Pendleton Bradley Hospital Retirement Plan (the Bradley Plan) merged into the Plan. Each employee who was a participant in the Bradley Plan and was an eligible employee on January 1, 1997 continues to be a participant on and after January 1, 1997, subject to the provisions of the Plan.

Effective December 31, 1997, the Pension Plan for Employees of Newport Health Care Corporation and Subsidiaries (the NHCC Plan) merged into the Plan. Each employee who was a participant in the NHCC Plan and was an eligible employee on December 31, 1997 continues to be a participant in the Plan on and after December 31, 1997, subject to the provisions of the Plan.

The Plan is intended to constitute a plan described in Section 414(k) of the Internal Revenue Code, under which benefits are derived from employer contributions based on the separate account balances of participants in addition to the defined benefits provided under the Plan, which are based on an employee's years of credited service and annual compensation. Lifespan's funding policy is to contribute amounts to the Plan sufficient to meet minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code as amended, plus such additional amounts as may be determined to be appropriate by Lifespan. Lifespan may also make certain discretionary matching contributions to participant account balances included in Plan assets based on salary deferral elections of participants.

Substantially all employees of RIH, TMH, Bradley, NHCC, Gateway, and Lifespan Corp. who meet the above requirements are eligible to participate in the Plan.

The provisions of FASB ASC Topic 715*, Compensation-Retirement Benefits: Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (ASC 715), require an employer to recognize in its statement of financial position an asset for a benefit plan's overfunded status or a liability for a plan's underfunded status, and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. The funded-status amount is measured as the difference between the fair value of plan assets and the projected benefit obligation including all actuarial gains and losses and prior service cost.

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

Based on September 30, 2017 and 2016 funded-status amounts for the Plan, Lifespan recorded an increase in unrestricted net assets of $31,502 in 2017 and a decrease in unrestricted net assets of $49,117 in 2016.

The estimated amounts that will be amortized from unrestricted net assets into net periodic pension cost in 2018 are as follows:

Net actuarial loss	$	18,665
Prior service benefit		(751)
	$	17,914

The following tables set forth the Plan's projected benefit obligation and the fair value of plan assets.

		2017		2016
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$	784,067	$	697,447
Service cost		28,158		24,869
Interest cost		26,370		27,606
Actuarial loss		3,889		69,601
Benefits paid		(33,757)		(35,456)
Projected benefit obligation at end of year	$	808,727	$	784,067

The accumulated benefit obligation at the end of 2017 and 2016 was $739,437 and $708,237, respectively.

		2017		2016
Change in plan assets:				
Fair value of plan assets at beginning of year	$	482,562	$	443,024
Actual return on plan assets		42,414		32,711
Employer contributions		53,120		42,283
Benefits paid		(33,757)		(35,456)
Fair value of plan assets at end of year	$	544,339	$	482,562

(Continued)

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

The funded status of the Plan and amounts recognized in the consolidated statements of financial position at September 30, pursuant to ASC Topic 715 (as opposed to ERISA), are as follows:

		2017		2016
Funded status, end of year:				
Fair value of plan assets	$	544,339	$	482,562
Projected benefit obligation		808,727		784,067
Accrued pension liability	$	(264,388)	$	(301,505)

		2017		2016
Amounts not yet reflected in net periodic pension cost and included in unrestricted net assets:				
Prior service benefit	$	1,924	$	2,840
Accumulated net actuarial loss		(227,716)		(260,136)
Amounts not yet recognized as a component of net periodic pension cost		(225,792)		(257,296)
Accumulated net periodic pension cost in excess of employer contributions		(38,596)		(44,209)
Net amount recognized	$	(264,388)	$	(301,505)

		2017		2016
Sources of change in unrestricted net assets:				
Net gain (loss) arising during the year	$	10,781	$	(63,851)
Amortizations:				
Net actuarial loss		21,320		15,277
Prior service benefit		(599)		(543)
Total unrestricted net asset gain (loss) recognized during the year	$	31,502	$	(49,117)

(Continued)

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

Net Periodic Pension Cost

Components of net periodic pension cost are as follows for the years ended September 30:

	2017	2016
Service cost	$ 28,158	$ 24,869
Interest cost	26,370	27,606
Expected return on plan assets	(27,743)	(26,964)
Amortization of net actuarial loss	21,320	15,277
Amortization of prior service benefit	(599)	(543)
Net periodic pension cost	$ 47,506	$ 40,245

The following weighted average assumptions were used by the Plan's actuary to determine net periodic pension cost and benefit obligations:

	2017	2016
Discount rate for benefit obligations	3.80%	3.62%
Discount rate for net periodic pension cost	3.62%	4.38%
Rate of compensation increase	4.50%	4.50%
Expected long-term rate of return on Plan assets	7.25%	7.25%

The asset allocation for the Plan at September 30, 2017 and 2016, and the target allocation for 2018, by asset category, are as follows:

Asset category	Target allocation 2018	Percentage of plan assets September 30 2017	2016
U.S. equities	22.0%	20.4%	18.6%
Marketable alternatives	21.4%	19.4	21.6
International equities	22.0%	25.1	22.6
Venture capital	-	0.2	0.4
Commodities	1.3%	1.0	2.6
Real estate	1.3%	1.5	1.4
Fixed income	30.0%	30.2	30.2
Cash and cash equivalents	2.0%	2.2	2.6
Total		100.0%	100.0%

The asset allocation table above does not include $118,191 and $107,278 of Plan assets at September 30, 2017 and 2016, respectively, attributable to the separate savings account balances of participants which are managed in various mutual funds by Fidelity Investments (Fidelity).

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

The overall financial objective of the Plan is to meet present and future obligations to beneficiaries, while minimizing long-term contributions to the Plan (by earning an adequate, risk-adjusted return on Plan assets), with moderate volatility in year-to-year contribution levels.

The primary investment objective of the Plan is to attain the average annual real total return (net of investment management fees) assumed in the Plan's most recent actuarial assumptions over the long term (rolling five-year periods). Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation as measured by the Consumer Price Index. It is recognized that the real return objective may be difficult to attain in every five-year period, but should be attainable over a series of five-year periods. Performance will also be measured against various benchmarks.

Lifespan employs a rigorous process to annually determine the expected long-term rate of return on Plan assets which is only changed based on significant shifts in economic and financial market conditions. This estimate is primarily driven by actual historical asset-class returns along with our long-term outlook for a globally diversified portfolio. Asset allocations are regularly reviewed and, if necessary, updated based on evaluations of future market returns for each asset class.

Fair Value

The following tables summarize the Plan's investments by major category within the ASC 820-10 fair value hierarchy as of September 30, 2017 and 2016, as well as related strategy and liquidity/notice requirements:

	2017			Redemption	Days'
	Level 1	**Level 2**	**Total**	**frequency**	**notice**
U.S. equities:					
Mid-cap value	$ 19,628	$ —	$ 19,628	Daily	One
Large cap growth	44,180	—	44,180	Daily	One
International equities:					
Developed markets	40,985	36,395	77,380	Daily - Monthly	One - Thirty-one
Commodities:					
Energy	5,672	—	5,672	Daily	One
Various	4,469	—	4,469	Daily	One
Real estate	—	5,339	5,339	Monthly	Sixteen
Fixed income:					
U.S. Treasuries	58,438	—	58,438	Daily	One
U.S. Government and agency	—	744	744	Daily	One
Domestic bonds	—	69,378	69,378	Daily	One
Cash and cash equivalents	12,869	—	12,869	Daily	One
Fidelity mutual funds	118,191	—	118,191	Daily	One
Total	$ 304,432	$ 111,856	$ 416,288		

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

	2016			Redemption	Days'
	Level 1	Level 2	Total	frequency	notice
U.S. equities:					
Mid-cap value	$ 16,598	$ —	$ 16,598	Daily	One
Large cap growth	40,346	—	40,346	Daily	One
International equities:					
Developed markets	23,019	30,193	53,212	Daily - Monthly	One - Thirty-one
Commodities:					
Energy	4,404	—	4,404	Daily	One
Various	4,660	—	4,660	Daily	One
Real estate	—	4,227	4,227	Monthly	Sixteen
Fixed income:					
U.S. Treasuries	40,852	—	40,852	Daily	One
U.S. Government and agency	—	982	982	Daily	One
Domestic bonds	—	68,623	68,623	Daily	One
Cash and cash equivalents	13,122	—	13,122	Daily	One
Fidelity mutual funds	107,278	—	107,278	Daily	One
Total	$ 250,279	$ 104,025	$ 354,304		

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended September 30, 2017 and 2016.

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

The following tables reconcile Plan investments in certain funds measured at NAV or its equivalent as a practical expedient to the total fair value of Plan assets as of September 30, 2017 and 2016.

	2017	Redemption frequency	Days' notice
Marketable alternatives:			
Multiple strategies	$ 11,221	Quarterly	Sixty - Ninety
Multiple strategies	5,259	Illiquid	N/A
Long-short equity	12,453	Monthly - Quarterly	Forty-five - Sixty
Absolute return strategies	46,909	Semi-monthly - Semi-annually	Five - Ninety
Absolute return strategies	500	Illiquid	N/A
International equities:			
Developed markets	21,476	Monthly	Ten
Emerging markets	28,218	Monthly - Quarterly	Ten - Twenty
Venture capital	2,015	Illiquid	N/A
Total Plan investments measured at NAV	128,051		
All other Plan investments	416,288		
Total fair value of Plan assets	$ 544,339		

	2016	Redemption frequency	Days' notice
Marketable alternatives:			
Multiple strategies	$ 10,474	Quarterly	Sixty - Ninety
Multiple strategies	1,058	Illiquid	N/A
Long-short equity	11,454	Monthly - Quarterly	Forty-five - Sixty
Absolute return strategies	58,583	Semi-monthly - Annually	Five - Ninety
International equities:			
Developed markets	17,817	Monthly	Ten
Emerging markets	26,029	Monthly	Ten - Twenty
Venture capital	2,843	Illiquid	N/A
Total Plan investments measured at NAV	128,258		
All other Plan investments	354,304		
Total fair value of Plan assets	$ 482,562		

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

Expected Cash Flows

Information about the expected cash flows for the Plan is as follows:

Employer contributions:		
2018 (required)	$	56,162
Expected benefit payments:		
2018		60,788
2019		47,097
2020		40,882
2021		42,998
2022		44,817
2023 through 2027		237,222

Management evaluates its Plan assumptions annually and the expected employer contributions in 2018 could increase.

Plan Amendment

Effective December 31, 2017, Lifespan amended the Plan whereby certain future participation and benefit accruals under the Plan ceased for employees whose terms and conditions of employment are not covered by a collective bargaining agreement. Lifespan will remeasure the Plan’s assets and liabilities at the amendment date, based on assumptions and market conditions as of that date. Concurrently, Lifespan formed a new defined contribution plan, the Lifespan 401(k) Retirement Savings Plan, which includes an automatic Lifespan matching contribution equal to 6% of eligible base pay.

Other Postretirement Benefits

In addition to providing pension benefits, RIH and TMH provide certain health care and life insurance benefits to retired employees. As of December 31, 2003, health care and life insurance postretirement benefits were eliminated for all active RIH employees with fewer than fifteen years of consecutive service. As of December 31, 2004, health care postretirement benefits were eliminated for all active TMH employees with fewer than fifteen years of consecutive service.

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

Other Postretirement Benefits (continued)

Lifespan recognizes in its consolidated statements of financial position an asset for a benefit plan's overfunded status or a liability for a plan's underfunded status, and recognizes changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. The funded-status amount is measured as the difference between the fair value of plan assets and the benefit obligation including all actuarial gains and losses and prior service cost. Based on September 30, 2017 and 2016 funded-status amounts for the postretirement benefit plan, Lifespan recorded an increase in unrestricted net assets of $1,699 in 2017 and a decrease in unrestricted net assets of $1,151 in 2016. Approximately $546 of net actuarial gain will be amortized from unrestricted net assets into net periodic postretirement benefit cost in 2018.

Benefit Obligations

	2017	2016
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 16,701	$ 15,941
Service cost	185	204
Interest cost	397	673
Benefits paid	(1,058)	(982)
Actuarial (gain) loss	(1,875)	865
Accumulated postretirement benefit obligation at end of year	$ 14,350	$ 16,701

Funded Status

Lifespan has never funded its other postretirement benefit obligations. The funded status of the postretirement benefit plan, reconciled to the amount reported in the consolidated statements of financial position, follows:

	2017	2016
Benefit obligations	$ 14,350	$ 16,701
Funded status	$ (14,350)	$ (16,701)
Accrued postretirement benefit cost recognized in the consolidated statements of financial position	$ 14,350	$ 16,701

(Continued)

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

Amounts recognized in the consolidated statements of financial position at September 30, 2017 and 2016 consist of:

	2017	2016
Accrued postretirement benefit cost:		
Current (included in accrued employee benefits and compensation)	$ 1,080	$ 1,077
Noncurrent (included in other liabilities)	13,270	15,624
Total accrued postretirement benefit cost	$ 14,350	$ 16,701

	2017	2016
Amounts not yet reflected in net periodic postretirement benefit cost and included in unrestricted net assets:		
Accumulated net actuarial gain	$ 4,109	$ 2,410
Amounts not yet recognized as a component of net periodic postretirement benefit cost	4,109	2,410
Accumulated net periodic postretirement benefit cost	(18,459)	(19,111)
Net amount recognized	$ (14,350)	$ (16,701)

	2017	2016
Sources of change in unrestricted net assets:		
Net gain (loss) arising during the year	$ 1,875	$ (865)
Amortizations:		
Net actuarial gain	(176)	(286)
Total unrestricted net asset gain (loss) recognized during the year	$ 1,699	$ (1,151)

Net Periodic Postretirement Benefit Cost

Components of net periodic postretirement benefit cost are as follows for the years ended September 30:

	2017	2016
Service cost	$ 185	$ 204
Interest cost	397	673
Amortization of net actuarial gain	(176)	(286)
Net periodic postretirement benefit cost	$ 406	$ 591

(In thousands)

(8) Pension and Other Postretirement Benefits (continued)

The following weighted average assumptions were used by the plan's actuary to determine net periodic postretirement benefit cost and benefit obligations:

	2017	2016
Discount rate for benefit obligations	3.43%	3.06%
Discount rate for net periodic postretirement benefit cost	3.06%	4.38%

Assumed Health Care Cost Trend Rates at September 30:

	2017	2016
Health care cost trend rate assumed for next year	6.34%	6.63%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2038	2030

Assumed health care cost trend rates have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects as of September 30, 2017:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service cost and interest cost	$ 47	$ (42)
Effect on accumulated postretirement benefit obligation	1,025	(905)

Expected Cash Flows

Information about the expected cash flows for the postretirement benefit plan follows:

Expected benefit payments:	
2018	$ 1,080
2019	1,252
2020	1,327
2021	1,366
2022	1,380
2023 through 2027	6,012

Supplemental Executive Retirement Plan

Lifespan Corp. maintains a nonqualified supplemental executive retirement plan for executive management.

(9) Estimated Self-Insurance Costs

Professional Liability/Medical Malpractice and General Liability

Professional liability/medical malpractice coverage for RIH, TMH, Bradley, NH, Gateway, and all other Lifespan affiliates is supplied on a claims-made basis by RISE, Lifespan's affiliated captive insurance company, which underwrites the medical malpractice risk of Lifespan (including a contractual commitment to indemnify LPG clinicians and certain eligible non-employed physicians). The adequacy of the coverage provided and the funding levels are reviewed annually by independent actuaries. The professional liability/medical malpractice insurance provided by RISE has liability limits of $4,000 per claim with no annual aggregate. RISE provides a second layer of coverage which has limits of an additional $2,000 per claim with a $2,000 annual aggregate. In addition, $31,000 of commercial umbrella excess insurance has been obtained by Lifespan to increase the professional liability limits to $37,000 per claim. Lifespan contracts with various highly rated insurance carriers to mitigate the excess coverage risk. Also covered under the RISE professional liability/medical malpractice policy through contractual indemnification agreements are 580 LPG clinicians and 671 non-employed physicians. Each of these clinicians and physicians is provided with a $2,000 indemnification per claim and a $6,000 annual indemnification aggregate.

General liability coverage is provided to RIH, TMH, Bradley, NH, Gateway, LPG, and all other Lifespan affiliates by RISE amounting to $2,000 per claim and $4,000 in the annual aggregate. In addition, commercial excess liability insurance has been obtained by Lifespan to increase the aggregate general liability coverage to $78,000.

Lifespan has recorded a provision for estimated losses on professional liability/medical malpractice and general liability incidents, based on actuarial studies and its own experience. The actuarial studies include an assumed inflation rate of 4%. The amounts accrued for estimated professional liability/medical malpractice and general liability self-insurance costs at September 30, 2017 and 2016 have been discounted at 4%.

Workers' Compensation

Lifespan has recorded a provision for workers' compensation losses, based on actuarial studies and its own experience. The actuarial studies include an assumed inflation rate of 4%. The amounts accrued for estimated workers' compensation self-insurance costs at September 30, 2017 and 2016 have been discounted at 4%. Lifespan has a standby letter of credit at September 30, 2017 in the amount of $7,000 supporting the estimated unpaid liability.

(In thousands)

(10) Patient Service Revenue and Related Reimbursement

Lifespan recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, Lifespan recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). The following is an approximate percentage breakdown of gross patient service revenue by payor type for the years ended September 30:

	2017	2016
Medicare and Senior Care	40 %	42 %
Blue Cross	16	17
Medicaid and RIte Care	25	22
Managed care	11	10
Commercial, self-pay, and other	8	9
	100 %	100 %

Lifespan grants credit to patients, most of whom are local residents. Lifespan generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, managed care, or commercial insurance policies). On the basis of historical experience, a significant portion of Lifespan's uninsured patients will be unable or unwilling to pay for the services provided. Thus, Lifespan records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Medicare cost reports filed annually with The Centers for Medicare and Medicaid Services (CMS) are subject to audit prior to final settlement. The 2017 Medicare cost reports have not been filed and, therefore, are not settled.

In addition, the following Medicare cost reports have not been settled:

	RIH	TMH	NH
2016	X	X	X
2015	X	X	X
2014	X		

(10) Patient Service Revenue and Related Reimbursement (continued)

Regulations in effect require annual settlements based upon cost reports filed by the Lifespan hospitals. These settlements are estimated and recorded in the accompanying consolidated financial statements. Changes in these estimates are reflected in the consolidated financial statements in the year in which they occur. Net patient service revenue in the accompanying consolidated statements of operations and changes in net assets was increased by $1,669 and $11,180 in 2017 and 2016, respectively, to reflect changes in the estimated settlements for certain prior years.

Revenues from Medicare and Medicaid programs accounted for approximately 40% and 25%, respectively, of Lifespan's gross patient service revenue for the year ended September 30, 2017. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Lifespan believes that it is in compliance with all applicable laws and regulations. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action; failure to comply with such laws and regulations can result in fines, penalties, and exclusion from Medicare and Medicaid programs.

(11) Income Tax Status

Lifespan Corp. and substantially all of its affiliates are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from Federal income taxes pursuant to Section 501(a) of the Code. RISE is a Bermuda corporation not subject to taxes. MSO, LRS, and VNA Technicare, Inc. are taxable corporations.

Lifespan recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount of benefit that is greater than fifty percent likely to be realized upon settlement. Changes in measurement are reflected in the period in which the change in judgment occurs. Lifespan did not recognize the effect of any income tax positions in either 2017 or 2016.

(Continued)

(In thousands)

(12) Long-Term Debt

Long-term debt consists of the following at September 30:

		2017		2016
Hospital Financing Revenue fixed rate serial and term bonds due May 15, 2018 through 2039 in annual amounts ranging from $6,540 to $42,920 at rates ranging from 4% to 5% (2016 Series – Lifespan Obligated Group)	$	250,755	$	265,470
Master lease and loan and security agreement due December 14, 2017 through 2020 in semiannual amounts ranging from $3,614 to $3,766 at 1.66% (the 2013 Financing)		22,139		29,278
Private placement debt due July 1, 2018 through 2029 in annual amounts ranging from $1,194 to $1,629 at a fixed rate of 2.85% (2014 Series- NH)		16,812		17,971
Other long-term debt		6,920		8,881
Unamortized premium – 2016 Series		38,246		42,144
		334,872		363,744
Less current portion		20,989		23,309
Long-term debt, net of current portion	$	313,883	$	340,435

On August 11, 2016, the Rhode Island Health and Educational Building Corporation issued, on behalf of the OG, which consists of RIH, TMH, Bradley, RIHF and TMHF, $265,470 of tax-exempt fixed rate serial and term bonds (the 2016 Bonds) due May 15, 2017 through 2039 in annual amounts ranging from $6,540 to $42,920 at coupon rates ranging from 4% to 5%, with an effective rate of approximately 3.15%. The purpose of the 2016 Bonds was to refund $49,450 and $129,185 of the OG's 1996 Bonds and 2006 Bonds, respectively, and advance refund $114,985 of the OG's 2009 Bonds. These 2016 Hospital Financing Revenue Refunding Bonds are secured by a pledge of the gross receipts of the RIH, TMH, and Bradley (the Obligated Group Hospitals) and by mortgage liens on RIH's and TMH's real property and all buildings, structures and improvements thereon. The OG is jointly and severally liable for repayment of the 2016 Bonds. Under the terms of the 2016 Bonds, the Obligated Group Hospitals are required to satisfy certain measures of financial performance as long as the bonds are outstanding.

On June 14, 2013, RIH, TMH, and Bradley entered into a tax-exempt $50,000 master lease and loan and security agreement (the 2013 Financing) with a seven-year term, to partially fund the capital costs associated with Lifespan's multi-year information systems conversion project. The 2013 Financing is secured by a first priority lien and security interest on the equipment (excluding intellectual property), goods, and other property financed with the proceeds of the 2013 Financing. RIH, TMH, and Bradley are jointly and severally liable for repayment of the 2013 Financing. NH indirectly participated in the 2013 Financing via an intercompany payable of $4,500 to RIH.

(Continued)

(12) Long-Term Debt (continued)

On July 8, 2008, the Board of Directors of Lifespan Corp., acting as the sole corporate member of Bradley, adopted a resolution authorizing Bradley to become a member of the OG. The Bradley Board of Trustees, as well as the Boards of RIH and TMH, also authorized related resolutions.

On March 30, 2009, RIHEBC issued, on behalf of the OG, $114,985 of tax-exempt bonds (the 2009A Bonds) for the purposes of financing the acquisition, construction, renovation, expansion and equipping of certain hospital and related health care facilities owned and operated by RIH, TMH, and Bradley (the Obligated Group Hospitals), including the expansion, construction, renovation, equipping and furnishing of a two-story addition to Bradley's existing building and the renovation of vacated space in the existing building.

On February 14, 2006, RIHEBC issued, on behalf of the OG, which consisted of RIH and TMH, $192,135 of tax-exempt bonds (the 2006A Bonds) for the purpose of refunding $123,405 and $65,315 of the OG's 1996 Bonds and 2002 Bonds, respectively. On September 12, 2006, the Board of Directors of Lifespan Corp., acting as the sole corporate member of both The Miriam Hospital Foundation and Rhode Island Hospital Foundation (the Foundations), adopted resolutions authorizing the Foundations to become members of the OG. The Boards of Trustees of each of the Foundations, as well as the then existing members of the OG, RIH and TMH, previously authorized related resolutions. The effective date for such change was October 1, 2006.

On December 1, 1996, RIHEBC issued, on behalf of the OG, $214,585 of tax-exempt bonds (the 1996 Bonds), to finance portions of Lifespan's, RIH's and TMH's 1996, 1997, 1998, and 1999 expenditures for routine capital equipment and facility renovation/replacement, and to advance refund $8,455 of TMH's 1989 Series A bonds, $1,900 of TMH's 1992 Series A bonds, and $10,065 of TMH's 1992 Series B bonds.

On February 1, 1999, RIHEBC issued, on behalf of NH, $30,000 of tax-exempt bonds (the 1999 Bonds) to finance the acquisition, construction, renovation and equipping of various NH facilities. On November 5, 2014, RIHEBC issued, on behalf of NH, $20,390 of fixed rate 2.85% tax-exempt bonds (the 2014 Bonds) in a private placement for the purpose of advance refunding $20,275 of the 1999 Bonds. A total of $20,390 of the net proceeds of the 2014 bond issue and $343 of the refunded bonds' unspent debt service funds was deposited into a trust for the purpose of this refunding. The 2014 Bonds are secured by a pledge of the gross receipts of NH. Payment of the principal and interest on the 2014 Bonds when due is guaranteed by Newport Hospital Foundation, Inc. Under the terms of the 2014 Bonds, NH is required to satisfy certain measures of financial performance as long as the bonds are outstanding.

Lifespan's aggregate maturities of long-term debt for the five fiscal years ending in September 2022 are as follows: 2018, $20,989; 2019, $21,701; 2020, $22,505; 2021, $15,728; and 2022, $16,478.

(In thousands)

(12) Long-Term Debt (continued)

Agreements underlying the various Hospital Financing Revenue Bonds require that RIH, TMH, and Bradley maintain certain funds included with assets limited as to use in the consolidated statements of financial position, as follows:

Project Fund – RIH, TMH, and Bradley are required to apply monies in the Project Fund to pay the costs of debt issuance, facility renovation/replacement, and routine capital equipment.

Debt Service Reserve Fund – RIH, TMH, and Bradley are required to apply monies in the Debt Service Reserve Fund to remedy deficiencies in the Bond Fund, if any.

The balances of these funds at September 30 are summarized as follows:

	2017	2016
RIH, TMH, and Bradley:		
Project Fund – 2016 Series	$ 1	$ 131
Debt Service Reserve Fund – 2009A Series	—	5
Total	$ 1	$ 136

(13) Revolving Credit Loan Payable

The members of the Lifespan Obligated Group (OG) entered into a credit agreement, dated April 22, 2015 and amended April 20, 2016 and April 19, 2017, with Citizens Bank, N.A. for a line of credit facility up to a maximum principal amount of $20,000 to finance working capital requirements. The principal outstanding bears interest per annum at 1.5% above the LIBOR Advantage rate. Interest is payable monthly and all outstanding principal and any accrued and unpaid interest is due on the maturity date of April 18, 2018. At September 30, 2017 and 2016, there was $1,000 and $29,000 outstanding under the facility at interest rates per annum of 2.732% and 2.031%, respectively. The OG is required to comply with various affirmative and negative covenants as well as maintain certain financial targets and ratios during the term of the line of credit.

(In thousands)

(14) Temporarily and Permanently Restricted Net Assets

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

		2017		2016
General health care service activities	$	255,723	$	232,568
Property and equipment		48,867		39,782
Research		71,615		68,326
Total	$	376,205	$	340,676

Permanently restricted net assets at September 30 are restricted to:

		2017		2016
General health care service activities	$	153,661	$	148,451
Research		9,146		9,146
Total	$	162,807	$	157,597

Income from permanently restricted investments is expendable to support donor-restricted purposes.

(15) Leases

Lifespan leases building space and equipment under various noncancelable operating lease agreements. Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases with terms of one year or more consist of the following at September 30, 2017:

		Amount
Year ending September 30:		
2018	$	27,188
2019		21,706
2020		19,310
2021		15,328
2022		13,112
Thereafter		16,597
Total minimum lease payments	$	113,241

Rental expense, including rentals under leases with terms of less than one year, for the years ended September 30, 2017 and 2016 was $28,492 and $26,502, respectively.

(16) Concentrations of Credit Risk

Lifespan maintains its cash accounts at various financial institutions. Lifespan has not experienced any losses in such accounts and evaluates the credit worthiness of the financial institutions with which it conducts business. Lifespan believes it is not exposed to significant credit risk with respect to its cash balances.

Financial instruments which potentially subject Lifespan to concentrations of credit risk consist primarily of accounts receivable and certain investments. The risk associated with temporary cash investments is mitigated by the fact that the investments are placed with what management believes are high credit quality financial institutions. Investments, which include government and agency obligations, stocks, and corporate bonds, are not concentrated in any corporation, industry, or geographical area.

Lifespan receives a significant portion of its payments for services rendered from a limited number of government and commercial third-party payors, including Medicare, Blue Cross, Medicaid, and various managed care entities. Lifespan has not historically incurred any significant concentrated credit losses in the normal course of business.

(17) Malpractice and Other Litigation

Certain Lifespan hospitals or their indemnified physicians have been named as defendants in a number of pending actions seeking damages for alleged medical malpractice liability. In the opinion of management, any liability and legal defense costs resulting from these actions will be within the limits of each hospital's malpractice insurance coverage provided by RISE and/or commercial excess carriers. Lifespan is involved in a number of miscellaneous suits and general liability suits arising in the course of business. After consultation with legal counsel, management estimates that any outstanding matters will be resolved without material adverse effect on Lifespan's future financial position or results from operations.

(18) License Fees

In 2017 and 2016, the State of Rhode Island has assessed a license fee to all Rhode Island hospitals, based on each hospital's 2015 and 2014 net patient service revenue, respectively, as defined. The Hospitals' license fee expense was $86,813 in 2017 and $85,287 in 2016.

(In thousands)

(19) Functional Expenses

Lifespan provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30:

	2017	2016
Health care services	$ 1,744,222	$ 1,658,733
Research	99,402	95,867
General and administrative:		
Depreciation and amortization	82,895	78,795
Interest	10,094	17,202
Other	202,321	201,243
Total general and administrative	295,310	297,240
	$ 2,138,934	$ 2,051,840

(20) Promises to Give

Included in contributions receivable are the following unconditional promises to give:

	2017	2016
Capital campaigns	$ 6,855	$ 1,440
Other restricted	1,738	3,404
Unconditional promises to give before unamortized discount and allowance for collectibles	8,593	4,844
Less: unamortized discount at rates ranging from 0.6% to 2.6%	(342)	(143)
Subtotal	8,251	4,701
Less: allowance for uncollectibles	(258)	(239)
Net unconditional promises to give	$ 7,993	$ 4,462
Amounts due in:		
Less than one year	$ 2,752	$ 2,112
One to five years	5,749	2,698
More than five years	92	34
Total	$ 8,593	$ 4,844

Exhibit IV
Schedule 1

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster:				
Department of Defense:				
U.S. Army Medical Command	12.420	Direct	$ 475,994	$ 574,465
Passed Through:				
American Burn Association	12.420	W81XWH-11-1-0835	—	10,866
Columbia University	12.420	7137052	—	29,023
University of Pittsburgh	12.420	0046723/W81XWH-1	—	(90)
Women & Infants Hospital of Rhode Island	12.420	W81XWH-14-1-0368	—	24,654
Department of Health and Human Services:				
Agency for Healthcare and Research Quality	93.226	Direct	213,280	593,496
Passed Through:				
Boston Medical Center	93.226	R18 HS024021	—	109,591
Brown University	93.226	7137187	—	39,833
Brown University	93.226	K12 HS022998	—	115,380
Brown University	93.226	K12 HS0229987	—	4,864
Centers for Disease Control and Prevention	93.136	Direct	180,415	935,172
Passed Through:				
University of Massachusetts	93.184	ATHN2011001-1-4	—	19,557
Icahn School of Medicine at Mount Sinai	93.283	7015591	—	403,297
Rhode Island Department of Health	93.283	H25 PS004357	—	91,925
Health Resources and Services Administration	93.110	Direct	154,340	726,339
Passed Through:				
Children's Hospital of Philadelphia	93.110	4UA3MC20218-06	—	6,408
Icahn School of Medicine at Mount Sinai	93.110	6H30MC54048-01-01	—	21,688
Children's Hospital of Pittsburgh	93.127	U03 MC22685	—	(168)
University of Massachusetts	93.145	U10 HA29294	—	65,162
University of Massachusetts	93.145	U10 HA29294	—	17,414
University of Massachusetts	93.145	U10 HA29294	—	32,721
Family Aids Center For Treatment	93.153	H12 HA24854	—	51,653
Butler Hospital	93.156	7109859	—	28,571
National Institutes of Health	93.077	Direct	27,866	304,163
National Institutes of Health	93.213	Direct	115,584	1,258,936
National Institutes of Health	93.242	Direct	725,080	4,963,426
National Institutes of Health	93.273	Direct	327,754	1,586,537
National Institutes of Health	93.279	Direct	316,369	2,397,511
National Institutes of Health	93.310	Direct	132,623	646,986
National Institutes of Health	93.361	Direct	316,112	799,165
National Institutes of Health	93.393	Direct	12,049	73,932
National Institutes of Health	93.395	Direct	—	291,924
National Institutes of Health	93.837	Direct	1,271,222	6,961,378
National Institutes of Health	93.838	Direct	236,400	327,069
National Institutes of Health	93.839	Direct	—	196,029
National Institutes of Health	93.846	Direct	809,332	3,354,218
National Institutes of Health	93.847	Direct	425,048	3,622,996
National Institutes of Health	93.853	Direct	160,874	812,215
National Institutes of Health	93.855	Direct	1,598,029	4,765,574
National Institutes of Health	93.859	Direct	137,256	4,386,321
National Institutes of Health	93.865	Direct	463,236	2,287,885
National Institutes of Health	93.866	Direct	30,941	80,992
National Institutes of Health	93.989	Direct	—	150,791
National Institutes of Health	93.RD	Direct	—	4,658
National Institutes of Health:				
Passed Through:				
Brown University	93.113	U01 ES028184	—	8,259
Boston University	93.121	1UH2DK025492-01	—	58,198
Brown University	93.143	7137172	—	16,257
Brown University	93.143	7137173	3,590	50,629
Butler Hospital	93.213	1R34AT009432-01	—	20,174
University of Massachusetts	93.213	7109114	—	216,550
Beth Israel Deaconess Medical Center	93.242	7127521	—	5,441
Brown University	93.242	7109103	—	685
Brown University	93.242	7127461	—	20,608
Brown University	93.242	7127514	—	28,039
Brown University	93.242	1 R21 MH109360-01	—	28,456
Brown University	93.242	1R01MH097703-01	—	36,696
Brown University	93.242	1R25MH101076-01	—	18,921
Brown University	93.242	1R34MH103570-01A1	—	8,566
Brown University	93.242	5R25MH101076-03	—	15,809
Brown University	93.242	R21 MH109374	—	25,981
Brown University	93.242	R25 MH083620	—	36,304
Brown University	93.242	R34 MH109371	—	24,423
Brown University	93.242	R34 MH110369	—	27,643

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Butler Hospital	93.242	7127435	$ —	$ 4,414
Butler Hospital	93.242	R01MH095786	—	54,604
Cincinnati Children's Hospital Medical Center	93.242	U01 MH104311	—	1,627
Emory University School of Medicine	93.242	1R01MH111682-01	—	27,631
SUNY Research Foundation at Binghamton University	93.242	R01MH098060	—	18,010
University of Massachusetts Medical School	93.242	WA00504172	—	20,406
University of Michigan	93.242	1U01MH106660-01A1	—	11,512
University of Michigan	93.242	U01 MH104311	—	8,535
University of Minnesota	93.242	1R01MH096748-01A1	—	1,662
University of Texas	93.242	1R56MH108650	—	143,934
Virtually Better Inc.	93.242	7015554	—	339,782
Women & Infants Hospital of Rhode Island	93.242	2R01MH078033-06	—	27,722
Yale University	93.242	5K01MH093273-02	—	22,263
Brown University	93.273	7137262	—	11,778
Brown University	93.273	1P01 AA019072-01	—	(223)
Brown University	93.273	1R01AA020705-01A1	—	145,526
Brown University	93.273	2R01AA012518-13	—	6,313
Brown University	93.273	5P01AA019072-08	—	84,872
Brown University	93.273	P01 AA019072	—	68,356
Brown University	93.273	R01 AA020805	—	(435)
Butler Hospital	93.273	R01 AA023726	—	119,258
Ohio University	93.273	1R21AA024524-01A1	—	54,155
Baystate Medical Center	93.279	15-259	—	181,610
Baystate Medical Center	93.279	R01 DA0388382	—	74,884
Baystate Medical Center	93.279	RO1 DA038082	—	50,376
Brown University	93.279	1R34DA039289-01A1	—	20,826
Brown University	93.279	1R34DA042247-01A1	—	7,134
Butler Hospital	93.279	R21 DA038203	—	18,080
Fordham University	93.279	7147048	—	8,280
Live Inspired, LLC	93.279	1R44DA041904-01	—	250,514
Oregon Health Sciences University	93.279	K23 DA031881	—	12,989
University of California at San Francisco	93.279	5R01DA034538-05	—	513,425
University of California at San Francisco	93.279	7R01DA035231-02	—	9,121
University of Maryland Medical Center	93.279	7127484	—	37,571
University of Texas	93.279	1R01DA032457-01A1	—	63,000
Yale University	93.279	R01 DA041067	—	54,981
Brown University	93.307	T37 MD008655	—	18,567
Butler Hospital	93.361	1 R01 NR015977-01A1	—	112,124
Columbia University	93.361	1R21NR016112-01A1-REVISED	—	24,709
University of California at San Diego	93.361	2R01NR011295-05	—	34,435
Brown University	93.393	1R01CA155381-05	—	3,387
University of South Carolina	93.394	1R01CA183849-01A1	—	51,568
University of Alabama at Birmingham	93.395	7R01CA174683-02	—	24,317
Weinberg Medical Physics, Inc.	93.395	1R41CA213540-01A1	—	1,710
Indiana University	93.397	1 U54 CA190151-01	—	23,182
Brown University	93.398	1R01CA201262-01A1	—	17,559
University of Pennsylvania	93.701	1U01NS062835	—	35,613
Brigham & Women's Hospital	93.837	5U01HL101422	—	20,757
Brown University	93.837	U54 GM115677	—	31,171
California Polytechnic State University	93.837	1U01HL114377-01	—	217,585
California Polytechnic State University	93.837	4R01HL118208-04	—	298,844
Cincinnati Children's Hospital Medical Center	93.837	SUB#109363/1 R24	—	13,549
Icahn School of Medicine at Mount Sinai	93.837	4U01HL088942-09	—	6,353
Massachusetts General Hospital	93.837	1 U01 HL123336-01	—	28,684
Massachusetts General Hospital	93.837	RO1 HL137562	—	1,603
Mayo Clinic Rochester	93.837	5U01HL128606-02	—	49,998
Mayo Clinic Rochester	93.837	5U01HL128606-02	—	61,772
Ocean State Research Institute, Inc.	93.837	R01 HL128661	—	18,177
University of North Carolina at Chapel Hill	93.837	1RO1HL12214401A1	—	27,172
University of Michigan Medical Center	93.838	1RO1HL109118-01A1	—	(1,762)
University of Virginia	93.838	1U01HL133708-01	—	19,195
Brown University	93.839	U54 GM115677	—	36,888
Rutgers, The State University of New Jersey	93.839	U01 HL133817	—	11,777
Rutgers, The State University of New Jersey	93.839	U01 HL133817	—	6,931
University of Rochester Medical Center	93.839	R01 HL125265	—	178,903
Washington University School of Medicine	93.839	7011540	—	3,225
Tribologics, LLC	93.846	7015576	—	12
Connecticut Children's Medical Center	93.847	1UO1DK095745	—	4,130
Drexel University	93.847	1R01DK095069-01A1	—	4,143

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Neuropsychiatric Research Institute	93.847	1R01DK112487-01	$ —	$ 24,867
North Dakota State University	93.847	7147027	—	24,866
Temple University	93.847	1R01DK108661-01A1	—	246,409
Temple University	93.847	1R56DK108661-01	—	(96)
University of Connecticut	93.847	7R01DK095771-04	—	138,458
University of Florida at Gainesville	93.847	1R21DK109205-01	—	16,731
Virginia Commonwealth University	93.847	1R01DK103668-01	—	23,101
Virtually Better, Inc.	93.847	2R42DK103537-02	—	205,867
Beth Israel Deaconess Medical Center	93.853	U01 NS074425	—	(965)
Brown University	93.853	PO#: PUR-0049570	—	114,508
Emory University School of Medicine	93.853	U01 NS062778	—	45,284
Emory University School of Medicine	93.853	U24NS100673	—	1,614
Massachusetts General Hospital	93.853	5P50NS051343-09	—	38,553
Mayo Clinic Rochester	93.853	5U01NS080168-03	—	565
NeuroDx Development, LLC	93.853	5 R44 NS068882-04	—	511
University of Cincinnati	93.853	1 U01 NS092076-01	—	63,772
University of Pennsylvania	93.853	5 U01 NS062091-04	—	1,183
University of Virginia	93.853	5 U01 NS088034-02	—	84,321
University of Virginia	93.853	U01 NS088034	—	(948)
Virginia Tech Medical Institute	93.853	7137074	—	129,297
Yale University	93.853	5U01NS044876-10	—	(4,742)
American Gastroenterological Association	93.855	1R24AI118629-01A1	—	19,124
Boston University	93.855	5U19AI096398-05	—	15,512
Boston University	93.855	U19 AI096398	—	293,180
Brigham & Women's Hospital	93.855	R01 AI108538	—	150,330
Brigham & Women's Hospital	93.855	UM1 AI068636	—	114,760
Brown University	93.855	D43 TW000237	—	2,464
Brown University	93.855	R01AI108441	—	216,931
ImQuest BioSciences, Inc.	93.855	1U19AI101961-01	—	288,827
Indiana University	93.855	R01 AI120792	—	136,537
Indiana University	93.855	R01 AI120792	—	45,846
Indiana University	93.855	U01 AI069911	—	18,617
Johns Hopkins University	93.855	UM1A1068632	—	36,971
Massachusetts Eye and Ear Infirmary	93.855	P01 AI083214	—	209,341
Massachusetts General Hospital	93.855	U01 AI069472	—	470,939
Oak Crest Institute of Science	93.855	1U19AI113048-01	—	168,129
Research Institute for Tropical Medicine	93.855	1P50AI098481-01	—	11,125
Research Institute for Tropical Medicine	93.855	1P50AI098481-01	—	21,059
Research Institute for Tropical Medicine	93.855	1P50AI098481-01	—	6,874
Research Institute for Tropical Medicine	93.855	1P50AI098481-01	—	7,723
Research Institute for Tropical Medicine	93.855	1P50AI098481-01	—	6,874
Shuttle Pharmaceuticals, LLC	93.855	HHSN261201400013C	—	154,772
University of Alabama at Birmingham	93.855	HHSN 27220-110035C	—	12,125
University of Alabama at Birmingham	93.855	HHSN 27220-110037C	—	7,124
University of Alabama at Birmingham	93.855	HHSN 27220-110038C	—	(2,261)
University of Rhode Island	93.855	2P01AI034533-21	—	34,419
University of Washington	93.855	1R01AI112002-01	—	48,827
Brigham & Women's Hospital	93.859	5U41HG006834-03	—	6,052
Brown University	93.859	7127503	—	11,995
Brown University	93.859	7137261	—	12,361
Brown University	93.859	7147022	—	60,669
Brown University	93.859	1P20GM109035-01A1	—	23,745
Brown University	93.859	U54 GM115677	—	38,303
Brown University	93.859	U54 GM115677	—	149,695
Brown University	93.859	U54 GM115677	—	27,916
Brown University	93.859	U54 GM115677	—	18,396
Brown University	93.859	U54 GM115677	—	1,824
Brown University	93.859	U54 GM115677	—	15,933
Ocean State Research Institute, Inc.	93.859	7015565	—	285,192
Ocean State Research Institute, Inc.	93.859	7137248	—	28,910
Ocean State Research Institute, Inc.	93.859	1 P20 GM103652-02	—	755
Ocean State Research Institute, Inc.	93.859	5 P20 GM103652-02	—	228,431
Ocean State Research Institute, Inc.	93.859	P20 GM103652	—	239,158
Ocean State Research Institute, Inc.	93.859	P20 GM103652	—	225,329
Ocean State Research Institute, Inc.	93.859	P20 GM103652	—	169,699
Ocean State Research Institute, Inc.	93.859	P20 GM103652	—	(1,743)
Ocean State Research Institute, Inc.	93.859	P20 GM103652	—	34,075
Rhode Island Center for Clinical Translational Science	93.859	7137258	—	45,360
University of Rhode Island	93.859	7015570	—	96,085
University of Rhode Island	93.859	7137025	—	(262)
University of Rhode Island	93.859	7137095	—	(5,666)

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
University of Rhode Island	93.859	2P20GM103430-14	$ —	$ 18,062
University of Rhode Island	93.859	5P20GM103430-16	—	29,362
University of Rhode Island	93.859	5P20GM104317-02	—	290,501
University of Rhode Island	93.859	5P20GM104317-05	—	17,192
University of Rhode Island	93.859	P20GM104317-01	—	232,564
University of Rhode Island	93.859	P20GM104317-01	—	24,881
University of Rhode Island	93.859	POGM104317-01	—	91,654
Women & Infants Hospital of Rhode Island	93.859	7137271	—	48,292
Brown University	93.865	7127515	—	158,710
Brown University	93.865	HHSN275201500003I	—	9,589
California Polytechnic State University	93.865	1R01HD084282-01A1	—	220,147
Columbia University	93.865	1R21HD086448-01A1	—	77,620
Emory University School of Medicine	93.865	5R01HD071982-02	—	18,429
Northeastern University	93.865	7127496	—	16,539
Northeastern University	93.865	1R01HD080780-01A1	—	222,098
University of Alabama at Birmingham	93.865	U01 HD040533	—	17,615
University of California at San Francisco	93.865	1R21HD082330-01A	—	8,140
University of Florida at Gainesville	93.865	7109190	—	43,648
Virtually Better, Inc.	93.865	2R42HD075524-02	—	89,030
Washington University School of Medicine	93.865	R01 HD071915	—	392
Washington University School of Medicine	93.865	R01 HD071915	—	14,263
Women & Infants Hospital of Rhode Island	93.865	U01 HD027904	—	(1,458)
Women & Infants Hospital of Rhode Island	93.865	U10 HD069013	—	2,691
Women & Infants Hospital of Rhode Island	93.865	UG1 HD027904	—	8,850
Brown University	93.866	R21 AG049608	—	74,009
Hebrew Rehabilitation Center	93.866	AG032982	—	16,641
University of Michigan	93.866	K23AG038731	—	275
University of Southern California	93.866	AG024904	—	5,336
University of Southern California	93.866	U19 AG024904	—	71,700
University of Southern California	93.866	U19AG010483-25R	—	29,731
Brown University	93.989	D43 TW010565	—	3,478
American College of Radiology	93.RD	7011505	—	5,729
Boston Children's Hospital	93.RD	7137270	—	6,708
University of Rhode Island	93.RD	AWD05991	—	5,781
Substance Abuse and Mental Health Services Administration	93.243	Direct	—	247,842
Department of Justice				
Passed Through:				
Northeastern University	16.560	2014-MU-CX-4002	—	195,291
Department of Transportation				
Passed Through:				
Rhode Island Department of Transportation	20.616	NHTSAM2CPS1601	—	112,816
Department of Veterans Affairs	27.011	Direct	—	6,444
Passed Through:				
Brown University	27.011	PUR-0023216	—	35,322
Providence VA Medical Center	27.011	SDR 16-192	—	13,530
University of Central Florida	27.011	W81XWH1510377	—	11,452
United States Agency for International Development				
Passed Through:				
Indiana University	98.RD	AID-623-A-12-00001	—	7,371
National Science Foundation	47.041	Direct	—	3,612
Total expenditures of Research and Development federal awards			**8,133,394**	**55,556,353**
Child Nutrition Cluster:				
Department of Agriculture:				
Food and Nutrition Services:				
Passed through:				
Rhode Island Department of Education	10.553	10801	—	16,326
Rhode Island Department of Education	10.555	10801	—	35,805
Rhode Island Department of Education	10.582	10801	—	5,178
Food and Nutrition Services - Gateway:				
Passed through:				
Rhode Island Department of Education	10.555	Spon #28856	—	86,279
Total expenditures of Child Nutrition federal awards			**—**	**143,588**

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Grantor/Pass-through Grantor	Federal CFDA Number	Direct Award or Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Other Federal Awards:				
Department of Health and Human Services:				
Centers for Disease Control and Prevention				
Passed Through:				
Rhode Island Department of Health	93.070	7137167	$ —	$ 89,938
Rhode Island Department of Health	93.977	H25PS004357	—	10,240
Administration for Children and Families				
Passed Through:				
Rhode Island Department of Human Services	93.575	3534964-1	—	103,949
Centers for Medicare and Medicaid Services - State Innovation Models				
Passed Through:				
State of Rhode Island	93.624	3480690	—	162,431
Health Resources and Services Administration	93.255	Direct	—	310,579
Health Resources and Services Administration	93.918	Direct	—	837,736
Passed Through:				
Rhode Island Department of Health	93.505	PO 3293475-01	314	616,785
Rhode Island Department of Human Services	93.917	3410202	—	30,619
Rhode Island Department of Human Services	93.917	3410202	—	11,354
Rhode Island Department of Human Services	93.917	1056000522A5	—	8,138
Rhode Island Department of Human Services	93.917	HIV 15-02	—	63,630
Rhode Island Department of Human Services	93.918	HIV-18-02	—	28,938
Rhode Island Department of Human Services	93.918	HIV-18-02	—	9,714
Rhode Island Department of Human Services	93.918	HIV-18-02	—	8,680
Rhode Island Department of Human Services	93.918	HIV-18-02	—	1,849
Rhode Island Department of Human Services	93.918	HIV-18-02	—	1,849
Substance Abuse and Mental Health Services Administration				
Passed Through:				
Rhode Island Department of Health	93.243	3407890	—	303,014
Rhode Island Department of Health	93.243	1H79SM062426	—	404,163
Department of Health and Human Services - Gateway:				
Health Resources Services Administration	93.110	Direct	—	282,082
Administration for Children and Families				
Passed Through:				
Rhode Island Works Program	93.558	1056000522A3	—	948,971
Rhode Island Family Connections	93.558	1602RITANF	—	505,251
Rhode Island Office of Jobs and Training	93.558	1502RITANF	—	179,206
Rhode Island Behavioral Health	93.667	BHDDH Title XX	—	64,315
Centers for Medicare and Medicaid Services - State Innovation Models	93.624	SIMS	—	19,404
Department of Housing and Urban Development - Gateway:				
Office of Community Planning and Development				
Passed Through:				
City of Pawtucket, Rhode Island	14.218	Contract #699-39A	—	77,665
City of Pawtucket, Rhode Island	14.218	CDBG Grant	—	5,000
Rhode Island Housing Deparment	14.879	RI Housing	—	596,181
Department of Justice - Gateway:				
Office for Victims of Crime				
Passed Through:				
Rhode Island Victims of Crime Agency	16.575	15-419-VOCA/15-420-VOCA	—	95,000
Total expenditures of other federal awards			**314**	**5,776,681**
Total Expenditures of Federal Awards			**$ 8,133,708**	$ **61,476,622**

See accompanying independent auditors' report.

LIFESPAN CORPORATION AND AFFILIATES

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

(1) Definition of Reporting Entity

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards of Rhode Island Hospital, The Miriam Hospital, Emma Pendleton Bradley Hospital, and Gateway Healthcare, Inc. (Gateway), which are included in Lifespan Corporation and Affiliates (Lifespan). All federal awards received directly from federal agencies, as well as federal awards passed through other agencies, are included on the Schedule.

(2) Summary of Significant Accounting Policies

The accounting and reporting policies of Lifespan are set forth below:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

(3) Indirect Costs

Indirect costs are charged to federal grants and contracts at federally approved predetermined rates for each applicable Lifespan affiliate. The predetermined rates for the year ended September 30, 2017 were 31.4%, 46.0%, and 61.0% for Emma Pendleton Bradley Hospital, The Miriam Hospital, and Rhode Island Hospital, respectively. Indirect costs are included in reported federal expenditures. Lifespan has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.