



**FORM OF COMPLIANCE CERTIFICATE**

The undersigned duly authorized officer of LifeBridge Health, Inc. (the "Institution"), the Obligated Group Representative under and as defined in the Master Loan Agreement dated as of January 1, 2008, as amended and supplemented (the "Loan Agreement") among Maryland Health and Higher Educational Facilities Authority (the "Authority"), the Institution, Sinai Hospital of Baltimore, Inc., Northwest Hospital Center, Inc., Levindale Hebrew Geriatric Center and Hospital, Inc., The Baltimore Jewish Health Foundation, Inc., Children's Hospital at Sinai Foundation, Inc., Carroll Hospital Center, Inc., Carroll County Health Services Corporation, Carroll Hospice, Inc., Carroll County Med-Services, Inc., Carroll Health Group, LLC and Carroll Regional Cancer Center Physicians, LLC (collectively, the "Obligated Group"), hereby certifies as follows to demonstrate compliance with the Loan Agreement:

Fiscal Year ended June 30, 2017(the "Fiscal Year")

*(Unless otherwise indicated, all calculations (1) relate to the Obligated Group as a whole and (2) shall be determined in accordance with accounting principles generally accepted in the United States of America.)*

(a) Coverage Ratio

Coverage Ratio as of the last day of Fiscal Year:

Excess of revenues over expenses .....	\$102,240,000
Add: Depreciation and amortization .....	72,125,000
Interest expense .....	27,310,000
Add (Deduct):	
Unrealized (gains) and losses on investments ...	(28,291,000)
Unrealized (gains) and losses on Hedging	
Transactions .....	- 0 -
(Gains) and losses on sale or disposition of assets	
(other than investments) or extinguishment	
of debt .....	<u>10,802,000</u>
 Net Income Available for Debt Service (A) .....	 <u>\$ 184,186,000</u>
 Maximum Annual Debt Service on Outstanding Long	
Indebtedness (B) .....	 <u>\$ 37,598,000</u>
 Coverage Ratio (A/B) .....	 <u>4.85</u>

(b) Dispositions of Assets

Total Book Value of property disposed of during the Fiscal Year, other than property disposed of at fair market value or in the ordinary course of business (subject to limitations shown in Section 8.15)

\$ - 0 -

(c) Indebtedness

Outstanding principal amount of:

Short-Term Indebtedness (may not exceed 15% of Total Operating Revenues or unrestricted cash and investments, whichever is less)

\$ - 0 -

Non-Recourse Indebtedness

- 0 -

Other non-Bond debt (limited under Section 8.12)

57,890,000

Guaranteed debt (limited under Section 8.12)

- 0 -

(d) Liens and Encumbrances

Have the Obligated Group Members granted liens:

On accounts receivable (limited to 25% of net *AIR*)

\_\_\_(Y)\_\_\_X\_\_\_(N)

Value of *AIR* subject to liens:

\_\_\_(Y)\_\_\_X\_\_\_(N)

    Securing any Hedging Transaction

    Securing non-Bond debt

\_\_\_(Y)\_\_\_X\_\_\_(N)

    Describe:

Total Book Value of property subject to liens, other than liens securing Parity Debt (may not exceed 15% of the unrestricted net assets):

\$ - 0 -

(e) Days of Cash on Hand

Days of Cash on Hand as of last day of Fiscal Year (must be at least 65):

Unrestricted cash and marketable securities .....

\$ 821,549,000

    Deduct: Short-term debt .....

        Cash collateral securing hedges .....

        Termination payment becoming due

            hedging transactions within one year .....

        (subject to further limitations if ratings fall below BBB/Baa)

\_\_\_\_\_

Unrestricted Liquid Funds (A) .....

\$821,549,000

Total expenses for Fiscal Year .....	\$1,289,742,000
Less: Depreciation and amortization .....	<u>72,125,000</u>
Total Operating Expenses (B) .....	<u>\$1,217,617,000</u>
Days Cash on Hand (A/B/365 or 366) .....	<u>246</u>

(f) Debt to Capitalization Ratio

Debt to Capitalization Ratio as of last day of Fiscal Year (may not exceed 65% as of each June 30):

Total principal amount of outstanding Indebtedness (A) ..	\$ 628,161,000
Add: Total unrestricted net assets and equity accounts	<u>877,396,000</u>
Total capitalization (B) .....	<u>\$1,505,557,000</u>
Debt to Capitalization Ratio (A/B) .....	<u>0.42</u>

(g) Hedging Transactions

Has the Institution entered into or amended any hedging agreements during the Quarter? If so, please provide the Authority with a copy.

\_\_\_\_\_ (Y) X (N)

Total notional amount of outstanding swaps and other derivatives as of the last day of the most recent Fiscal Year:

\$ - 0 -

(h) Gifts, Grants and Fundraising

The Obligated Group currently has on hand funds restricted to the payment of costs of the Project or to the payment of debt service on *any* Bonds in the amount of:

\$ 68,495,000

(i) Notices and Reports

The Obligated Group has provided to the Authority:

Notice of all Indebtedness incurred during the Fiscal Year \_\_\_\_\_ X (Y) \_\_\_\_\_ (N)

Report of the Insurance Consultant/self-insurance plan \_\_\_\_\_ X (Y) \_\_\_\_\_ (N)

Notice of major repairs and dispositions (repairs and dispositions costing more than 2% of Total Operating Revenues) \_\_\_\_\_ X (Y) \_\_\_\_\_ (N)

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All notices and other items provided to the Bond Insurer or other credit facility providers \_\_\_\_\_ X (Y) \_\_\_\_\_ (N)

Copies of accountant letters required by the Loan Agreement \_\_\_\_\_ X (Y) \_\_\_\_\_ (N)

(j) Continuing Disclosure

The Obligated Group has filed the Continuing Disclosure with the Authority, the Trustee and the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format prescribed by the MSRB

(Y)  (N)

(k) Financing Statements

The Obligated Group has filed or caused to be filed all financing statements and renewals thereof in the places required to perfect the security interests granted by the Obligated Group in the Loan Agreement and the Deed of Trust

(Y)  (N)

(l) Obligated Group Ratings

As of the date hereof, the Obligated Group ratings are as follows:

Fitch:   n/a  

Moody's:   A1 Stable  

S&P:   A+ Stable  

(m) Accounting Firm Letter

Attached hereto as Exhibit A is a certificate of the accounting firm that reported on the Obligated Group's most recent annual financial statements stating whether the accounting firm obtained any knowledge during the course of their examination of such financial statements of any Event of Default or noncompliance with the Loan Agreement or the Deeds of Trust (which certificate may be limited to the extent required by accounting rules or guidelines).

(n) Tax Matters

(i) Title of officer or employee responsible for compliance with federal income tax requirements in connection with the Bonds:

  Vice President - Financial Reporting  

(ii) Have the Obligated Group Members adopted written postissuance tax compliance procedures?

(Y)  (N)

If the answer is "yes" and such procedures were not in effect on the date of the most recent issue of Bonds on behalf of the Obligated Group, please enclose a copy of the procedures.

(iii) The Obligated Group Members have reviewed the Tax Certificates with respect to each issue of tax-exempt bonds ("Bonds") issued

by the Authority on its behalf and its representations in it remain true and correct except as described below (*please attach schedule if necessary*).

(Y)  (N)

Changes to representations in Tax Certificate:

N/A

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(iv) Before entering into any contracts or other arrangements that provide for the use of any portion of any Project by any non-exempt person, including any governmental unit, or any 501(c)(3) organization (including the Obligated Group Members) in any unrelated trade or business activity that was not in effect on the date of issuance of Bonds to finance such portion of the Project, the Obligated Group Members consulted with Qualified Counsel to the extent necessary to assure that such use did not and will not cause any Bonds to be "nonqualified bonds."

(Y)  (N)  (N/A)

(v) Has the Obligated Group advised the Authority of any use of the proceeds of any Bonds or any portion of any Project that would cause such Bonds to lose their taxexempt status, so that the Bonds can be remediated if necessary?

(Y)  (N)  (N/A)

If the answer to this question is "no", please describe all relevant circumstances below (*please attach schedule if necessary*).

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(vi) Do the Obligated Group Members currently have on hand funds gifts, grants or other funds (including board-designated funds) that are restricted or otherwise expected to be used to pay of costs of the Project or debt service on the Bonds other than amounts held by the Trustee and amounts described in the Tax Certificates?

(Y)  (N)

If the answer to this question is "yes", please describe.

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(vii) The Obligated Group Members continue to maintain records regarding the amount, date and purpose of each expenditure of Bonds proceeds (including investment earnings), the final allocation of proceeds, all investments of Bonds proceeds, the date and amount of any rebate payments and the use of the facilities financed and refinanced with Bonds proceeds.

X  (Y)  (N)

(viii) Have the Obligated Group Members entered into any amendment of any of the terms of any the loan or financing agreements entered into in connection with any Bonds?

(Y) X  (N)  (N/A)

If the answer is "yes", please enclose a copy of each such amendment.

(ix) Have the Obligated Group Members received any waiver from any Bank of any provision of any such loan or financing agreement?

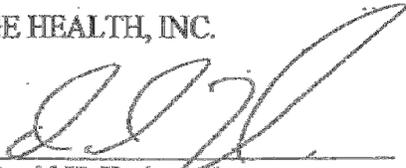
(Y) X  (N)  (N/A)

(x) Terms used in this subsection shall have the meanings assigned to them in the Institution's Tax and Section 148 Certificate and Agreements (the "Tax Certificates") delivered in connection with each issuance of Bonds.

Terms used herein and not otherwise defined shall have the meanings assigned to them in the Loan Agreement unless the context otherwise requires.

IN WITNESS WHEREOF, I have hereunto set my hand, this 22nd day of November, 2017.

LIFEBRIDGE HEALTH, INC.

By: 

Name: David H. Krajewski  
Title: Executive Vice President  
and CFO



**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Financial Statements and  
Supplementary Financial Information

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

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KPMG LLP  
1 East Pratt Street  
Baltimore, MD 21202-1128

## **Independent Auditors' Report**

The Board of Directors  
LifeBridge Health, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of LifeBridge Health, Inc. and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations, 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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 financial position of LifeBridge Health, Inc. and Subsidiaries as of June 30, 2017 and 2016, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



### **Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

October 18, 2017

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Balance Sheets

June 30, 2017 and 2016

(Dollars in thousands)

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents	\$ 356,365	322,937
Investments	24,583	23,352
Assets limited as to use, current portion	68,496	67,660
Patient service receivables, net of allowance for doubtful accounts of \$67,941 in 2017 and \$62,213 in 2016	145,639	141,651
Other receivables	17,011	11,508
Inventory	30,515	31,514
Prepaid expenses	15,185	18,761
Pledges receivable, current portion	2,671	3,296
Total current assets	660,465	620,679
Board-designated investments	238,677	243,289
Long-term investments	315,320	253,757
Donor-restricted investments	21,389	20,541
Reinsurance recovery receivable	15,548	15,694
Assets limited as to use, net of current portion	33,039	43,601
Pledges receivable, net of current portion	5,122	3,405
Property and equipment, net	651,173	629,477
Beneficial interest in split interest agreement	4,757	4,477
Investment in unconsolidated affiliates	50,882	44,040
Other assets, net	63,941	48,142
Total assets	\$ 2,060,313	1,927,102

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Balance Sheets

June 30, 2017 and 2016

(Dollars in thousands)

<b>Liabilities and Net Assets</b>	<b>2017</b>	<b>2016</b>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 128,730	119,225
Accrued salaries, wages and benefits	79,444	80,361
Advances from third-party payors	41,935	46,246
Current portion of long-term debt and capital lease obligations, net	13,928	12,921
Other current liabilities	20,135	16,871
Total current liabilities	284,172	275,624
Other long-term liabilities	135,704	167,009
Long-term debt and capital lease obligations, net	571,178	560,422
Total liabilities	991,054	1,003,055
Net assets:		
Unrestricted	983,910	849,676
Noncontrolling interest in consolidated subsidiaries	14,626	5,099
Total unrestricted net assets	998,536	854,775
Temporarily restricted	54,532	53,385
Permanently restricted	16,191	15,887
	1,069,259	924,047
Total liabilities and net assets	\$ 2,060,313	1,927,102

See accompanying notes to consolidated financial statements.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended June 30, 2017 and 2016

(Dollars in thousands)

	<u>2017</u>	<u>2016</u>
Unrestricted revenues, gains and other support:		
Patient service revenue (net of contractual allowances and discounts)	\$ 1,508,948	1,473,620
Provision for bad debts	<u>(47,341)</u>	<u>(56,982)</u>
Net patient service revenue	1,461,607	1,416,638
Net assets released from restrictions used for operations	3,879	3,537
Other operating revenue	<u>61,568</u>	<u>57,250</u>
Total operating revenues	<u>1,527,054</u>	<u>1,477,425</u>
Expenses:		
Salaries and employee benefits	809,022	795,094
Supplies	258,614	253,599
Purchased services	278,077	254,211
Depreciation, amortization and gain/loss on sale of assets	77,214	75,699
Repairs and maintenance	21,306	20,538
Interest	<u>28,567</u>	<u>28,574</u>
Total expenses	<u>1,472,800</u>	<u>1,427,715</u>
Operating income	<u>54,254</u>	<u>49,710</u>
Other income (loss), net:		
Investment income	30,908	16,028
Unrealized gain (loss) on trading investments	36,654	(22,110)
Other	(10)	779
Loss on refinancing of debt	<u>(10,802)</u>	<u>(3,720)</u>
Total other income (expense), net	<u>56,750</u>	<u>(9,023)</u>
Excess of revenues over expenses	<u>\$ 111,004</u>	<u>40,687</u>

See accompanying notes to consolidated financial statements.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2017 and 2016

(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net assets</u>
Net assets at June 30, 2015	\$ 848,829	61,660	15,816	926,305
Excess of revenues over expenses	40,687	—	—	40,687
Unrealized loss on investments	—	(1,842)	(5)	(1,847)
Net assets released from restrictions used for the purchase of property and equipment	7,613	(7,613)	—	—
Restricted gifts and bequests	—	4,908	76	4,984
Net assets released from restrictions used for operations	—	(3,537)	—	(3,537)
Net change in value of beneficial interest in split interest agreement	—	(151)	—	(151)
Adjustment to pension liability	(41,513)	—	—	(41,513)
Other	(841)	(40)	—	(881)
Change in net assets	<u>5,946</u>	<u>(8,275)</u>	<u>71</u>	<u>(2,258)</u>
Net assets at June 30, 2016	<u>854,775</u>	<u>53,385</u>	<u>15,887</u>	<u>924,047</u>
Excess of revenues over expenses	111,004	—	—	111,004
Unrealized gain on investments	—	3,305	—	3,305
Net assets released from restrictions used for the purchase of property and equipment	4,147	(4,147)	—	—
Restricted gifts and bequests	—	5,640	304	5,944
Net assets released from restrictions used for operations	—	(3,879)	—	(3,879)
Net change in value of beneficial interest in split interest agreement	—	280	—	280
Adjustment to pension liability	20,341	—	—	20,341
Fair value of noncontrolling interests in acquisitions	9,754	—	—	9,754
Other	(1,485)	(52)	—	(1,537)
Change in net assets	<u>143,761</u>	<u>1,147</u>	<u>304</u>	<u>145,212</u>
Net assets at June 30, 2017	<u>\$ 998,536</u>	<u>54,532</u>	<u>16,191</u>	<u>1,069,259</u>

See accompanying notes to consolidated financial statements.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016

(Dollars in thousands)

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Change in net assets	\$ 145,212	(2,258)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	77,193	76,059
Loss (gain) on disposal of equipment	21	(360)
Change in pension liability	(20,341)	41,513
Provision for bad debts	47,341	56,982
Realized and unrealized gains (loss) on investments, net	(63,501)	17,593
Restricted gifts and bequests	(5,944)	(4,984)
Change in beneficial interest of split interest agreement	(280)	151
Earnings on investments in unconsolidated affiliates	(3,527)	(3,277)
Distributions to noncontrolling interest owners	2,400	—
Fair value of noncontrolling interests in acquisitions	(9,754)	—
Amortization of deferred financing costs and discounts	894	—
Loss on refinancing of debt	10,802	3,720
Change in operating assets and liabilities:		
Increase in patient service receivables, net	(51,329)	(56,421)
Increase in other receivables	(5,503)	(1,344)
Decrease (increase) in pledges receivable	(1,092)	5,469
Decrease (increase) in inventory	999	(2,032)
Decrease in prepaid expenses	3,576	318
Decrease in reinsurance recovery receivable	146	241
Increase in other assets	(5,155)	(5,637)
(Increase) decrease in accounts payable and accrued liabilities, and accrued salaries, wages, and benefits	9,457	(7,481)
(Decrease) increase in advances from third-party payors	(4,311)	4,466
Decrease in other current and long-term liabilities	(8,195)	(2,907)
Net cash provided by operating activities	<u>119,109</u>	<u>119,811</u>
Cash flows from investing activities:		
Change in donor-restricted investments	3,764	1,103
Change in current and long-term investments	707	(3,698)
Change in assets limited as to use	(38,021)	(49,356)
Investment in/distributions from unconsolidated affiliates, net	(3,315)	(6,898)
Additions to operating property	(75,064)	(101,221)
Purchases of alternative investments	(3,939)	—
Proceeds from sales of alternative investments	51,686	—
Proceeds from the sale of property	—	360
Cash paid for acquisitions	(11,047)	—
Net cash used in investing activities	<u>(75,229)</u>	<u>(159,710)</u>
Cash flows from financing activities:		
Payment on debt and capital lease obligations	(144,708)	(182,127)
Payment of deferred financing costs	(1,176)	—
Proceeds from issuance of debt	131,888	183,006
Distributions to noncontrolling interest owners	(2,400)	—
Restricted gifts and bequests	5,944	4,984
Net cash (used in) provided by financing activities	<u>(10,452)</u>	<u>5,863</u>
Net increase (decrease) in cash and cash equivalents	<u>33,428</u>	<u>(34,036)</u>
Cash and cash equivalents:		
Beginning of year	<u>322,937</u>	<u>356,973</u>
End of year	<u>\$ 356,365</u>	<u>322,937</u>
Supplemental cash flow disclosures:		
Cash paid during the year for interest	\$ 20,569	24,444
Cash paid during the year for income taxes	72	52
Accounts payable related to purchase of operating property	7,791	8,659

See accompanying notes to consolidated financial statements.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

### (1) Organization

On October 1, 1998, Sinai Health System, Inc. merged with Northwest Health System, Inc. to form LifeBridge Health, Inc. (LifeBridge). LifeBridge is a not-for-profit, nonstock Maryland corporation.

LifeBridge's subsidiaries include Sinai Hospital of Baltimore, Inc. (Sinai); Northwest Hospital Center, Inc. (Northwest); Levindale Hebrew Geriatric Center and Hospital, Inc. (Levindale); Children's Hospital of Baltimore City, Inc.; The Baltimore Jewish Health Foundation, Inc. (BJHF); The Baltimore Jewish Eldercare Foundation, Inc. (BJEF); Children's Hospital at Sinai Foundation, Inc. (CHSF); LifeBridge Anesthesia Associates, LLC (LAA); LifeBridge Insurance Company, Ltd. (LifeBridge Insurance); Courtland Gardens Nursing and Rehabilitation Center, Inc. (Courtland); LifeBridge Investments, Inc. (Investments); LifeBridge Health ACO, LLC; LifeBridge Physician Network, LLC; 8600 Liberty Road, LLC; and LifeBridge 23 Crossroads Drive Medical Office Building, LLC. Except for LifeBridge Insurance and Investments, all of the entities named above are not-for-profit and tax-exempt. Sinai and Levindale are constituent agencies of THE ASSOCIATED: Jewish Community Federation of Baltimore, Inc. (AJCF), a charitable corporation.

Effective April 1, 2015, Carroll County Health Services Corporation (CCHS), the parent of Carroll Hospital Center, Inc. (Carroll) and other related entities, became a subsidiary of LifeBridge. CCHS is further discussed below.

Investments is a for-profit corporation that holds, directly and indirectly, interests in a variety of for-profit businesses. Investments' wholly owned subsidiaries include:

- *Practice Dynamics, Inc.*
- *LifeBridge Health and Fitness, LLC*
- *Sinai Eldersburg Real Estate, LLC*
- *General Surgery Specialists, LLC*
- *BW Primary Care, LLC*
- *LifeBridge Community Practices, LLC*
- *The Center for Urologic Specialties, LLC*
- *LifeBridge Community Physicians, Inc. (Community Physicians)*

Investments also holds interests in numerous other health-related businesses.

Community Physicians is a for-profit corporation that provides physician and related services through numerous subsidiaries.

CCHS is a not-for-profit, nonstock Maryland corporation. The accompanying consolidated financial statements include the accounts of CCHS and its wholly or partially owned subsidiaries.

Wholly owned subsidiaries of Carroll include Carroll Hospital Center Foundation, Inc. (Carroll Foundation); Carroll Hospice, Inc. (CH); Carroll Regional Cancer Center Physicians, LLC (CRCCP); and Carroll Hospital Center MOB Investment, LLC. Carroll also holds interests in various health-related companies.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

Prior to June 30, 2016, Carroll owned Cen-Mar Assurance Company (Cen-Mar). Cen-Mar was merged into LifeBridge Insurance on June 30, 2016.

Carroll County Med-Services, Inc. (CCMS) is a wholly owned, for-profit subsidiary of CCHS that is involved in real estate holdings, physician services, and other activities, and also maintains ownership interests in various joint ventures. Wholly owned subsidiaries of CCMS include: Carroll Health Group, LLC; Carroll PHO, LLC; and Carroll ACO, LLC. CCMS also holds interests in various health-related companies.

### (2) Significant Accounting Policies

#### (a) *Basis of Presentation*

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All controlled and direct member entities are consolidated. The accompanying consolidated financial statements include the accounts of LifeBridge Health, Inc. and Subsidiaries (the Corporation). All entities where the Corporation exercises significant influence, but does not have control, are accounted for under the equity method. All other unconsolidated entities are accounted for under the cost method. All significant intercompany accounts and transactions have been eliminated.

#### (b) *Cash and Cash Equivalents*

Cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less at the date of purchase.

#### (c) *Assets Limited as to Use*

Assets limited as to use primarily consists of assets held by trustees under bond indenture agreements, a self-insured workers' compensation reserve fund, and designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. A portion of the designated assets set aside by the Board of Directors is contractually designated.

#### (d) *Inventory*

Inventories, which consist primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (using the moving average cost method of valuation) or market.

#### (e) *Investments, Long-Term Investments and Donor-Restricted Investments*

The Corporation's investment portfolio is considered a trading portfolio and is classified as current or noncurrent assets based on management's intention as to use. All debt and equity securities are reported in the consolidated balance sheets at fair value, principally based on quoted market prices.

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The Corporation has investments in alternative investments, primarily funds of hedge funds, totaling \$99,451 and \$138,838 at June 30, 2017 and 2016, respectively. These funds utilize various types of debt and equity securities and derivative instruments in their investment strategies. Also included in alternative investments are BJEF's and BJHF's funds that are invested on their behalf by the Associated Jewish Charities (AJC), an affiliate of AJCF. Alternative investments are recorded under the equity method which is based on the Net Asset Value (NAV) of the shares in each Investment Company or partnership.

Investments in unconsolidated affiliates are accounted for under the cost or equity method of accounting as appropriate and are included in other assets and investment in unconsolidated affiliates, respectively, in the consolidated balance sheets. The Corporation's equity income or loss is recognized in other operating revenue within the excess of revenue over expenses in the accompanying consolidated statements of operations.

Investments also include assets restricted by donor, and assets designated by the Board of Directors for future capital improvements and other purposes over which it retains control and may, at its discretion, use for other purposes. Purchases and sales of securities are recorded on a trade-date basis.

Investment income (interest and dividends) including realized gains and losses on investment sales is reported as other income (expense) within the excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets unless the income or loss is restricted by the donor or law. Investment income on funds held in trust for self-insurance purposes is included in other operating revenue. Investment income and net gains (losses) that are restricted by the donor are recorded as a component of changes in temporarily or permanently restricted net assets, in accordance with donor-imposed restrictions. Realized gains and losses are determined based on the specific security's original purchase price. Unrealized gains and losses are included in other income, net within the excess of revenue over expenses.

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs – Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs – Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

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The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurements.

### **(f) Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the period of the lease term or the estimated useful life of the equipment. Maintenance and repair costs are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

### **(g) Impairment of Long-Lived Assets**

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment in the value of long-lived assets. In accordance with the provisions of ASC 360, if there is an indication that the carrying value of an asset is not recoverable, the Corporation estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual entities to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the Corporation groups its assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. The Corporation did not record a loss on impairment during the years ended June 30, 2017 and 2016.

### **(h) Goodwill and Other Assets, Net**

Other assets consist primarily of goodwill and other intangibles related to practice acquisitions, notes receivable, and the cash surrender value of split dollar life insurance.

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Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. ASC Topic 350, *Intangibles – Goodwill and Other*, requires that tangible and indefinite-lived assets, as well as goodwill must be analyzed in order to determine whether their value has been impaired.

Goodwill is assessed annually for impairment at the reporting unit. As of June 30, 2017 and 2016, the Corporation had one reporting unit, which included all subsidiaries. The Corporation first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment tests as described in Topic 350. The more-likely than-not threshold is defined as having a likelihood of more than 50%. The Corporation determined that it was not more likely than not that the fair value of its reporting unit was less than its carrying amount. Accordingly, the Corporation concluded that goodwill was not impaired as of June 30, 2017 and 2016 without having to perform the two-step impairment test.

#### **(i) Beneficial Interest in Split Interest Agreement**

CHSF holds a 25% interest in a trust, of which management has estimated the present value of the future income stream. CHSF will receive 25% of the net annual income until 2024, when the trust will terminate, and 25% of the principal will be distributed to CHSF. Management has reported the beneficial interest at fair value based on the fair value of the underlying trust investments.

#### **(j) Advances from Third-Party Payors**

Advances from third-party payors are comprised of advance funding from CareFirst BlueCross BlueShield, Medicaid, Aetna, United/MAMSI, and other insurance providers.

#### **(k) Self-Insurance Programs**

The Corporation maintains self-insurance programs for professional and general liability, workers' compensation, and employee health benefits. The provision for estimated self-insurance program claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The estimates are based on historical trends, claims asserted, and reported incidents.

#### **(l) Other Long-Term Liabilities**

Other long-term liabilities consist of self-insurance liabilities, pension plan liabilities, asset retirement obligations, and deferred compensation plan liabilities.

#### **(m) Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date those promises become unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets

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released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

#### **(n) Net Assets**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of externally imposed stipulations. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to externally imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to externally imposed stipulations that may or will be met either by actions of the Corporation and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to externally imposed stipulations that they be maintained by the Corporation in perpetuity.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by externally imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless use of the related asset is limited by externally imposed restrictions or law. Expirations of temporary restrictions of net assets (i.e., the externally stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets if used to acquire capital assets; otherwise, they are recorded as unrestricted operating revenue.

#### **(o) Net Patient Service Revenue**

Net patient service revenue for Sinai, Northwest, Carroll and the chronic hospital component of Levindale is recorded at rates established by the State of Maryland Health Services Cost Review Commission (HSCRC) and, accordingly, reflects actual charges to patients based on rates in effect during the period in which the services are rendered. On January 29, 2014, the Corporation and the Health Services Cost Review Commission (HSCRC) agreed to implement the Global Budget Revenue (GBR) methodology, effective July 1, 2013, for Sinai, Northwest and Levindale. The term of the Agreement continued through June 30, 2017 and will renew for a one-year period unless it is canceled by the HSCRC or by the applicable Hospital. The GBR model is a revenue constraint and quality improvement system, designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Hospitals' mission to provide the highest value of care possible to their patients and the communities they serve.

The GBR agreement establishes a prospective, fixed revenue base (the GBR cap) for each fiscal year. This includes both inpatient and outpatient regulated services. Under GBR, the Corporation's revenue for all HSCRC-regulated services is predetermined for the upcoming year, regardless of changes in volume (subject to certain limits), service mix intensity, or mix of inpatient or outpatient services that occur during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year-end. Any overcharge or

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undercharge versus the GBR cap is prospectively added to the subsequent year's GBR cap. Beginning in fiscal year 2017, the GBR is adjusted for changes in market share. Effective with fiscal year 2017, market-shift adjustments will be made semi-annually, on January and July 1. The GBR cap is adjusted annually for inflation, changes in payor mix and uncompensated care, and changes in population within the Corporation's service area. A hospital's GBR cap may also be adjusted based on the hospital's performance on various quality and utilization metrics established from time to time by the HSCRC.

Prior to implementation of the GBR methodology, Carroll and the HSCRC agreed to a three year contract for Carroll to implement the Total Patient Revenue (TPR) methodology effective July 1, 2010, which was renewed for an additional three year period effective July 1, 2013. Similar to the GBR, the TPR agreement establishes a prospective, fixed revenue base, the "TPR cap," for the upcoming year. Effective in fiscal year 2017, all TPR agreements have been terminated and reinstated as GBR agreements using the same parameters described above.

Contractual adjustments, which represent the difference between amounts billed as patient service revenue and amounts paid by third-party payors, are accrued in the period in which the related services are rendered. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

Medicare reimburses Northwest and Levindale for skilled nursing services under the Medicare skilled nursing Prospective Payment System (PPS). Under PPS, the payment rate is based on patient resource utilization as calculated by a patient classification system known as Resource Utilization Groups.

Medicaid reimburses Levindale for long-term care services based on Levindale's actual costs. However, beginning in January 2015, the cost data from the 2012 cost reports was used to set Resource Utilization Group (similar to Medicare) rates which are adjusted for changes in case mix. The case mix from two quarters prior is used to adjust the rates on a quarterly basis.

All other patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

During 2017, the Corporation changed its policy for recording pharmacy revenues to record them in net patient service revenues from other operating revenues. The Corporation determined that this change is appropriate as the majority of pharmacy revenues are derived from the Corporation's patients. Accordingly, the Corporation reclassified approximately \$37,810 from other operating revenues to net patient service revenues during the year ended June 30, 2016. The change did not impact total operating revenues, operating income or the excess of revenues over expenses.

#### **(p) Other Operating Revenue**

Other operating revenue includes income of LifeBridge Health and Fitness LLC, revenue from other support services, and revenue generated from investments in joint ventures that offer health care services or services that support or complement the delivery of care.

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**(q) Grants**

Federal grants are accounted for either as an exchange transaction or as a contribution based on terms and conditions of the grant. If the grant is accounted for as an exchange transaction, revenue is recognized as other operating revenue when earned. If the grant is accounted for as a contribution, the revenues are recognized as either other operating revenue or temporarily restricted contributions depending on the restrictions within the grant.

**(r) Charity Care and Bad Debt**

Sinai, Northwest, Carroll, and Levindale 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 facilities do not pursue the collection of amounts determined to qualify as charity care, those amounts are not reported as revenue. The amount of charity care provided during the years ended June 30, 2017 and 2016, based on patient charges forgone, was \$11,394 and \$11,720, respectively. The total direct and indirect costs to provide the care amounted to approximately \$9,274 and \$10,044 for the years ended June 30, 2017 and 2016, respectively.

All patient accounts are handled consistently and appropriately to maximize cash flow and to identify bad debt accounts timely. Active accounts are considered bad debt accounts when they meet specific collection activity guidelines and/or are reviewed by the appropriate management and deemed to be uncollectible. Every effort is made to identify and pursue all account balance liquidation options, including but not limited to third party payor reimbursement, patient payment arrangements, Medicaid eligibility and financial assistance. Third party receivable management agencies provide extended business office services and insurance outsource services to ensure maximum effort is taken to recover insurance and self-pay dollars before transfer to bad debt. Contractual arrangements with third party collection agencies are used to assist in the recovery of bad debt after all internal collection efforts have been exhausted. In so doing, the collection agencies must operate consistently with the goal of maximum bad debt recovery and strict adherence with Fair Debt Collections Practices Act (FDCPA) rules and regulations, while maintaining positive patient relations.

	<b>2017</b>	<b>2016</b>
Beginning allowance	\$ 62,213	58,346
Plus provision for bad debt	47,341	56,982
Less bad debt write-offs, net of recoveries	(41,613)	(53,115)
Ending allowance	\$ 67,941	62,213

**(s) Income Taxes**

LifeBridge and its not-for-profit subsidiaries have been recognized by the Internal Revenue Service as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

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LifeBridge's incorporated for-profit subsidiaries account for income taxes in accordance with Financial Accounting Standards Board (FASB) ASC Topic 740, *Income Taxes*. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change. The Corporation accounts for uncertain tax positions in accordance with ASC Topic 740.

#### **(t) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **(u) Excess of Revenues over Expenses**

The accompanying consolidated statements of operations include excess of revenue over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include changes in the funded status of defined-benefit pension plans, permanent transfers of assets to and from affiliates for other than goods and services, and contributions received for additions of long-lived assets.

#### **(v) Employee Pension Plan**

Pension benefits are administered by the Corporation. The Corporation accounts for its defined-benefit pension plans within the framework of ASC Topic 958, *Not-for-Profit Entities, Section 715, Compensation-Retirement Benefits* (Topic 958, Section 715), which requires the recognition of the overfunded or underfunded status of a defined-benefit pension plan as an asset or liability. The plans are subject to annual actuarial evaluations, which involve various assumptions creating changes in elements of expense and liability measurement. Key assumptions include the discount rate, the expected rate of return on plan assets, retirement, mortality, and turnover. The Corporation evaluates these assumptions annually and modifies them as appropriate.

Additionally, Topic 958, Section 715 requires the measurement date for plan assets and liabilities to coincide with the employer's year-end and requires the disclosure in the notes to the consolidated financial statements of additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. During fiscal year 2017, LifeBridge adopted the RP-2014 Mortality Table with generational improvements. See note 11 for further discussion.

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### **(w) Management's Assessment and Plans**

The Corporation adopted Accounting Standards Update (ASU) 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, (ASU 2014-15) during 2017. ASU 2014-15 requires management to evaluate an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued, when applicable). Management determined that there were no conditions or events that raise substantial doubt about the Corporation's ability to continue as a going concern and the Corporation will continue to meet its obligations through October 18, 2018.

### **(x) New Accounting Pronouncements**

In 2017, the Corporation adopted Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The presentation of debt issuance costs on the balance sheet has been changed from an asset to a direct reduction of debt, similar to the presentation of debt discounts. As a result of this change, \$4,060 and \$4,137 of deferred financing costs were classified as a direct reduction of debt at June 30, 2017 and 2016. The related consolidated statements of operations and changes in net assets for the periods were not affected by the adoption of ASU 2015-03.

In 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-07, *Compensation – Retirement Benefits (Topic 715)*. The ASU attempts to improve the presentation of net periodic pension and postretirement benefit costs. The ASU does not prescribe where the amount of net benefit cost should be presented in an employer's statement of operations, but it does require that the service cost component be presented in the same line item as other employee compensation costs and that the remaining components be presented separately from those line items and outside of operations. It also stipulates that only the service cost component is eligible for capitalization in assets, as applicable. The new standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. In fiscal 2017, the Corporation retrospectively adopted the standard, which resulted in no reclassification of net periodic benefit cost from salaries and employee benefits to pension costs other than service costs within other income (loss) for the years ended June 30, 2017 and 2016.

The Financial Accounting Standards Board (FASB) issued Accounting Standards update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal year 2019. The Corporation expects to record a decrease in net patient service revenue related to self-pay patients and a corresponding decrease in bad debt expense upon the adoption of the standard.

The FASB issued ASU No. 2016-02, *Leases (ASU 2016-02)*, which will require lessees to recognize most leases on-balance sheet, increasing their reported assets and liabilities – sometimes very significantly. This update was developed to provide financial statement users with more information

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about an entity's leasing activities, and will require changes in processes and internal controls. The adoption of ASU 2016-02 is effective fiscal year 2020, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. The Corporation is currently assessing the impact of the adoption of ASU No. 2016-02 which is expected to have a material impact on its financial position.

The FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (ASU 2016-14), which amends the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities (NFP), require a NFP to the following:

- Reduces the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions;
- Requires all NFPs to present expenses by their functional and their natural classifications in one location in the financial statements;
- Requires NFPs to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and
- Retains the option to present operating cash flows in the statement of cash flows using either the direct or indirect method.

The adoption of ASU 2016-14 is effective in fiscal year 2019, and is applied retrospectively in the year of adoption. The Corporation does not anticipate that the adoption of this ASU will have a material impact on its financial position and results of operations.

### (3) Investments

Investments, which consist of assets limited as to use, board-designated investments, donor-restricted investments, and long-term investments in the accompanying consolidated balance sheets, are stated at fair value or under the equity method, as appropriate, as of June 30, 2017 and 2016, and consist of the following:

	<u>2017</u>	<u>2016</u>
Assets limited as to use:		
Self-insurance fund:		
Mutual funds	\$ 19,163	22,060
Equity securities	9,411	9,210
U.S. Treasury	—	944
Fixed income	1,859	8,789
Alternative investments	<u>2,606</u>	<u>2,598</u>
Self-insurance fund	<u>33,039</u>	<u>43,601</u>

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	<u>2017</u>	<u>2016</u>
Debt service fund:		
Cash and cash equivalents	\$ 7,374	12,376
Government securities	<u>7,479</u>	<u>1,888</u>
Debt service fund	<u>14,853</u>	<u>14,264</u>
Construction funds:		
Cash and cash equivalents	24,395	8,222
Government securities	<u>29,248</u>	<u>45,174</u>
	<u>53,643</u>	<u>53,396</u>
Total assets limited as to use	101,535	111,261
Less current portion	<u>(68,496)</u>	<u>(67,660)</u>
Assets limited as to use, net of current portion	<u>\$ 33,039</u>	<u>43,601</u>
Donor-restricted investments:		
Cash and cash equivalents	\$ 4,703	4,825
Mutual funds	5,963	5,649
Equity securities	2,464	2,585
U.S. Treasury	4,333	3,557
Government securities	2,533	3,016
Fixed income	984	566
Alternative investments	<u>409</u>	<u>343</u>
Donor-restricted investments	<u>\$ 21,389</u>	<u>20,541</u>
Beneficial interest in split interest agreement	\$ 4,757	4,477

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There are other investments restricted by donors other than pledges receivable, donor-restricted investments, and beneficial interest that are included in long-term investments as of June 30, 2017 and 2016. As of June 30, 2017 and 2016 current, long-term, and board-designated investments are as follows:

	<b>2017</b>	<b>2016</b>
Current, long-term, and board-designated investments:		
Cash and cash equivalents	\$ 37,331	8,747
Mutual funds	162,576	177,303
Equity securities	186,741	159,173
Government securities	6,780	10,111
Fixed income	88,307	29,167
Alternative investments	96,845	135,897
Current, long-term and board-designated investments	578,580	520,398
Less current portion	(24,583)	(23,352)
Long-term and board-designated investments	\$ 553,997	497,046

Investment income and gains and losses on long-term investments, board-designated investments, donor-restricted investments, and assets limited as to use are comprised of the following for the years ended June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Investment income:		
Interest income and dividends	\$ 7,366	9,516
Realized gains on sale of securities	23,542	6,512
Investment income	30,908	16,028
Unrealized gains (losses) on trading securities	36,654	(22,110)
Other changes in net assets:		
Changes in unrealized gains (losses) on temporarily and permanently restricted net assets	3,305	(1,847)
Total investment return	\$ 70,867	(7,929)

**(4) Pledges Receivable**

Contributions and pledges to raise funds are recorded as temporarily restricted net assets until the donor-intended purpose is met and the cash is collected. Future pledges are discounted at the Treasury bill rate to reflect the time value of money, and an allowance for potentially uncollectible pledges has been established.

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Sinai, Northwest, Carroll, and Levindale have recorded total pledges as of June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Gross pledges receivable	\$ 9,259	9,051
Less:		
Discount for time value of money	(517)	(782)
Allowance for uncollectible accounts	<u>(949)</u>	<u>(1,568)</u>
	<u>\$ 7,793</u>	<u>6,701</u>

Total anticipated future payments are as follows:

Less than one year	\$ 3,341
One to five years	5,915
Five years and thereafter	<u>3</u>
	<u>\$ 9,259</u>

**(5) Property and Equipment**

As described in note 13, Sinai and Levindale leases from an affiliate of AJCF all land, land improvements, buildings, and fixed equipment located at those entities' primary locations; LifeBridge entities own the movable equipment. Property and equipment are classified as follows at June 30:

	<u>Estimated useful life</u>	<u>2017</u>	<u>2016</u>
Land		\$ 24,175	11,657
Land improvements	8 to 20 years	36,322	35,931
Building and improvements	10 to 40 years	927,766	863,963
Fixed equipment	8 to 20 years	107,785	101,411
Movable equipment	3 to 15 years	<u>499,839</u>	<u>479,705</u>
		1,595,887	1,492,667
Less accumulated depreciation		<u>(995,195)</u>	<u>(926,430)</u>
		600,692	566,237
Construction in progress		<u>50,481</u>	<u>63,240</u>
Property and equipment, net		<u>\$ 651,173</u>	<u>629,477</u>

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Depreciation, amortization, and gain/loss on sale of assets were \$77,214 and \$75,699 for the years ended June 30, 2017 and 2016, respectively. Of this, depreciation expense was \$76,815 and \$75,546 for the years ended June 30, 2017 and 2016, respectively.

Included in property and equipment is building and equipment, net of accumulated amortization, of \$16,452 and \$18,774 for the years ended June 30, 2017 and 2016, respectively, financed with capital lease obligations. Accumulated amortization related to the building and equipment under capital leases was \$14,128 and \$11,806 at June 30, 2017 and 2016, respectively.

During 2017, the Corporation acquired a skilled nursing facility and two surgical centers for approximately \$11,000. These acquisitions did not significantly impact the Corporation's total assets, liabilities, net assets, total operating revenues, operating income or the excess of revenues over expenses.

**(6) Investments in Joint Ventures**

Investments in joint ventures and partnerships, accounted for under the equity method, consist of the following at June 30, 2017 and 2016:

Joint Venture	Business purpose	2017		2016	
		Percentage ownership	Balance	Percentage ownership	Balance
MNR Industries, LLC	Urgent Care Centers	40 %	\$ 24,587	40 %	\$ 23,291
Baltimore County Radiology, LLC	Outpatient Radiology	25	7,148	25	5,724
Mt. Airy Med-Services, LLC	Real Estate	50	4,419	50	4,952
Future Care Old Court, LLC	Nursing Home	40	2,965	—	—
Locheam Nursing Home, LLC	Nursing Home	10	2,000	10	1,997
Mt. Airy Plaza, LLC	Real Estate	50	1,594	50	1,628
LifeBridge Sports Medicine & Rehabilitation, LLC	Physical Therapy	50	1,173	50	1,303
Advanced Health Collaborative, LLC	Medicare Advantage Plan	25	1,266	—	—
Carroll Care Pharmacies, LLC	Pharmacies	49	944	49	1,037
Other Joint Ventures	Miscellaneous	5-50	4,786	5-50	4,108
Total			\$ 50,882		\$ 44,040

For those joint ventures and partnerships accounted for using the equity method, the Corporation recorded equity in earnings of joint ventures and partnerships. For those joint ventures and partnerships accounted for using the cost method, the Corporation recorded dividend income. Such amounts are included in other operating revenue in the consolidated statements of operations.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

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**(7) Other Assets**

As of June 30, other assets are comprised of the following balances:

	<u>2017</u>	<u>2016</u>
Goodwill	\$ 16,902	2,108
Investment in Premier	12,496	10,264
Notes Receivable	11,442	12,249
Other Intangible Assets	11,510	12,150
Deferred compensation assets	9,181	8,896
Other	<u>2,410</u>	<u>2,475</u>
Other assets	<u>\$ 63,941</u>	<u>48,142</u>

**(8) Long-Term Debt and Capital Lease Obligations**

As of June 30, long-term debt and capital lease obligations consist of the following:

	<u>2017</u>	<u>2016</u>
Maryland Health and Higher Educational Facilities Authority (MHHEFA):		
Revenue Bonds Series 2008	\$ 155,380	237,590
Revenue Bonds Series 2011	5,015	47,465
Revenue Bonds Series 2012A	53,670	55,152
Revenue Bonds Series 2015	159,685	159,685
Revenue Bonds Series 2016	120,695	—
Other debt:		
M&T Bank taxable loan	41,345	45,905
Capital leases	16,545	18,501
Other	<u>14,454</u>	<u>539</u>
	566,789	564,837
Less current portion	(13,928)	(12,921)
Plus unamortized premium	22,380	12,685
Less deferred Financing Costs	(4,060)	(4,137)
Less unamortized discount	<u>(3)</u>	<u>(42)</u>
Long-term debt, net	<u>\$ 571,178</u>	<u>560,422</u>

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

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A single obligated group (the Obligated Group), consisting of LifeBridge, Sinai, Northwest, Levindale, BJHF, CHSF, CCHS, Carroll, CCMS, CHG, CH, and CRCCP, has been formed with respect to certain bonds issued by the Maryland Health and Higher Educational Facilities Authority (MHHEFA) and certain other obligations. Members of the Obligated Group are jointly and severally liable for all of the outstanding bonds issued by MHHEFA on behalf of LifeBridge and CCHS and their respective affiliates, together with other obligations issued on parity with such bonds.

In January 2008, MHHEFA loaned \$285,815 from the proceeds of bonds (Series 2008 Bonds) to LifeBridge and certain of its subsidiaries. Portions of the Series 2008 Bonds are payable on July 1 of each year through 2047. The Series 2008 Bonds bear interest at a weighted fixed rate of 5.35%. Approximately, \$27,640 of the Series 2008 Bonds were repaid as part of the Series 2015 Bond offering, further discussed below. Approximately \$74,655 of the Series 2008 Bonds were repaid as part of the Series 2016 Bond offering, further discussed below.

In March 2011, MHHEFA loaned \$50,695 from the proceeds of bonds (Series 2011 Bonds) to LifeBridge and certain of its subsidiaries. Portions of the Series 2011 Bonds are payable on July 1 of each year through 2041. The Series 2011 Bonds bear interest at a weighted fixed rate of 5.99%. Approximately \$46,040 of the Series 2011 Bonds were repaid as part of the Series 2016 Bond offering, further discussed below.

In May 2012, MHHEFA loaned \$59,780 from the proceeds of bonds (Series 2012A Bonds) to CCHS and certain of its subsidiaries (the Series 2012 Bonds). The Series 2012 Bonds were issued in three series: \$26,995 of serial bonds maturing in 2013 through 2027 with interest rates ranging from 2% to 5%, \$7,505 of term bonds maturing in 2030 with an interest rate of 4%, and \$25,280 of term bonds maturing in 2037 (Series 2012A Bonds) with an interest rate of 5%.

On June 26, 2015, LifeBridge entered into a \$50,000 direct bank placement with M&T Bank (2015 M&T Bank Taxable Loan). The interest rates range from 1.57% to 3.28%, with maturity dates ranging from July 1, 2016 to July 1, 2025. The 2015 M&T Loan is secured on parity with the bonds.

On July 30, 2015, MHHEFA issued \$159,685 in bonds (Series 2015 Bonds) on behalf of LifeBridge. The proceeds of the Series 2015 Bonds have been and will be used to finance and refinance the cost of construction, renovation, and equipping of certain additional facilities for the Obligated Group, to refund a portion of the Series 2008 Bonds and the Authority's Carroll Issue, Series 2006 bonds, and refinance the portion of a line of credit from Bank of America that had been used to repay Carroll's loan from BB&T Bank. The remaining Bank of America line of credit was repaid by the Corporation. \$33,130 of the bonds are serial bonds with maturity dates ranging from 2018 through 2030 and interest rates ranging from 2% to 5%. \$14,260, \$26,325, \$35,970, and \$50,000 of the bonds are term bonds that are due in 2035, 2040, 2047 and 2047, respectively, with interest rates of 4%, 5%, 4.1%, and 5%, respectively.

On October 25, 2016, MHHEFA issued \$120,695 in bonds (Series 2016 Bonds) on behalf of LifeBridge Health. The proceeds of the Series 2016 Bonds were used to refinance the Series 2008 Bonds. \$40,465 of the bonds are serial bonds with maturity dates ranging from 2017 through 2036 and interest rates ranging from 2% to 5%. \$40,640 of the bonds are term bonds that are due in 2041 with an interest rate of 4%. The remaining \$39,590 of the bonds are term bonds that are due in 2047 with an interest rate of 5%.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

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(Dollars in thousands)

The Series 2008, 2011, 2012A, 2015, and 2016 Bonds are governed by a Master Loan Agreement. Under the Master Loan Agreement, MHHEFA maintains a security interest in the revenue of the obligors. In addition, the Master Loan Agreement requires Obligated Group members to adhere to limitations on mergers, disposition of assets, and additional indebtedness and certain financial covenants. The financial covenants include a rate covenant, which requires the Obligated Group to achieve a debt service coverage ratio of 1.10; a liquidity covenant, which requires the Obligated Group to maintain 65 days cash on hand; and a debt-to-capitalization covenant, which requires the Obligated Group to maintain a debt-to-capitalization ratio of not more than 65%, all measured as of June 30 in each fiscal year.

In 2017, the Corporation acquired Springwell Partners, LLC (Springwell). Upon acquisition, the Corporation assumed the debt of Springwell. The debt consists of two term notes that were amended in February 2017. The first term note of \$8,453 bears monthly interest of one month LIBOR plus 1.6% which approximates 2.7% as of June 30, 2017. The second term note of \$5,614 bears monthly interest of 4.75%. Both term notes mature February 5, 2022 and one secured by certain property and equipment. The outstanding principal of the two notes as of June 30, 2017 was \$13,978.

Deferred financing costs are amortized using the effective-interest method over the term of the related debt. Amortization expense was \$1,168 and \$513 for the years ended June 30, 2017 and 2016, respectively. Such amortization is included in interest expense in the consolidated financial statements.

The Corporation is obligated under several noncancelable capital leases for hospital equipment and office building space.

The total future principal payments on long-term debt and capital lease payments are as follows:

	<b>MHHEFA and other debt</b>	<b>Capital lease obligations</b>
Years ending June 30:		
2018	\$ 12,689	2,240
2019	11,924	2,214
2020	12,455	2,258
2021	13,031	2,304
2022	25,507	2,351
Thereafter	474,638	7,973
	\$ 550,244	19,340
Less interest portion		(2,795)
		\$ 16,545

**(9) M&T Bank Line of Credit**

Sinai maintains a \$5,000 line of credit with M&T Bank. As of June 30, 2017 and 2016, there were no balances outstanding on this line of credit.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

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**(10) Temporarily and Permanently Restricted Net Assets**

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

	<b>2017</b>	<b>2016</b>
Healthcare services:		
Capital equipment/construction	\$ 24,358	23,160
Other healthcare services:		
Service grants	415	496
Donor-specified healthcare services	14,216	14,452
Enrichment and research	15,543	15,277
	\$ 54,532	53,385

Permanently restricted net assets of \$16,191 and \$15,887 at June 30, 2017 and 2016, respectively, are to investments to be held in perpetuity, the income from which is expendable to support healthcare services.

**(11) Employee Benefit Plans**

**(a) LifeBridge Health Pension Plans (Sinai and Levindale)**

The Corporation sponsors two noncontributory defined-benefit pension plans (the Sinai/Levindale Plans) covering full-time, nonunion and union employees of Sinai and Levindale. Annual contributions to the Sinai/Levindale Plans are made at a level equal to or greater than the funding requirement as determined by the Sinai/Levindale Plans' consulting actuary. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

The following tables set forth the Sinai/Levindale Plans' funded status and amounts recognized in the accompanying consolidated financial statements as of June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Measurement date	June 30, 2017	June 30, 2016
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 214,725	185,808
Service cost	8,263	7,729
Interest cost	5,972	8,085
Actuarial loss	1,582	19,264
Benefits paid	(10,006)	(5,815)
Expenses paid from assets	(204)	(346)
Benefit obligation at end of year	220,332	214,725

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

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	<u>2017</u>	<u>2016</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 157,577	158,657
Actual return on plan assets	22,425	(5,461)
Company contributions	16,721	10,542
Benefits paid	(10,006)	(5,815)
Expenses paid from assets	<u>(204)</u>	<u>(346)</u>
Fair value of plan assets at end of year	<u>186,513</u>	<u>157,577</u>
Funded status	\$ <u><u>(33,819)</u></u>	<u><u>(57,148)</u></u>

Amounts recognized in the consolidated financial statements consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Amounts recognized in the consolidated balance sheets:		
Other long-term liabilities	\$ 33,819	57,148
Amounts recognized in unrestricted net assets:		
Net actuarial loss	\$ 58,991	74,421
Prior service cost	<u>—</u>	<u>—</u>
	\$ <u><u>58,991</u></u>	<u><u>74,421</u></u>

The Corporation has estimated \$11,423 for its defined-benefit contributions to the Sinai/Levindale Plans for the fiscal year ending June 30, 2018. The accumulated benefit obligation for the Sinai/Levindale Plans is \$201,702 and \$196,562 at June 30, 2017 and 2016, respectively.

Net periodic pension expense for the years ended June 30, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Pension costs:		
Service cost	\$ 8,263	7,729
Interest cost	5,972	8,085
Expected return on plan assets	(10,969)	(10,963)
Amortization of net loss	5,555	2,353
Amortization of prior service cost	<u>—</u>	<u>44</u>
Net periodic benefit cost	\$ <u><u>8,821</u></u>	<u><u>7,248</u></u>

The estimated net actuarial loss and prior service cost to be amortized from unrestricted net assets into net periodic pension benefit cost over the next fiscal year are \$3,928 and \$0, respectively.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

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Actuarial assumptions used were as follows:

	<u>2017</u>	<u>2016</u>
Assumptions used to determine annual pension expense:		
Discount rate	3.68 %	4.47 %
Expected return on plan assets	7.00	7.00
Rate of compensation increase	2.50	2.50
Assumptions used to determine end-of-year liabilities:		
Discount rate	3.85 %	3.68 %
Expected return on plan assets	7.00	7.00
Rate of compensation increase	2.50	2.50
Plan asset allocation:		
Asset category:		
Cash and cash equivalents	— %	2.00 %
Fixed income/debt securities	26.00	26.00
Equity securities/mutual funds	56.00	47.00
Alternative investments	18.00	25.00
	<u>100.00 %</u>	<u>100.00 %</u>
Total		

In selecting the expected long-term rate of return on plan assets, Sinai and Levindale considered the average rate of earnings on the funds invested or to be invested to provide for the benefits of these plans. This included considering the Sinai/Levindale Plans' asset allocation and the expected returns likely to be earned over the life of the plans. Target asset allocation is as follows:

	<u>Target</u>
Target allocation on assets:	
Equity securities	52 %
Alternative investments	23
Fixed income/debt securities	25

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

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Following are the benefit payments expected to be disbursed from plan assets:

Years ending June 30:	
2018	\$ 11,668
2019	11,689
2020	12,215
2021	12,084
2022	12,346
Thereafter	68,857

The fair values of assets of the Sinai/Levindale Plans held by PNC Institutional Investments by level at June 30, 2017 were as follows:

	Pension benefits – plan assets			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents \$	8,901	—	—	8,901
Mutual funds	73,860	—	—	73,860
Fixed income securities	—	7,017	—	7,017
Equity securities	79,158	—	—	79,158
Alternative investments	—	—	17,577	17,577
Total assets \$	<u>161,919</u>	<u>7,017</u>	<u>17,577</u>	<u>186,513</u>

The fair values of assets of the Sinai/Levindale Plans held by PNC Institutional Investments by level at June 30, 2016 were as follows:

	Pension benefits – plan assets			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents \$	4,860	—	—	4,860
Mutual funds	54,886	—	—	54,886
Fixed income securities	—	5,635	—	5,635
Equity securities	56,382	—	—	56,382
Alternative investments	—	—	35,814	35,814
Total assets \$	<u>116,128</u>	<u>5,635</u>	<u>35,814</u>	<u>157,577</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

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For the years ended June 30, 2017 and 2016, there were no significant transfers into or out of Levels 1, 2, or 3. Changes to the fair values based on the Level 3 inputs are summarized as follows:

	<u>Total</u>
Balance as of June 30, 2016	\$ 35,814
Additions:	
Contributions/purchases	8,119
Disbursements:	
Withdrawals/sales	(19,730)
Net change in value	<u>(6,626)</u>
Balance as of June 30, 2017	<u>\$ 17,577</u>

The following table summarizes redemption terms for the hedge fund-of-funds vehicles held as of June 30, 2017:

	<u>Fund 1</u>	<u>Fund 2</u>	<u>Fund 3</u>
Redemption timing:			
Redemption frequency	Quarterly	Monthly	Annually
Required notice	65 days	30 days	90 days
Audit reserve:			
Percentage held back for audit reserve	10 %	— %	5 %

**(b) Carroll Plan**

CCHS sponsors a Defined Benefit Cash Balance Plan (the Carroll Plan) covering employees of Carroll, CCMS, and Carroll Foundation. CCHS's funding policy is to make contributions to the Carroll Plan based on actuarially determined amounts necessary to provide assets sufficient to meet benefits to be paid to plan participants and to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, plus such amounts as CCHS may determine to be appropriate from time to time. Under the cash balance plan structure, the benefits under the Carroll Plan are determined based on employee tenure rather than age. CCHS elected to freeze benefit accruals and participation in the Carroll Plan on December 31, 2006.

The information below describes certain actions of CCHS for the years ended June 30, 2017 and 2016.

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The following tables set forth the changes in the projected benefit obligation, the changes in the Carroll Plan's assets, the Carroll Plan's funded status, the amounts recognized in the consolidated financial statements, and the Carroll Plan's net periodic pension cost as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Measurement date	June 30, 2017	June 30, 2016
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 76,619	68,498
Interest cost	2,345	3,004
Actuarial loss	(3,032)	7,514
Benefits paid	<u>(2,301)</u>	<u>(2,397)</u>
Benefit obligation at end of year	<u>73,631</u>	<u>76,619</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	64,073	61,131
Actual return on plan assets	3,876	1,739
Employer contribution	2,070	3,600
Benefits paid	<u>(2,301)</u>	<u>(2,397)</u>
Fair value of plan assets at end of year	<u>67,718</u>	<u>64,073</u>
Funded status	<u>\$ (5,913)</u>	<u>(12,546)</u>

The accumulated benefit obligation for the Carroll Plan was \$73,631 and \$76,619 at June 30, 2017 and 2016, respectively. The pension obligations of \$5,913 and \$12,546 as of June 30, 2017 and 2016, respectively, are included in other long-term liabilities in the consolidated balance sheets.

Net periodic pension expense for the years ended June 30, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Pension expense:		
Components of net periodic pension expense:		
Interest cost	\$ 2,345	3,004
Expected return on plan assets	(4,464)	(4,315)
Amortization of actuarial loss	<u>2,499</u>	<u>1,870</u>
Net periodic pension expense	<u>\$ 380</u>	<u>559</u>

The estimated net actuarial loss and prior service cost to be amortized from unrestricted net assets into net periodic pension benefit cost over the next fiscal year is \$2,111 and \$0, respectively.

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Assumptions to determine the benefit obligation as of June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.87 %	3.72 %

Assumptions used in the determination of net periodic pension expense for the year ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.72 %	4.47 %
Expected long-term rate of return on plan assets	7.00	7.00

Deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, are \$28,019 and \$32,962 at June 30, 2017 and 2016, respectively. Deferred pension costs represent unrecognized actuarial losses or unexpected changes in the projected benefit obligation and plan assets over time primarily due to changes in assumed discount rates and investment experience.

CCHS's weighted average asset allocations for the plan assets for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	6.0 %	8.0 %
Fixed income/debt securities	18.0	22.0
Mutual funds and equity securities	49.0	53.0
Alternative investments	27.0	17.0
	<u>100.0 %</u>	<u>100.0 %</u>

Pension plan assets are invested in accordance with the CCHS's investment policy in an attempt to maximize return with reasonable and prudent levels of risk. This structure includes various assets classes, investment management styles, asset allocation, and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long term. CCHS periodically reviews performance to test progress toward attainment of longer term targets, to compare results with appropriate indices and peer groups, and to assess overall investment risk levels.

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The following table presents the Plan's assets measured at fair value at June 30, 2017:

	Pension benefits – plan assets			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents \$	3,995	—	—	3,995
Mutual funds	32,988	—	—	32,988
Fixed income	—	12,437	—	12,437
Alternative investments	—	—	18,298	18,298
Total assets \$	<u>36,983</u>	<u>12,437</u>	<u>18,298</u>	<u>67,718</u>

The following table presents the Plan's assets measured at fair value at June 30, 2016:

	Pension benefits – plan assets			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents \$	5,366	—	—	5,366
Mutual funds	34,179	—	—	34,179
Fixed income	—	13,716	—	13,716
Alternative investments	—	—	10,812	10,812
Total assets \$	<u>39,545</u>	<u>13,716</u>	<u>10,812</u>	<u>64,073</u>

During fiscal year 2017, Level 3 investments within the pension plan assets increased by \$7,486. This increase was the result of purchases of \$14,772, redemptions of \$3,391 and losses in investments of \$3,895. During fiscal year 2016, Level 3 investments within the pension plan assets increased by \$7. This increase was the result of purchases of \$3,391, redemptions of \$2,828 and losses in investments of \$556. There were no significant transfers between Levels 1, 2 and 3 during the years ended June 30, 2017 and 2016.

CCHS follows ASU No. 2009-12, and applied its provisions to its pension plan asset portfolio. The guidance amends ASC Topic 820 and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value (NAV) or its equivalent. The alternative investments classified within Level 3 of the fair value hierarchy have been recorded using NAV.

The Carroll Plan invests in alternative investments which are primarily hedge fund of funds and real estate funds.

For the alternative investments, redemption requests can be made either quarterly or annually. The notice required in order to make a redemption is within a range of 65 to 100 days. The audit reserve requirements are 10% for each fund. There are generally no gate provisions with the exception of one fund which has a gate of 25% of net asset value (NAV).

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CCHS expects to contribute \$3,580 to the Carroll Plan during the year-ending June 30, 2018.

The following benefit payments, which reflect future services, as appropriate, are expected to be paid from the Carroll Plan's assets during the years ending June 30 of the indicated year:

2018	\$	2,905
2019		3,047
2020		3,243
2021		3,426
2022		3,589
2023–2027		<u>20,087</u>
	\$	<u>36,297</u>

CCHS expensed total employer contributions of \$1,280 and \$1,291 for the years ended June 30, 2017 and 2016, respectively.

#### (c) *Contributory Plans*

Northwest has a qualified noncontributory defined-contribution pension plan (the NW Plan) covering substantially all employees who work at least 1,000 hours per year, who have completed two years of continuous service as of the beginning of the plan year, and who have attained the age of 21 as of the beginning of the plan year. Participants in the NW Plan are 100% vested. Northwest makes annual contributions to the NW Plan equivalent to 1.5% of the participants' salaries for employees who have been in the NW Plan from one to five years, 4.0% for those in the plan from six to 19 years, and 6.5% thereafter. It is Northwest's policy to fund plan costs as they accrue. Plan expense was approximately \$2,181 and \$2,849 for the years ended June 30, 2017 and 2016, respectively, and is included in salaries and employee benefits in the accompanying consolidated statements of operations.

Certain LifeBridge entities have supplemental 403(b) retirement plans for eligible employees. The entities may elect to match varying percentages of an employee's contribution up to a certain percentage of the employee's annual salary. The associated expense was approximately \$4,810 and \$4,710 for the years ended June 30, 2017 and 2016, respectively, and is included in salaries and employee benefits in the accompanying consolidated statements of operations.

Certain companies under Community Physicians and Investments maintain a defined-contribution plan for employees meeting certain eligibility requirements. Eligible employees can also make contributions. Under the plan, the employer may elect to match a percentage of eligible employees' contributions each year. The related expense was approximately \$850 and \$1,630 for the years ended June 30, 2017 and 2016, respectively, and is included in salaries and employee benefits in the accompanying consolidated statements of operations.

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Certain LifeBridge entities maintain a nonqualified deferred compensation plan for key employees and physicians. The Corporation establishes a separate deferral account on its books for each participant for each plan year. In general, participants are entitled to receive the deferred funds upon their death, attainment of the specified vesting date, or involuntary termination of their employment without cause, whichever occurs first. The related expense was approximately \$4,189 and \$4,823 for the years ended June 30, 2017 and 2016, respectively, and is included in salaries and employee benefits in the accompanying consolidated statements of operations.

#### **(d) *Postretirement Plan Other than Pension***

Carroll sponsors a postretirement plan other than pension for employees. Carroll employees retired from active employment at 65 years of age or older or at 55 years of age after earning at least 10 years of vesting service are eligible for health and prescription drug benefits under Carroll's self-insured health plan. Effective January 1, 2009, individuals are no longer permitted to participate in this Plan once they are Medicare eligible. Plan participants contribute premiums to the Plan in amounts determined by Carroll for pre-Medicare and post-Medicare age retirees. At June 30, 2017 and 2016, Carroll has accrued a liability of \$425 related to this plan.

#### **(12) Regulation and Reimbursement**

The Corporation and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the Federal Medicare and State Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission (HSCRC);
- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

Such inherent risks require the use of certain management estimates in the preparation of the Corporation's consolidated financial statements, and it is reasonably possible that a change in such estimates may occur.

The Medicare and Medicaid programs represent a substantial portion of the Corporation's revenues, and the Corporation's operations are subject to a variety of other federal, state, and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Corporation. Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

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The current rate of reimbursement for hospital services to patients under the Medicare and Medicaid programs is based on an agreement between the Centers for Medicaid and Medicare Services (CMS) and the State of Maryland. This agreement is based upon a waiver from Medicare prospective payment system reimbursement principles granted to the State of Maryland by CMS.

In January 2014, CMS approved Maryland's new waiver for a five-year period beginning January 1, 2014 for inpatient and outpatient hospital services. The new waiver required Maryland to adopt a payment structure that incentivizes efficient utilization of hospital resources, limits hospital per capita growth in all-payer and Medicare spending, generate Medicare savings of \$330 million over five years, limit growth in total cost of care per Medicare beneficiary, reduce hospital readmissions, and reduce certain hospital-acquired conditions.

#### **(13) Related-Party Transactions**

##### *Land Leases*

Sinai and Levindale are constituent agencies of AJCF, a charitable corporation.

The legal title to substantially all land, land improvements, buildings, and fixed equipment included in Sinai's and Levindale's operating property is held by an affiliate of AJCF. Sinai and Levindale have entered into leases with the AJCF affiliate with respect to these assets. The leases allow Sinai and Levindale to conduct their business on the property as currently conducted. Rent under each lease is \$1.00 per year. The leases may not be terminated before December 31, 2050.

##### *Other*

In addition to its arrangement with AJCF, Sinai receives services from certain other constituent agencies of AJCF.

#### **(14) Income Taxes**

At June 30, 2017, Investments has approximately \$60,226 in net operating loss carryforwards for income tax purposes. The net operating loss carryforwards for tax purposes are available to reduce future taxable income and expire in varying periods through 2037.

The net operating loss carryforwards created a federal net deferred tax asset of approximately \$20,477 and \$21,087 as of June 30, 2017 and 2016, respectively, and a state deferred tax asset of approximately \$3,340 and \$3,358 as of June 30, 2017 and 2016, respectively. Management has determined that it is more likely than not that Investments will not be able to utilize the deferred tax assets; therefore, a full valuation allowance was recorded against the net deferred assets as of June 30, 2017 and 2016.

At June 30, 2017, Carroll has approximately \$75,656 in net operating loss carryforwards for income tax purposes. The net operating loss carryforwards for tax purposes are available to reduce future taxable income and expire in varying periods through 2037.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

The net operating loss carryforwards created a federal net deferred tax asset of approximately \$25,723 and \$21,621 as of June 30, 2017 and 2016, respectively, and a state deferred tax asset of approximately \$4,120 and \$3,463 as of June 30, 2017 and 2016, respectively. Management has determined that it is more likely than not that Carroll will not be able to utilize the deferred tax assets; therefore, a full valuation allowance was recorded against the net deferred assets as of June 30, 2017 and 2016.

#### (15) Other Long-Term Liabilities

Other long-term liabilities at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Professional/general liability (note 16(a))	\$ 46,598	52,174
Pension liability	40,157	70,119
Medical office building	31,924	33,128
Asset retirement obligation	3,260	3,260
Deferred compensation	8,208	6,967
Other	5,557	1,361
	<u>\$ 135,704</u>	<u>167,009</u>

At June 30, 2017 and 2016, there was \$16,303 and \$13,023 included in other current liabilities related to professional liabilities, respectively.

#### (16) Self-Insurance Programs

##### (a) Professional/General Liability

The Corporation is self-insured, through LifeBridge Insurance (and Cen-Mar prior to June 30, 2016), for most medical malpractice and general liability claims arising out of the operations of LifeBridge and its subsidiaries. Estimated liabilities have been recorded for both reported and incurred but not reported claims.

LifeBridge Insurance and Cen-Mar purchase reinsurance coverage from other highly rated insurance carriers to cover their liabilities in excess of various retentions. The amounts that LifeBridge subsidiaries must transfer to LifeBridge Insurance and Cen-Mar to fund medical malpractice and general liability claims are actuarially determined and are sufficient to cover expected liabilities. Management's estimate of the liability for medical malpractice and general liability claims, including incurred but not reported claims, is principally based on actuarial estimates performed by an independent third-party actuary. Professional liability coverage for certain employed physicians is provided by commercial insurance carriers. The receivable for the expected reinsurance receivable is recorded within other assets on the consolidated balance sheets. Amounts in excess of the self-insured limits are insured by highly rated commercial insurance companies.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

#### **(b) Workers' Compensation**

Sinai, Northwest, Levindale, LAA, and CCMS and its subsidiaries are insured for workers' compensation liability through a combination of self-insurance and excess insurance. Losses for asserted and unasserted claims are accrued based on estimates derived from past experiences, as well as other considerations including the nature of each claim or incident, relevant trend factors, and estimates of incurred but not reported amounts.

LifeBridge has accrued a liability for known and incurred but not reported claims of \$8,032 and \$7,005 at June 30, 2017 and 2016, respectively. These amounts are included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets. Management believes these accruals are adequate to provide for all workers' compensation claims that have been incurred through June 30, 2017.

All other entities have occurrence-based commercial insurance coverage. There are no material insurance recoveries related to workers' compensation as of June 30, 2017.

LifeBridge maintains stop-loss policies on workers' compensation claims. The Corporation is insured for individual claims exceeding \$450.

#### **(c) Health Insurance**

LifeBridge is self-insured for employee health claims. LifeBridge has accrued a liability of \$3,721 and \$3,655 at June 30, 2017 and 2016, respectively, for known claims and incurred but not reported claims. These amounts are included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

#### **(17) Concentration of Credit Risk**

The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Medicare	31 %	30 %
Medicaid	8	9
BlueCross	10	12
Commercial and other	41	40
Self-pay	10	9
	<u>100 %</u>	<u>100 %</u>

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

The mix of net patient service revenue for the Corporation for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Medicare	42 %	42 %
Medicaid	6	7
BlueCross	12	14
Commercial and other	37	33
Self-pay	3	4
	<u>100 %</u>	<u>100 %</u>

#### (18) Commitments and Contingencies

##### (a) *Litigation*

The Corporation is subject to numerous laws and regulations of federal, state, and local governments. The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business. After consultation with legal counsel, it is management's opinion that the ultimate resolution of these claims will not have a material adverse effect on the Corporation's financial position.

##### (b) *Letters of Credit*

M&T Bank has established an open letter of credit for Sinai of \$211 (which has not been drawn upon) to guarantee Sinai's obligation for liabilities assumed as a member of a risk retention group during the period 1988 to 1994. Additionally, M&T Bank has established a standby letter of credit of \$2,399 to serve as collateral as required by the Maryland Office of Unemployment Insurance. M&T Bank has established a standby letter of credit for Levindale of \$421 as required by the State of Maryland Department of Labor, Licensing, and Regulation. M&T Bank has established a standby letter of credit for LifeBridge Health & Fitness of \$200 as required by the State of Maryland Office of the Attorney General. M&T Bank has established standby letters of credit of \$52 and of \$84 to serve as collateral as required by the City of Baltimore for the completion of certain construction work at Sinai. M&T has established standby letters of credit of \$94, \$76, \$42 and \$4 to serve as collateral as required by Baltimore County for the completion of certain construction work at Northwest.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

**(c) Operating Leases**

The Corporation has entered into operating lease agreements for hospital equipment and office space, which expire on various dates through year 2026. Total rental expense for the years ended June 30, 2017 and 2016 for all operating leases was approximately \$27,342 and \$24,135, respectively. Future minimum lease payments under all noncancelable operating leases are as follows:

Years ending June 30:		
2018		\$ 17,663
2019		17,307
2020		16,052
2021		14,545
2022		13,198
Thereafter		<u>17,657</u>
		<u>\$ 96,422</u>

**(19) Noncontrolling Interest**

The reconciliation of a noncontrolling interest reported in unrestricted net assets is as follows:

	<b>LifeBridge Health, Inc.</b>	<b>Noncontrolling interest</b>	<b>Unrestricted net assets</b>
Balance at June 30, 2015	\$ 844,907	3,922	848,829
Operating income	48,533	1,177	49,710
Nonoperating loss	(9,023)	—	(9,023)
Excess of revenues over expenses	39,510	1,177	40,687
Change in funded status of pension plan	(41,513)	—	(41,513)
Net assets released for purchase of property and equipment	7,613	—	7,613
Other	(841)	—	(841)
Change in net assets	<u>4,769</u>	<u>1,177</u>	<u>5,946</u>
Balance at June 30, 2016	<u>849,676</u>	<u>5,099</u>	<u>854,775</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

	<u>LifeBridge Health, Inc.</u>	<u>Noncontrolling interest</u>	<u>Unrestricted net assets</u>
Operating income	\$ 52,081	2,173	54,254
Nonoperating income	56,750	—	56,750
Excess of revenues over expenses	108,831	2,173	111,004
Change in funded status of pension plan	20,341	—	20,341
Net assets released for purchase of property and equipment	4,147	—	4,147
Fair value of noncontrolling interests of acquisitions	—	9,754	9,754
Other	915	(2,400)	(1,485)
Change in net assets	134,234	9,527	143,761
Balance at June 30, 2017	\$ 983,910	14,626	998,536

**(20) Functional Expenses**

The Corporation provides general healthcare services to patients. Expenses for the years ended June 30, 2017 and 2016 related to providing these services are as follows:

	<u>2017</u>	<u>2016</u>
Healthcare services	\$ 1,098,642	1,069,047
General and administrative	374,158	358,668
	\$ 1,472,800	1,427,715

**(21) Fair Value of Financial Instruments**

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

**(a) Assets and Liabilities**

*Cash and cash equivalents, patient service receivables, other receivables, inventory, prepaid expenses, pledges receivable, accounts payable and accrued liabilities, advances to third-party payors, and other current liabilities* – The carrying amounts reported in the consolidated balance sheet approximate the related fair values.

*Investments (donor-restricted, assets limited as to use, and long-term), and beneficial interest in split interest agreements* – Fair values are based on quoted market prices of individual securities or investments if available, or are estimated using quoted market prices for similar securities or investment managers' best estimate of underlying fair value.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

*Investment in unconsolidated affiliates* – Investments in unconsolidated affiliates are not readily marketable. Therefore, it is not practicable to estimate their fair value and such investments are recorded in accordance with the equity method or at cost.

#### (b) Long-Term Debt

The Series 2008 MHHEFA Bonds bear interest at fixed rates and had a fair value of \$155,736 and \$244,684 at June 30, 2017 and 2016, respectively. The fair market value of the fixed rate Series 2011 MHHEFA Bonds was \$5,358 and \$56,556 as of June 30, 2017 and 2016, respectively. The fair market value of the fixed rate Series 2012A MHHEFA Bonds was \$58,933 and \$62,742 as of June 30, 2017 and 2016, respectively. The fair market value of the variable rate Series 2015 MHHEFA Bonds was \$175,838 and \$185,798 as of June 30, 2017 and 2016, respectively. The fair market value of the variable rate Series 2016 MHHEFA Bonds was \$131,581 as of June 30, 2017.

The fair value of other long-term debt, and bank loans payable approximates its carrying value.

The fair value of the Corporation's long-term MHHEFA debt is measured using quoted offered-side prices when quoted market prices are available. If quoted market prices are not available, the fair value is determined by discounting the future cash flows of each instrument at rates that reflect, among other things, market interest rates and the Corporation's credit standing. In determining an appropriate spread to reflect its credit standing, the Corporation considers credit default swap spreads, bond yields of other long-term debt, and interest rates currently offered for similar debt instruments of comparable maturities by the Corporation's bankers as well as other banks that regularly compete to provide financing to the Corporation.

#### (c) Fair Value Hierarchy

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents \$	73,803	—	—	73,803
Equity securities and mutual funds	386,318	—	—	386,318
Treasury securities	4,333	—	—	4,333
Government securities	—	46,040	—	46,040
Fixed income	—	91,150	—	91,150
Beneficial interest in split-interest agreement	—	4,757	—	4,757
Total assets \$	<u>464,454</u>	<u>141,947</u>	<u>—</u>	<u>606,401</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents \$	34,170	—	—	34,170
Equity securities and mutual funds	375,980	—	—	375,980
Treasury securities	4,501	—	—	4,501
Government securities	—	60,189	—	60,189
Fixed income	—	38,522	—	38,522
Beneficial interest in split-interest agreement	—	4,477	—	4,477
Total assets	<u>\$ 414,651</u>	<u>103,188</u>	<u>—</u>	<u>517,839</u>

See note 2(e) for information on investments of the Corporation that are treated under the equity method and are not reported above.

For the years ended June 30, 2017 and 2016, there were no significant transfers into or out of Levels 1, 2, or 3.

During the year ended June 30 2017, in connection with business combinations during the year the Corporation recorded the fair value of equipment of \$24,715, debt of \$14,961 and noncontrolling interests of \$9,754. The Corporation determined that the fair values were based on Level 3 inputs. The Corporation used a market multiple analysis approach, a widely accepted valuation technique, to develop the fair values.

**(22) Subsequent Events**

Management evaluated all events and transactions that occurred after June 30, 2017 and through October 18, 2017. The Corporation did not have any subsequent events during this period that were required to be recognized or disclosed.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

## Consolidating Balance Sheet Information

June 30, 2017

(Dollars in thousands)

<b>Assets</b>	<b>Sinai Hospital Consolidated</b>	<b>Northwest Hospital</b>	<b>Carroll Hospital</b>	<b>Levindale Hebrew Geriatric Ctr &amp; Hospital</b>	<b>Other LifeBridge Entities</b>	<b>Eliminations</b>	<b>LifeBridge Health Consolidated</b>
Current assets:							
Cash and cash equivalents	\$ 66,953	55,684	38,630	20,087	175,011	—	356,365
Investments	13,265	3,407	7,043	276	592	—	24,583
Assets limited as to use, current portion	44,802	12,830	5,137	283	5,444	—	68,496
Patient service receivables, net of allowance for doubtful accounts	73,885	23,434	20,741	8,300	19,279	—	145,639
Other receivables	75,552	5,321	12,363	674	33,779	(110,678)	17,011
Inventory	22,308	5,088	2,728	211	180	—	30,515
Prepaid expenses	2,536	782	3,585	133	8,149	—	15,185
Pledges receivable, current portion	859	180	1,525	107	—	—	2,671
Total current assets	300,160	106,726	91,752	30,071	242,434	(110,678)	660,465
Board-designated investments	92,852	57,180	—	17,683	70,962	—	238,677
Long-term investments	59,517	36,653	145,005	11,334	62,811	—	315,320
Donor-restricted investments	13,265	3,407	4,952	276	(511)	—	21,389
Reinsurance recovery receivable	—	—	—	—	15,548	—	15,548
Assets limited as to use, net of current portion	—	—	—	—	33,039	—	33,039
Pledges receivable, net of current portion	1,372	148	1,270	173	2,159	—	5,122
Property and equipment, net	230,406	106,812	118,089	40,461	155,405	—	651,173
Beneficial interest in split interest agreement	4,757	—	—	—	—	—	4,757
Investment in unconsolidated affiliates	—	—	1,230	—	195,537	(145,885)	50,882
Other assets, net of accumulated amortization	13,853	2,709	18,559	60	28,760	—	63,941
Total assets	\$ 716,182	313,635	380,857	100,058	806,144	(256,563)	2,060,313

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

## Consolidating Balance Sheet Information

June 30, 2017

(Dollars in thousands)

Liabilities and Net Assets	Sinai Hospital Consolidated	Northwest Hospital	Carroll Hospital	Levindale Hebrew Geriatric Ctr & Hospital	Other LifeBridge Entities	Eliminations	LifeBridge Health Consolidated
Current liabilities:							
Accounts payable and accrued liabilities	\$ 64,065	23,432	30,942	8,640	112,329	(110,678)	128,730
Accrued salaries, wages, and benefits	34,846	9,785	10,124	3,302	21,387	—	79,444
Advances from third-party payors	26,493	6,742	5,340	3,360	—	—	41,935
Current portion of long-term debt and capital lease, net obligations	3,848	1,271	1,625	221	6,963	—	13,928
Other current liabilities	1,645	327	157	—	18,006	—	20,135
Total current liabilities	130,897	41,557	48,188	15,523	158,685	(110,678)	284,172
Other long-term liabilities	51,212	10,587	20,811	5,043	48,051	—	135,704
Long-term debt and capital lease obligations, net	274,111	89,999	131,494	10,364	65,210	—	571,178
Total liabilities	456,220	142,143	200,493	30,930	271,946	(110,678)	991,054
Net assets:							
Unrestricted net assets	212,435	163,631	118,887	68,317	520,962	(100,322)	983,910
Noncontrolling interest in consolidated subsidiaries	—	—	4,134	—	6,055	4,437	14,626
Total unrestricted net assets	212,435	163,631	123,021	68,317	527,017	(95,885)	998,536
Temporarily restricted	36,732	7,861	56,170	811	2,958	(50,000)	54,532
Permanently restricted	10,795	—	1,173	—	4,223	—	16,191
Total liabilities and net assets	\$ 716,182	313,635	380,857	100,058	806,144	(256,563)	2,060,313

See accompanying independent auditors' report.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

## Consolidating Statement of Operations Information

Year ended June 30, 2017

(Dollars in thousands)

	Sinai Hospital Consolidated	Northwest Hospital	Carroll Hospital	Levindale Hebrew Geriatric Ctr & Hospital	Other LifeBridge Entities	Eliminations	LifeBridge Health Consolidated
Unrestricted revenues, gains, and other support:							
Patient service revenue (net of contractual allowances and discounts)	\$ 763,077	266,417	241,640	78,701	159,113	—	1,508,948
Provision for bad debts	(22,204)	(12,962)	(4,237)	(2,588)	(5,350)	—	(47,341)
Net patient service revenue	740,873	253,455	237,403	76,113	153,763	—	1,461,607
Net assets released from restrictions used for operations	3,473	—	40	108	258	—	3,879
Other operating revenue	24,810	2,990	12,030	2,209	43,888	(24,359)	61,568
Total operating revenues	769,156	256,445	249,473	78,430	197,909	(24,359)	1,527,054
Expenses:							
Salaries and employee benefits	375,539	132,274	120,665	48,172	131,841	531	809,022
Supplies	161,411	49,687	26,051	6,111	18,674	(3,320)	258,614
Purchased services	136,459	39,543	54,623	15,441	53,581	(21,570)	278,077
Depreciation, amortization, and gain/loss on sale of assets	32,580	11,337	14,908	2,790	15,599	—	77,214
Repairs and maintenance	13,429	4,446	1,445	977	1,009	—	21,306
Interest	8,450	3,261	5,492	269	11,095	—	28,567
Total expenses	727,868	240,548	223,184	73,760	231,799	(24,359)	1,472,800
Operating income (loss)	41,288	15,897	26,289	4,670	(33,890)	—	54,254
Other income (loss), net:							
Investment income	14,912	7,984	2,220	855	4,937	—	30,908
Unrealized gains on trading investments	13,761	7,226	12,493	2,968	206	—	36,654
Other	419	—	11	—	(440)	—	(10)
Loss on refinancing of debt	(7,302)	(2,091)	—	(1,409)	—	—	(10,802)
Total other income, net	21,790	13,119	14,724	2,414	4,703	—	56,750
Excess (deficit) of revenues over expenses	\$ 63,078	29,016	41,013	7,084	(29,187)	—	111,004

See accompanying independent auditors' report.



KPMG LLP  
1 East Pratt Street  
Baltimore, MD 21202-1128

The Board of Directors  
LifeBridge Health, Inc. and Subsidiaries:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of LifeBridge Health, Inc. as of June 30, 2017, and the related consolidated statements of operations, 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 October 18, 2017.

In connection with our audit, nothing came to our attention that caused us to believe that the Obligated Group, as defined in the Master Loan Agreement of LifeBridge Health, Inc., failed to comply with the terms, covenants, provisions, or conditions of Sections 4.02, 8.04, 8.11, 8.12, 8.15, and 8.16 of the Master Loan Agreement dated January 1, 2008 with the Maryland Health and Higher Educational Facilities Authority (MHHEFA), insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the boards of directors and management of LifeBridge Health, Inc. and Subsidiaries and the MHHEFA and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 18, 2017

**LifeBridge Health Inc.**

**Obligated Group**

**Consolidating Financial Statements  
Consolidating Financial Statements  
For the Twelve Months Ended June 30, 2017**



MHHEFA Revenue Bonds

LifeBridge Health Issue - Series 2008, Series 2011, Series 2015, Series 2016, Series 2017

Carroll Issue - Series 2012A

Obligated Group

Balance Sheet

June 30, 2017

Audited

	LifeBridge Health	Northwest	Sinai Hospital & Foundations *	Levindale	Carroll County Health Services Corp	Carroll Hospital Center	Carroll Hospice	Carroll County Med-Services Inc	Elims	Combined
<b>Assets</b>										
<b>Current Assets</b>										
Cash and Cash Equivalents	134,003,000	55,684,000	66,808,000	20,087,000	321,000	39,034,000	6,333,000	3,865,000		326,135,000
Investments		3,407,000	13,265,000	276,000	-	-	-	-		16,948,000
Assets whose use is limited	6,314,000	12,830,000	44,802,000	283,000	-	4,266,000	-	-		68,495,000
Patient service receivables, net of allowance		23,434,000	73,803,000	8,300,000		16,827,000	1,034,000	3,066,000		126,464,000
Other Receivables	23,054,000	5,321,000	75,293,000	674,000		10,621,000	-	936,000	(22,457,000)	93,442,000
Inventory		5,088,000	22,308,000	211,000		2,710,000	-	16,000		30,333,000
Prepaid expenses	6,487,000	782,000	2,536,000	133,000	-	3,557,000	20,000	554,000		14,069,000
Pledges receivable, current		180,000	859,000	107,000		-	-	-		1,146,000
Total current assets	169,858,000	106,726,000	299,674,000	30,071,000	321,000	77,015,000	7,387,000	8,437,000	(22,457,000)	677,032,000
Board-designated Investments	238,677,000	-	-	-						238,677,000
Long-term investments	(122,228,000)	93,833,000	152,369,000	29,017,000	7,775,000	72,615,000	1,428,000			234,809,000
Donor restricted investments		3,407,000	13,265,000	276,000			-			16,948,000
Reinsurance Recovery Receivable										-
Assets limited to Use, net of current portion										-
Pledges receivable, net of current portion		148,000	1,372,000	173,000	-		81,000			1,774,000
Operating property, net	83,663,000	106,812,000	230,400,000	40,461,000	2,591,000	112,753,000	4,108,000	12,660,000	(3,198,000)	590,250,000
Deferred financing costs	-	657,000	2,024,000	83,000	-	15,430,000		442,000		18,636,000
Beneficial Interest			4,757,000							4,757,000
Investment in unconsolidated affiliates	154,300,000				271,995,000	102,196,000			(411,779,000)	116,712,000
Other assets	14,283,000	2,709,000	13,853,000	60,000						30,905,000
	168,583,000	3,366,000	20,634,000	143,000	271,995,000	117,626,000	-	442,000	(411,779,000)	171,010,000
Total assets	538,553,000	314,292,000	717,714,000	100,141,000	282,682,000	380,009,000	13,004,000	21,539,000	(437,434,000)	1,930,500,000

\* Excludes Sinai Clinical Professionals, LLC and LifeBridge Cardiology at Quarry Lake, LLC

MHHEFA Revenue Bonds

LifeBridge Health Issue - Series 2008, Series 2011, Series 2015, Series 2016, Series 2017

Carroll Issue - Series 2012A

Obligated Group

Balance Sheet

June 30, 2017

Audited

	LifeBridge Health	Northwest	Sinai Hospital & Foundations *	Levindale	Carroll County Health Services Corp	Carroll Hospital Center	Carroll Hospice	Carroll County Med-Services Inc	Elims	Combined
<b>Liabilities and Net Assets</b>										
Current Liabilities										
Accounts payable and accrued liabilities	41,044,000	33,217,000	98,926,000	11,942,000	4,000	40,600,000	179,000	9,564,000	(23,135,000)	212,341,000
Advances from third party payors		6,742,000	26,494,000	3,360,000		5,339,000		-		41,935,000
Current portion of long-term debt and capital lease obligations	6,252,000	1,271,000	3,848,000	221,000	-	1,625,000		-		13,217,000
Other current liabilities	277,000	327,000	1,645,000	-		-		15,000		2,264,000
Total current liabilities	47,573,000	41,557,000	130,913,000	15,523,000	4,000	47,564,000	179,000	9,579,000	(23,135,000)	269,757,000
Other Long-term liabilities	20,331,000	10,587,000	51,212,000	5,043,000	2,000	23,564,000		588,000	(3,198,000)	108,129,000
Long-term debt and capital lease obligations, net of current portion	51,567,000	90,656,000	276,135,000	10,447,000		132,690,000		-		561,495,000
Net assets										
Unrestricted	418,901,000	163,631,000	211,927,000	68,317,000	225,333,000	118,848,000	11,338,000	11,372,000	(352,271,000)	877,396,000
Temporarily restricted	181,000	7,861,000	36,732,000	811,000	56,170,000	56,170,000	1,487,000	-	(57,657,000)	101,755,000
Permanently restricted			10,795,000	-	1,173,000	1,173,000	-	-	(1,173,000)	11,968,000
	419,082,000	171,492,000	259,454,000	69,128,000	282,676,000	176,191,000	12,825,000	11,372,000	(411,101,000)	991,119,000
Total liabilities and net assets	538,553,000	314,292,000	717,714,000	100,141,000	282,682,000	380,009,000	13,004,000	21,539,000	(437,434,000)	1,930,500,000
										1,930,500,000
										-

\* Excludes Sinai Clinical Professionals, LLC and LifeBridge Cardiology at Quarry Lake, LLC

MHHEFA Revenue Bonds

LifeBridge Health Issue - Series 2008, Series 2011, Series 2015, Series 2016, Series 2017

Carroll Issue - Series 2012A

Obligated Group

Operations

June 30, 2017

Audited

	<u>LifeBridge Health</u>	<u>Northwest</u>	<u>Sinai Hospital &amp; Foundations *</u>	<u>Levindale</u>	<u>Carroll County Health Services Corp</u>	<u>Carroll Hospital Center</u>	<u>Carroll Hospice</u>	<u>Carroll County Med-Services Inc</u>	<u>Elims</u>	<u>Combined</u>
Unrestricted revenues, gains and other support										
Net patient service revenue		253,455,000	740,247,000	76,113,000		207,063,000	8,165,000	23,548,000		1,308,591,000
Other operating revenue	2,725,000	2,990,000	28,283,000	2,317,000	155,000	8,901,000	849,000	4,160,000	(10,519,000)	39,861,000
Total operating revenues	<u>2,725,000</u>	<u>256,445,000</u>	<u>768,530,000</u>	<u>78,430,000</u>	<u>155,000</u>	<u>215,964,000</u>	<u>9,014,000</u>	<u>27,708,000</u>	<u>(10,519,000)</u>	<u>1,348,452,000</u>
Expenses										
Salaries and employee benefits	(1,347,000)	132,274,000	375,111,000	48,172,000	-	109,401,000	5,154,000	31,213,000	(11,000)	699,967,000
Supplies	(106,000)	49,687,000	161,382,000	6,111,000	-	24,159,000	686,000	1,496,000	(3,320,000)	240,095,000
Purchased Services	(11,705,000)	39,543,000	136,295,000	15,441,000	66,000	45,398,000	1,790,000	11,081,000	(7,808,000)	230,101,000
Depreciation and amortization	10,866,000	11,337,000	32,580,000	2,790,000	-	12,762,000	170,000	1,421,000	199,000	72,125,000
Repairs and maintenance	(148,000)	4,446,000	13,424,000	977,000	-	1,445,000	-	-	-	20,144,000
Interest	10,273,000	3,261,000	8,450,000	269,000	-	4,636,000	-	-	421,000	27,310,000
Total expenses	<u>7,833,000</u>	<u>240,548,000</u>	<u>727,242,000</u>	<u>73,760,000</u>	<u>66,000</u>	<u>197,801,000</u>	<u>7,800,000</u>	<u>45,211,000</u>	<u>(10,519,000)</u>	<u>1,289,742,000</u>
Operating income (loss)	(5,108,000)	15,897,000	41,288,000	4,670,000	89,000	18,163,000	1,214,000	(17,503,000)		58,710,000
Other income										
Investment income and other	(279,000)	13,119,000	21,790,000	2,414,000	722,000	5,741,000	-	23,000		43,530,000
Revenues over expenses	<u>(5,387,000)</u>	<u>29,016,000</u>	<u>63,078,000</u>	<u>7,084,000</u>	<u>811,000</u>	<u>23,904,000</u>	<u>1,214,000</u>	<u>(17,480,000)</u>	<u>-</u>	<u>102,240,000</u>
										102,240,000

\* Excludes Sinai Clinical Professionals, LLC and LifeBridge Cardiology at Quarry Lake, LLC

**MHHEFA Revenue Bonds**

**LifeBridge Health Issue - Series 2008, Series 2011, Series 2015, Series 2016, Series 2017**

**Carroll Issue - Series 2012A**

**Obligated Group**

**Covenants**

**June 30, 2017**

**Audited**

	YTD 6/30/17	Covenant
<b><u>Long-term Indebtedness to Capitalization Ratio</u></b>		
Long-term indebtedness	628,161,000	
LT Indebtedness + unrestr fb + capital	1,505,557,000	
Long-term Indebtedness to Capitalization Ratio	0.42	<0.65

**Rate Covenant (Coverage Ratio)**

Net Income Available for Debt Service (annualized)	184,186,000	
Maximum Annual Debt Service	37,958,000	
Coverage Ratio	4.85	>1.10

**Liquidity Ratio (Days Cash on Hand)**

Cash	821,549,000	
Operating Expenses - Net of Depr & Amort	1,217,617,000	
Days in Fiscal year	365	
Days Cash on Hand Ratio	246	> 65

# **LifeBridge Health, Inc.**

## **Operating Data**

**For the Twelve Months Ended June 30, 2017**

**Statistics**

**Licensed Beds**

**Payor Mix**

**Investment Allocation**



**LifeBridge Health, Inc.  
Statistical Summary**

**Actual vs. Rate Order/Target as of June 30, 2017**

SINAI HOSPITAL	Month-to-Date				Year-to-Date				
		<u>Actual</u>	<u>Rate Order/Target</u>	<u>Fav/(Unfav) Var</u>	<u>% Var</u>	<u>Actual</u>	<u>Rate Order/Target</u>	<u>Fav/(Unfav) Var</u>	<u>% Var</u>
<b>Volumes</b>									
Admissions									
Total Admissions		1,546	1,711	(165)	(9.67%)	19,850	20,556	(706)	(3.43%)
O/P OBV Cases >= 24 hrs		236	220	16	7.27%	2,575	2,781	(206)	(7.41%)
Subtotal ADMs & IP OBV		1,782	1,931	(149)	(7.74%)	22,425	23,337	(912)	(3.91%)
O/P OBV Cases < 24 hrs		171	158	13	8.23%	2,249	1,764	485	27.49%
Total		1,953	2,089	(136)	(6.53%)	24,674	25,101	(427)	(1.70%)
CMI (All Cases)	(1)	1.39	1.23	0.16	12.70%	1.30	1.23	0.07	5.41%
ER Admissions		777	999	(222)	(22.23%)	10,220	11,754	(1,534)	(13.05%)
ER Total Visits		5,815	6,590	(775)	(11.76%)	69,621	77,150	(7,529)	(9.76%)
ER RVUs		57,238	64,709	(7,471)	(11.55%)	707,633	768,626	(60,993)	(7.94%)
Total Surgical Cases		1,494	1,645	(151)	(9.18%)	17,558	19,556	(1,998)	(10.22%)
Unit Rate Volume Variance	(2a)	(5.97%)	0.00%	(5.97%)	0.00%	(3.66%)	0.00%	(3.66%)	0.00%
<b>Efficiency</b>									
CMA LOS - (LOS / CMI)		4.16	4.73	0.57	12.10%	4.41	4.73	0.32	6.79%
Hospital Readmission Rate/HSCRC- Dec (3)	N/A	N/A	N/A	N/A	N/A	11.86%	12.89%	1.03%	7.99%
ER Level 1 Visits (4)	481	568	87	15.32%	4,924	6,583	1,659	25.20%	
ER Alert Hours - Yellow (7)	82	46	(37)	(80.20%)	1,502	786	(717)	(91.17%)	
ER Alert Hours - Red	52	17	(35)	(213.64%)	878	547	(331)	(60.53%)	
Hosp Acquired Complication Score (5)	N/A	N/A	N/A	N/A	0.54	0.47	0.07	14.89%	
Cost per Capita (PSA - Quarterly) (6)	N/A	N/A	N/A	N/A	\$3,851	\$3,920	\$69	1.76%	

**Actual vs. Prior as of June 30, 2017**

SINAI HOSPITAL	Month-to-Date				Year-to-Date				
		<u>Curr Yr Act</u>	<u>Pr Yr Act</u>	<u>Fav/(Unfav) Var</u>	<u>% Var</u>	<u>Curr Yr Act</u>	<u>Pr Yr Act</u>	<u>Fav/(Unfav) Var</u>	<u>% Var</u>
<b>Volumes</b>									
Admissions									
Total Admissions		1,546	1,842	(296)	(16.07%)	19,850	22,119	(2,269)	(10.26%)
O/P OBV Cases >= 24 hrs		236	220	16	7.27%	2,575	2,781	(206)	(7.41%)
Subtotal ADMs & IP OBV		1,782	2,062	(280)	(13.58%)	22,425	24,900	(2,475)	(9.94%)
O/P OBV Cases < 24 hrs		171	158	13	8.23%	2,249	1,764	485	27.49%
Total		1,953	2,220	(267)	(12.03%)	24,674	26,664	(1,990)	(7.46%)
CMI (All Cases)	(1)	1.39	1.23	0.16	12.70%	1.30	1.23	0.07	5.41%
ER Admissions		777	895	(118)	(13.18%)	10,220	11,453	(1,233)	(10.77%)
ER Total Visits		5,815	6,616	(801)	(12.11%)	69,621	75,244	(5,623)	(7.47%)
ER RVUs		57,238	64,297	(7,059)	(10.98%)	707,633	750,033	(42,400)	(5.65%)
Total Surgical Cases		1,494	1,612	(118)	(7.32%)	17,558	19,151	(1,593)	(8.32%)
Unit Rate Volume Variance	(2b)	(2.85%)	0.00%	(2.85%)	0.00%	(3.18%)	0.00%	(3.18%)	0.00%
<b>Efficiency</b>									
CMA LOS - (LOS / CMI)		4.16	4.35	0.19	4.36%	4.41	4.36	(0.06)	(1.30%)
Hospital Readmission Rate/HSCRC- Dec (3)	N/A	N/A	N/A	N/A	N/A	11.86%	13.23%	1.37%	10.36%
ER Level 1 Visits (4)	481	568	87	15.32%	4,924	6,583	1,659	25.20%	
Hosp Acquired Complication Score (5)	N/A	N/A	N/A	N/A	0.54	0.58	(0.04)	(6.90%)	

**Note: Volume Statistics "Budget" has been updated to reflected the FY17 Final Rate Order Volumes.**

Note (1): All cases, including One Day Stays, grouped under version 34, excludes OBV Cases >= 24 hours.

Version 34 is now mandated for October 2015 and subsequent months. This will leave YTD FY16 CMI as the target being an average of 9 mos as a result of conversion to ICD 10.

Note (2a): YTD Unit Rate Volume Variance = 12 mos. Actual Revenue vs. Actual Volumes at Rate Order Rates

(2b): MTD = Actual Current Year vs. Prior Year volumes & YTD = 12 mos. Actual Current Year vs. Prior Year volumes, both prorated by 2 Yr Seasonality Spread @ FY '17 rates

Note (3): CYTD Readmission Rate per HSCRC through December 2016

Note (4): ER Level 1 time is equal to 0<15 minutes of Clinical Care Time, Target visits are FY16 visits

Note (5): CY = Jan-Dec 16 Final, Prior YTD = CY15 Year End Final

Note (6): Final CY '16 through September, excluding Chronic cases

Note (7): ED Alerts = FY17 YTD through current month, RO/Target Prior YTD for same period. Data obtained from MIEMSS.

**LifeBridge Health, Inc.**  
**Statistical Summary**

**Actual vs. Rate Order/Target as of June 30, 2017**

NORTHWEST HOSPITAL	Month-to-Date				Year-to-Date			
	Actual	Rate Order/ Target	Fav./ (Unfav) Var	% Var	Actual	Rate Order/ Target	Fav./ (Unfav) Var	% Var
<b>Volumes</b>								
Admissions								
Total Admissions	811	936	(125)	(13.40%)	10,625	11,225	(600)	(5.34%)
O/P OBV Cases >= 24 hrs	46	30	16	53.33%	359	751	(392)	(52.20%)
Subtotal ADMs & IP OBV	857	966	(109)	(11.33%)	10,984	11,976	(992)	(8.28%)
O/P OBV Cases < 24 hrs	299	273	26	9.52%	3,782	3,022	760	25.15%
Total	1,156	1,239	(83)	(6.74%)	14,766	14,998	(232)	(1.55%)
CMI (All Cases)	(1) 0.96	0.91	0.05	5.85%	0.95	0.91	0.04	4.76%
Subacute Patient Days	981	810	171	21.11%	11,749	9,855	1,894	19.22%
ER Admissions	758	836	(78)	(9.36%)	9,568	10,186	(618)	(6.07%)
ER Total Visits	4,668	5,077	(409)	(8.06%)	56,900	61,842	(4,942)	(7.99%)
ER RVUs	49,302	58,023	(8,721)	(15.03%)	637,160	693,972	(56,812)	(8.19%)
Total Surgical Cases	617	607	10	1.68%	7,138	7,812	(674)	(8.63%)
Unit Rate Volume Variance	(2) (12.51%)	0.00%	(12.51%)	0.00%	(7.15%)	0.00%	(7.15%)	0.00%
<b>Efficiency</b>								
CMA LOS - (LOS / CMI)	4.80	5.25	0.45	8.50%	5.01	5.25	0.23	4.46%
Hospital Readmission Rate/HSCRC- Dec	(3) N/A	N/A	N/A	N/A	12.16%	13.60%	1.44%	10.59%
Subacute Readmissions to LBH	(4) 3	4	1	25.00%	85	102	17	16.67%
Subacute Readmission % to LBH	4.41%	7.04%	2.63%	37.31%	12.59%	13.03%	0.44%	3.34%
ER Level 1 Visits	(5) 194	207	13	6.28%	2,012	2,334	322	13.80%
ER Alert Hours - Yellow	(8) 18	42	23	56.41%	866	442	(425)	(96.18%)
ER Alert Hours - Red	0	0	0	0.00%	199	69	(130)	(189.00%)
Hosp Acquired Complication Score	(6) N/A	N/A	N/A	N/A	0.71	0.47	0.24	51.06%
Cost per Capita (PSA - Quarterly)	(7) N/A	N/A	N/A	N/A	\$3,851	\$3,920	\$69	1.76%

**Actual vs. Prior as of June 30, 2017**

NORTHWEST HOSPITAL	Month-to-Date				Year-to-Date			
	Curr Yr Act	Pr Yr Act	Fav./ (Unfav) Var	% Var	Curr Yr Act	Pr Yr Act	Fav./ (Unfav) Var	% Var
<b>Volumes</b>								
Admissions								
Total Admissions	811	904	(93)	(10.29%)	10,625	10,824	(199)	(1.84%)
O/P OBV Cases >= 24 hrs	46	30	16	53.33%	359	751	(392)	(52.20%)
Subtotal ADMs & IP OBV	857	934	(77)	(8.24%)	10,984	11,575	(591)	(5.11%)
O/P OBV Cases < 24 hrs	299	273	26	9.52%	3,782	3,022	760	25.15%
Total	1,156	1,207	(51)	(4.23%)	14,766	14,597	169	1.16%
CMI (All Cases)	(1) 0.96	0.91	0.05	5.85%	0.95	0.91	0.04	4.76%
Subacute Patient Days	981	787	194	24.65%	11,749	10,628	1,121	10.55%
ER Admissions	758	898	(140)	(15.59%)	9,568	9,746	(178)	(1.83%)
ER Total Visits	4,668	5,318	(650)	(12.22%)	56,900	59,198	(2,298)	(3.88%)
ER RVUs	49,302	60,850	(11,548)	(18.98%)	637,160	666,591	(29,431)	(4.42%)
Total Surgical Cases	617	606	11	1.82%	7,138	7,356	(218)	(2.96%)
Unit Rate Volume Variance	(2) (8.62%)	0.00%	(8.62%)	0.00%	(2.83%)	0.00%	(2.83%)	0.00%
<b>Efficiency</b>								
CMA LOS - (LOS / CMI)	4.80	5.33	0.53	9.95%	5.01	5.27	0.26	4.92%
Hospital Readmission Rate/HSCRC- Dec	(3) N/A	N/A	N/A	N/A	12.16%	13.06%	0.90%	6.89%
Subacute Readmissions to LBH	(4) 3	4	1	25.00%	85	102	17	16.67%
Subacute Readmission Rate to LBH	4.41%	7.55%	3.14%	41.54%	12.59%	13.97%	1.38%	9.88%
ER Level 1 Visits	(5) 194	207	13	6.28%	2,012	2,334	322	13.80%
Hosp Acquired Complication Score	(6) N/A	N/A	N/A	N/A	0.71	0.50	0.21	42.00%

**Note: Volume Statistics "Budget" has been updated to reflected the FY17 Final Rate Order Volumes.**

Note (1): All cases, including One Day Stays, grouped under version 34, excludes OBV Cases >= 24 hours.

Version 34 is now mandated for October 2015 and subsequent months. This will leave YTD FY16 CMI as the target being an average of 9 mos as a result of conversion to ICD 10.

Note (2a): YTD Unit Rate Volume Variance = 12 mos. Actual Revenue vs. Actual Volumes at Rate Order Rates

(2b): MTD = Actual Current Year vs. Prior Year volumes & YTD = 12 mos. Actual Current Year vs. Prior Year volumes, both prorated by 2 Yr Seasonality Spread @ FY '17 rates

Note (3): CYTD Readmission Rate per HSCRC through December 2016

Note (4): There is a one month lag; using discharges from prior month as count

Note (5): ER Level 1 time is equal to 0-15 minutes of Clinical Care Time, Target visits are FY16 visits

Note (6): CY = Jan-Dec 16 Final, Prior YTD = CY15 Year End Final

Note (7): Final CY '16 through September, excluding Chronic cases

Note (8): ED Alerts = FY17 YTD through current month, RO/Target Prior YTD for same period. Data obtained from MIEMSS.

**LifeBridge Health, Inc.  
Statistical Summary**

**Actual vs. Rate Order as of June 30, 2017**

CARROLL HOSPITAL	Month-to-Date				Year-to-Date			
	Actual	Rate Order	Fav/ (Unfav) Var	% Var	Actual	Rate Order	Fav/ (Unfav) Var	% Var
<b>Volumes</b>								
Admissions								
Total Admissions (Includes Births)	841	970	(129)	(13.30%)	10,980	11,553	(573)	(4.96%)
O/P OBV Cases >= 24 hrs	129	165	(36)	(21.67%)	1,474	2,004	(530)	(26.44%)
Subtotal ADMs & IP OBV	970	1,135	(165)	(14.51%)	12,454	13,557	(1,103)	(8.13%)
O/P OBV Cases < 24 hrs	167	150	17	11.63%	2,008	1,820	188	10.32%
Total	1,137	1,284	(147)	(11.47%)	14,462	15,377	(915)	(5.95%)
CMI (All Cases)	(1) 0.90	0.94	(0.04)	(3.92%)	0.93	0.94	(0.01)	(0.83%)
ER Admissions	581	604	(23)	(3.81%)	7,620	7,641	(21)	(0.27%)
ER Total Visits	4,105	4,366	(261)	(5.97%)	50,347	53,193	(2,846)	(5.35%)
ER RVUs	37,479	39,577	(2,098)	(5.30%)	460,912	471,773	(10,861)	(2.30%)
Total Surgical Cases	519	675	(156)	(23.08%)	6,935	7,799	(864)	(11.08%)
Unit Rate Volume Variance	(2a) (11.67%)	0.00%	(11.67%)	0.00%	(3.71%)	0.00%	(3.71%)	0.00%
<b>Efficiency</b>								
CMA LOS - (LOS / CMI)	4.07	3.81	(0.26)	(6.45%)	4.06	3.81	(0.25)	(6.17%)
Hospital Readmission Rate/HSCRC-Dec	(3) N/A	N/A	N/A	N/A	11.13%	11.70%	0.57%	4.87%
ER Level 1 Visits	(4) 214	163	(51)	(31.29%)	2,045	2,531	486	19.20%
ER Alert Hours - Yellow	(7) 50	18	(32)	(182.65%)	890	619	(271)	(43.87%)
ER Alert Hours - Red	0	0	0	0.00%	360	29	(331)	(1140.30%)
Hosp Acquired Complication Score	(5) N/A	N/A	N/A	N/A	0.57	0.47	0.10	21.28%
Cost per Capita (PSA - Quarterly)	(6) N/A	N/A	N/A	N/A	\$3,851	\$3,920	\$69	1.76%

**Actual vs. Prior as of June 30, 2017**

CARROLL HOSPITAL	Month-to-Date				Year-to-Date			
	Curr Yr Act	Pr Yr Act	Fav/ (Unfav) Var	% Var	Curr Yr Act	Pr Yr Act	Fav/ (Unfav) Var	% Var
<b>Volumes</b>								
Admissions								
Total Admissions (Includes Births)	841	931	(90)	(9.67%)	10,980	11,083	(103)	(0.93%)
O/P OBV Cases >= 24 hrs	129	169	(40)	(23.67%)	1,474	1,803	(329)	(18.25%)
Subtotal ADMs & IP OBV	970	1,100	(130)	(11.82%)	12,454	12,886	(432)	(3.35%)
O/P OBV Cases < 24 hrs	167	130	37	28.46%	2,008	1,986	22	1.11%
Total	1,137	1,230	(93)	(7.56%)	14,462	14,872	(410)	(2.76%)
CMI (All Cases)	(1) 0.90	0.92	(0.01)	(1.37%)	0.93	0.94	(0.01)	(0.81%)
ER Admissions	581	591	(10)	(1.69%)	7,620	7,474	146	1.95%
ER Total Visits	4,105	4,172	(67)	(1.61%)	50,347	52,371	(2,024)	(3.86%)
ER RVUs	37,479	37,655	(176)	(0.47%)	460,912	462,546	(1,634)	(0.35%)
Total Surgical Cases	519	686	(167)	(24.34%)	6,935	7,900	(965)	(12.22%)
Unit Rate Volume Variance	(2b) (9.73%)	0.00%	(9.73%)	0.00%	(2.76%)	0.00%	(2.76%)	0.00%
<b>Efficiency</b>								
CMA LOS - (LOS / CMI)	4.07	4.08	0.01	0.25%	4.06	3.92	(0.14)	(3.50%)
Hospital Readmission Rate/HSCRC-Dec	(3) N/A	N/A	N/A	N/A	11.13%	12.47%	1.34%	10.75%
ER Level 1 Visits	(4) 214	163	(51)	(31.29%)	2,045	2,531	486	19.20%
Hosp Acquired Complication Score	(5) N/A	N/A	N/A	N/A	0.57	0.55	0.02	3.64%

**Note: Volume Statistics "Budget" has been updated to reflected the FY17 Final Rate Order Volumes.**

Note (1): All cases, including One Day Stays, grouped under version 34, excludes OBV Cases >= 24 hours.

Version 34 is now mandated for October 2015 and subsequent months. This will leave YTD FY16 CMI as the target being an average of 9 mos.

Note (2a): YTD = 12 mos. actual vs. rate order volumes

(2b): MTD = actual vs. rate order volumes prorated by 2 Yr Seasonality Spread @ FY '17 rates, YTD = 12 mos. Actual vs. rate order volumes prorated by 2 Yr Seasonality Spread @ FY '17 rates

Note (3): CYTD Readmission Rate per HSCRC through December 2016

Note (4): ER Level 1 time is equal to 0<15 minutes of Clinical Care Time, Target visits are FY16 visits.

Note (5): CY = Jan-Jun 16 Final, Jul-Nov16 Prelim, Prior YTD = CY15 Year End Final

Note (6): Final CY '16 through March

Note (7): ED Alert Hours = FY17 YTD through current month, RO/Target Prior YTD for same period. Data obtained from MIEMSS.

LifeBridge Health, Inc.  
Statistical Summary

Actual vs. Rate Order/Target as of June 30, 2017

LEVINDALE HOSPITAL	Month-to-Date				Year-to-Date			
	Actual	Rate Order/ Target	Fav/ (Unfav) Var	% Var	Actual	Rate Order/ Target	Fav/ (Unfav) Var	% Var
<b>Speciality Hospital</b>								
Admissions	124	130	(6)	(4.33%)	1,334	1,577	(243)	(15.41%)
Avg Daily Census	104	105	(1)	(0.67%)	98	105	(7)	(6.57%)
Length of Stay	25.34	25.46	(0.12)	(0.47%)	26.86	25.46	1.40	5.50%
I/P Total Charges/Case	(1) \$41,605	\$40,096	(\$1,508)	(3.76%)	\$42,461	\$39,496	(\$2,966)	(7.51%)
Unit Rate Volume Variance	(2) (2.48%)	0.00%	(2.48%)	0.00%	(11.44%)	0.00%	(11.44%)	0.00%
Hosp Acquired Complication Score	(7) N/A	N/A	N/A	N/A	0.60	0.47	0.13	27.66%
Cost per Capita (PSA - Quarterly)	(3) N/A	N/A	N/A	N/A	\$3,851	\$3,920	\$69	1.76%
Hospital Readmission Rate/HSCRC- Dec	(4) N/A	N/A	N/A	N/A	9.13%	12.24%	3.11%	25.41%
<b>Nursing Home</b>								
Admissions	0	8	(8)	(100.00%)	50	95	(45)	(47.37%)
Average Reimbursement	\$288	\$266	\$22	8.27%	\$275	\$266	\$9	3.38%
Avg Daily Census	154	145	9	6.00%	150	145	5	3.40%
Nursing Home Readmissions to LBH	(5) -	1	1	100.00%	45	71	26	36.62%
Nursing Home Readmissions % to LBH	(6) 0.00%	1.90%	1.90%	100.00%	7.99%	9.87%	1.88%	19.04%
<b>Sub-Acute</b>								
Admissions	39	57	(18)	(31.58%)	556	694	(138)	(19.88%)
Avg Daily Census	52	56	(4)	(7.08%)	53	56	(3)	(6.20%)
Average Net Reimbursement	\$432	\$568	(\$136)	(23.94%)	\$573	\$568	\$5	0.88%

Actual vs. Prior as of June 30, 2017

LEVINDALE HOSPITAL	Month-to-Date				Year-to-Date			
	Curr Yr Act	Pr Yr Act	Fav/ (Unfav) Var	% Var	Curr Yr Act	Pr Yr Act	Fav/ (Unfav) Var	% Var
<b>Speciality Hospital</b>								
Admissions	124	116	8	6.90%	1,334	1,455	(121)	(8.32%)
Avg Daily Census	104	93	11	11.87%	98	99	(1)	(0.83%)
Length of Stay	25.34	24.25	1	4.49%	26.86	24.88	2	7.94%
I/P Total Charges/Case	(1) \$41,605	\$40,096	(\$1,508)	(3.76%)	\$42,461	\$39,496	(\$2,966)	(7.51%)
Unit Rate Volume Variance	(2) 9.84%	0.00%	9.84%	0.00%	(1.45%)	0.00%	(1.45%)	0.00%
<b>Nursing Home</b>								
Admissions	0	1	(1)	(100.00%)	50	49	1	2.04%
Avg Daily Census	154	157	(3)	(2.16%)	150	153	(3)	(2.10%)
Average Reimbursement	\$288	\$246	\$42	17.07%	\$275	\$262	\$13	4.96%
Nursing Home Readmissions to LBH	(5) -	1	1	100.00%	45	63	18	28.57%
Nursing Home Readmissions % to LBH	(6) 0.00%	2.04%	2.04%	100.00%	7.99%	10.59%	2.60%	24.51%
<b>Sub-Acute</b>								
Admissions	39	45	(6)	(13.33%)	556	599	(43)	(7.18%)
Avg Daily Census	52	48	4	7.31%	53	49	4	7.64%
Average Net Reimbursement	\$432	\$590	(\$158)	(26.78%)	\$573	\$552	\$21	3.80%

**Note: Volume Statistics "Budget" has been updated to reflected the FY17 Final Rate Order Volumes.**

Note (1): Monthly Charges/Monthly Admissions

Note (2a): YTD Unit Rate Volume Variance = 12 mos. Actual Revenue vs. Actual Volumes at Rate Order Rates

(2b): MTD = Actual Current Year vs. Prior Year volumes & YTD = 12 mos. Actual Current Year vs. Prior Year volumes, both prorated by 2 Yr Seasonality Spread @ FY '17 rates

Note (3): Final CY '16 through September, excluding Chronic cases

Note (4): CYTD Readmission Rate per HSCRC through December 2016

Note (5): Nursing Home Readmissions includes Nursing Home and Subacute residents. There is a one month lag; using discharges from prior month as count

Note (6): Readmission Rate = Readmissions/Admissions

Note (7): CY = Jan-Dec 16 Final, Prior YTD = CY15 Year End Final

**LifeBridge Health, Inc.**  
**Licensed Beds**  
**June 30, 2017**

<b>Category</b>	<b>Service</b>	<b>Sinai</b>	<b>Northwest</b>	<b>Carroll</b>	<b>Levindale</b>	<b>Total Obligated Group</b>	<b>Total LifeBridge</b>
<u>Hospital*</u>							
	Med/Surg	290	162	96		548	548
	Hospice			-			-
	OB	27		20		47	47
	Peds	26		7		33	33
	Psych	24	30	20		74	74
	Acute Rehab	57		-		57	57
	Chronic Medicine			-	100	100	100
	Chronic Rehab				20	20	20
<b>Total Hospital</b>		<b>424</b>	<b>192</b>	<b>143</b>	<b>120</b>	<b>879</b>	<b>879</b>
<u>Nursing Home**</u>							
	Subacute		29		60	89	89
	General Nursing Home				150	150	150
<b>Total Nursing Home</b>			<b>29</b>		<b>210</b>	<b>239</b>	<b>239</b>
<b>Total Beds</b>		<b>424</b>	<b>221</b>	<b>143</b>	<b>330</b>	<b>1,118</b>	<b>1,118</b>

\* Sinai also operates a 21-bed neonatal intensive care unit and a 35-bassinets normal newborn nursery

\*\* Maryland's licensure law does not distinguish between subacute and general nursing home beds. All nursing home beds throughout the LifeBridge system are certified to serve as subacute beds.

**Consolidated LifeBridge Health, Inc. - Obligated Group**  
**Revenue by Financial Class-Payor Mix**  
**FY 2012, FY 2013, FY 2014, FY 2015, FY 2016 and the Twelve Months Ended June 30, 2017**

	FY 2013 July 1, 2012 - June 30, 2013			FY 2014 July 1, 2013 - June 30, 2014			Fy 2015 July 1, 2014 - June 30, 2015 (Includes three months of Carroll Revenue)			FY 2016 July 1, 2015 - June 30, 2016			FY 2017 July 1, 2016 - June 30, 2017		
	Payor	Amount	%	Payor	Amount	%	Payor	Amount	%	Payor	Amount	%	Payor	Amount	%
(1)	Blue Cross	141,799,868	13.81%	Blue Cross	141,839,187	13.56%	Blue Cross	137,898,256	12.22%	Blue Cross	154,827,023	11.78%	Blue Cross	138,022,289	10.28%
(2)	Commercial	120,074,555	11.69%	Commercial	121,539,398	11.62%	Commercial	130,663,080	11.58%	Commercial	160,521,092	12.21%	Commercial	181,112,481	13.50%
(3)	HMO	55,493,265	5.40%	HMO	52,440,641	5.01%	HMO	60,211,127	5.34%	HMO	76,102,984	5.79%	HMO	74,012,143	5.51%
(4)	Medicare	426,136,942	41.49%	Medicare	438,054,871	41.89%	Medicare	480,161,146	42.57%	Medicare	577,995,705	43.98%	Medicare	586,524,307	43.70%
(5)	Medicaid	40,294,314	3.92%	Medicaid	44,639,982	4.27%	Medicaid	52,456,276	4.65%	Medicaid	80,281,076	6.11%	Medicaid	79,205,218	5.90%
(6)	Selfpay	72,367,831	7.05%	Selfpay	59,229,617	5.66%	Selfpay	51,768,937	4.59%	Selfpay	51,363,953	3.91%	Selfpay	44,631,070	3.33%
(7)	Other	170,808,142	16.63%	Other	188,088,554	17.98%	Other	214,904,619	19.05%	Other	213,214,219	16.22%	Other	238,552,601	17.78%
		<u>1,026,974,916</u>	100.00%		<u>1,045,832,249</u>	100.00%		<u>1,128,063,441</u>	100.00%		<u>1,314,306,052</u>	100.00%		<u>1,342,060,109</u>	100.00%

\*Note: Other includes Worker's Comp, M/A HMO, Medicare HMO, Hospice and some other misc categories

**LifeBridge Health, Inc. and Subsidiaries**  
**Investments**  
**June 30, 2017**

**Long-term**  
**Investments**

Cash and cash equivalents	6.5%
Equities	32.2%
Mutual funds	28.0%
Alternative Investments	16.8%
Government Securities	1.2%
Fixed Income	15.3%
	<u>100.0%</u>



555 Fairmount Avenue  
Baltimore, MD 21286

Phone 410 339 7263  
Fax 410 339 7234  
Toll-Free 800 346 4075

www.rcmd.com

LOOKING FURTHER. LOOKING DEEPER.

November 9, 2017

Maryland Health and Higher Educational  
Facilities Authority  
401 Pratt Street, Suite 1224  
Baltimore, MD 21202

The Bank of New York Mellon, as Trustee  
385 Rifle Camp Road  
West Paterson, NJ 07424

Re: Maryland Health and Higher Educational Facilities Authority  
Revenue Bonds, LifeBridge Health Issue, Series 2017

Gentlemen:

We have reviewed the enclosed evidence of insurance as applicable to the insurance requirements of LifeBridge Health, Inc. (the "Institution") under the LifeBridge Health Bond Resolution adopted by Maryland Health and Higher Educational Facilities Authority (the "Authority") and dated as of January 1, 2008 (as amended and supplemented, the "Resolution") and the Master Loan Agreement dated as of January 1, 2008 (as amended and supplemented, the "Loan Agreement") by and between the Authority and the Institution and its subsidiaries Sinai Hospital of Baltimore, Inc., Northwest Hospital Center, Inc., Levindale Hebrew Geriatric Center and Hospital, Inc., The Baltimore Jewish Health Foundation, Inc., Children's Hospital at Sinai Foundation, Inc., Carroll County Health Services Corporation, Carroll Hospital Center, Inc., Carroll Hospice, Inc., Carroll County Med-Services, Inc., Carroll Health Group, LLC and Carroll Regional Cancer Center Physicians, LLC.

On the basis of the property values, earnings data, and known prior losses provided by the Institution, and within the provisions of the coverage provided by standard forms of insurance, it is our opinion that the coverage identified in the enclosed evidence of insurance meets the requirements of the Resolution and the Loan Agreement, including Section 7.01 of the Loan Agreement.

All coverages outlined remain in force or have been renewed through normal process as of this date. All premiums due have been paid and premium payments remain current.

This letter is in no way alters or is intended to alter the coverages, conditions or exclusions as set forth in the policies.

Sincerely,

Angela Stoddard, MBA, ACI  
Client Executive

AS/ph  
Enclosure(s)







# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
07/06/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Riggs, Counselman, Michaels & Downes 555 Fairmount Avenue Baltimore, MD 21286 (410) 339-7263	<b>CONTACT NAME:</b> Phyllis Heline, ACSR <b>PHONE (A/C, No, Ext):</b> 410-339-5880 ext. 1298 <b>FAX (A/C, No):</b> (410) 769-6483 <b>E-MAIL ADDRESS:</b> pheline@rcmd.com																				
	<table border="1"> <tr> <th colspan="2">INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> <tr> <td>INSURER A :</td> <td>Safety National Casualty Corporation</td> <td>15105</td> </tr> <tr> <td>INSURER B :</td> <td></td> <td></td> </tr> <tr> <td>INSURER C :</td> <td></td> <td></td> </tr> <tr> <td>INSURER D :</td> <td></td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> <td></td> </tr> </table>	INSURER(S) AFFORDING COVERAGE		NAIC #	INSURER A :	Safety National Casualty Corporation	15105	INSURER B :			INSURER C :			INSURER D :			INSURER E :			INSURER F :	
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INSURER F :																					
<b>INSURED</b> LifeBridge Health, Inc. 2401 W Belvedere Ave Baltimore, MD 21215																					

<b>COVERAGES</b>	<b>CERTIFICATE NUMBER:</b> 910169	<b>REVISION NUMBER:</b>
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THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR VVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	<b>GENERAL LIABILITY</b> <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						EACH OCCURRENCE	\$
							DAMAGE TO RENTED PREMISES (Ea occurrence)	\$
							MED EXP (Any one person)	\$
							PERSONAL & ADV INJURY	\$
							GENERAL AGGREGATE	\$
							PRODUCTS - COMP/OP AGG	\$
								\$
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS  <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident)	\$
							BODILY INJURY (Per person)	\$
							BODILY INJURY (Per accident)	\$
							PROPERTY DAMAGE (Per accident)	\$
								\$
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> EXCESS LIAB OCCUR CLAIMS-MADE DED RETENTION \$						EACH OCCURRENCE	\$
							AGGREGATE	\$
								\$
A	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below Y/N <input type="checkbox"/> N/A			AGC4055514	7/15/2016	7/15/2018	X WC STATUTORY LIMITS	
							E.L. EACH ACCIDENT	\$ \$1,000,000
							E.L. DISEASE - EA EMPLOYEE	\$ \$1,000,000
							E.L. DISEASE - POLICY LIMIT	\$ \$1,000,000
A	Workers Compensation			AGC4055514	7/15/2016	7/15/2018	\$450,000 Self Insured Retention Statutory Limit	

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)**  
 Evidencing insurance coverage as respects to the Master Loan Agreement dated March 24, 2004

<b>CERTIFICATE HOLDER</b>	<b>CANCELLATION</b>
---------------------------	---------------------

MD Health & Higher Educational Facilities Authority 401 E. Pratt Street #1224  Baltimore, MD 21202	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE: 
---	---





# EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
02/06/2017

THIS EVIDENCE OF PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

AGENCY Riggs, Counselman, Michaels & Downes 555 Fairmount Avenue Baltimore, MD 21286 (410) 339-7263		PHONE (A/C, No., Ext): (410) 339-5880 x1298	COMPANY Beazley Insurance Co., Inc.  555 Fairmount Ave Baltimore, MD 21286	
FAX (A/C, No.): (410) 769-6483	E-MAIL ADDRESS: pheline@rcmd.com			
CODE:	SUB CODE:			
AGENCY CUSTOMER ID #: 1523		LOAN NUMBER		POLICY NUMBER V135CF170501
INSURED LifeBridge Health, Inc. 2401 W Belvedere Ave  Baltimore, MD 21215		EFFECTIVE DATE 1/31/2017	EXPIRATION DATE 1/31/2018	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:				

## PROPERTY INFORMATION

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

## COVERAGE INFORMATION

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Client Property Coverage	\$5,000,000	\$50,000
Computer Fraud and Funds Transfer Fraud	\$5,000,000	\$50,000
Credit Card Coverage	\$1,000,000	\$50,000
Employee Dishonesty	\$5,000,000	\$50,000
Expense Coverage Aggregate	\$100,000	\$0
Forgery or Alteration	\$5,000,000	\$50,000
In Transit	\$5,000,000	\$50,000
Money Orders and Counterfeit Paper Currency Fraud	\$5,000,000	\$50,000
On Premises	\$5,000,000	\$50,000

## REMARKS (Including Special Conditions)

Evidencing insurance coverage as respects the Master Loan Agreement.

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

## ADDITIONAL INTEREST

NAME AND ADDRESS MD Health & Higher Educational Facilities Authority 401 E. Pratt Street #1224  Baltimore, MD 21202	<input type="checkbox"/> MORTGAGEE	<input type="checkbox"/> ADDITIONAL INSURED
	<input type="checkbox"/> LOSS PAYEE	
	LOAN #	
AUTHORIZED REPRESENTATIVE  		

ACORD 27 (2009/12) 17-18 Crime  
Client # 1523 Mst # Updated

Cert Holder # 867032

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The ACORD name and logo are registered marks of ACORD



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
06/22/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> N/A P.O. Box 1085GT 113 South Church Street Georgetown, Grand Cayman, Cayman Islands	<b>CONTACT NAME:</b> Phyllis Heline, ACSR <b>PHONE (A/C, No, Ext):</b> 410-339-5880 ext. 1298 <b>E-MAIL ADDRESS:</b> pheline@rcmd.com	<b>FAX (A/C, No):</b> (410) 769-6483													
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INSURER F :															
<b>INSURED</b> LifeBridge Health, Inc. 2401 W Belvedere Ave  Baltimore, MD 21215															

**COVERAGES**

CERTIFICATE NUMBER: 902413

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	<b>GENERAL LIABILITY</b> <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC			717181	7/1/2017	7/1/2018	EACH OCCURRENCE	\$ \$2,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	\$
							MED EXP (Any one person)	\$
							PERSONAL & ADV INJURY	\$
							GENERAL AGGREGATE	\$ Unlimited
							PRODUCTS - COMP/OP AGG	\$
								\$
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident)	\$
							BODILY INJURY (Per person)	\$
							BODILY INJURY (Per accident)	\$
							PROPERTY DAMAGE (Per accident)	\$
								\$
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE	\$
							AGGREGATE	\$
								\$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		N/A				WC STATUTORY LIMITS	OTH-ER
							E.L. EACH ACCIDENT	\$
							E.L. DISEASE - EA EMPLOYEE	\$
							E.L. DISEASE - POLICY LIMIT	\$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)  
Master Equipment Lease and Sublease agreement among Banc of America Leasing & Capital, LLC Maryland Health & Higher Educational Facilities Authority, lessee and Sinai Hospital, Northwest Hospital and Levindale Hospital

**CERTIFICATE HOLDER****CANCELLATION**

MD Health & Higher Educational Facilities Authority 401 E. Pratt Street #1224  Baltimore, MD 21202	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE <i>RLeadbetter</i>
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# EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
09/28/2017

THIS EVIDENCE OF PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

AGENCY Riggs, Counselman, Michaels & Downes 555 Fairmount Avenue Baltimore, MD 21286 (410) 339-7263		PHONE (A/C, No, Ext): (410) 339-5880 x1298	COMPANY Affiliated FM Insurance Company  270 Central Avenue Johnston, RI 02919-4949	
FAX (A/C, No): (410) 769-6483	E-MAIL ADDRESS: pheline@rcmd.com			
CODE:	SUB CODE:			
AGENCY CUSTOMER ID #: 1523		LOAN NUMBER		POLICY NUMBER WD331
INSURED LifeBridge Health, Inc. 2401 W Belvedere Ave  Baltimore, MD 21215		EFFECTIVE DATE 10/1/2017	EXPIRATION DATE 10/1/2018	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:				

## PROPERTY INFORMATION

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

## COVERAGE INFORMATION

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Blanket Building, Contents and Business Income	\$1,250,000,000	\$50,000

## REMARKS (Including Special Conditions)

The Certificate Holder named below is included as a mortgagee. Northwest, Sinai and Levindale are all covered locations.

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

## ADDITIONAL INTEREST

NAME AND ADDRESS MD Health & Higher Educational Facilities Authority 401 E. Pratt Street #1224  Baltimore, MD 21202	<input checked="" type="checkbox"/>	MORTGAGEE	<input type="checkbox"/>	ADDITIONAL INSURED
	<input type="checkbox"/>	LOSS PAYEE		
		LOAN #		
AUTHORIZED REPRESENTATIVE 				

ACORD 27 (2009/12) 17-18 Property

Cert Holder # 925994

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Client # 1523 Mst #

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