ASCENSION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Quarters and Nine Months Ended March 31, 2015 and 2014

Ascension

Consolidated Interim Financial Statements
and Supplementary Information

For the Quarters and Nine Months Ended March 31, 2015 and 2014

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(Dollars in Thousands)

	March 31, 2015	June 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 628,022**	$ 618,418
Short-term investments	**132,388**	109,081
Accounts receivable, less allowance for doubtful accounts ($1,314,324 and $1,260,407 at March 31, 2015 and June 30, 2014, respectively)	**2,607,918**	2,419,616
Inventories	**338,627**	332,739
Due from brokers *(see Notes 4 and 5)*	**154,491**	343,757
Estimated third-party payor settlements	**268,881**	236,559
Other *(see Notes 4 and 5)*	**634,092**	562,367
Total current assets	**4,764,419**	4,622,537
Long-term investments *(see Notes 4 and 5)*	**14,872,671**	15,327,255
Property and equipment, net	**8,356,154**	8,410,629
Other assets:		
Investment in unconsolidated entities	**798,334**	649,888
Capitalized software costs, net	**769,576**	778,705
Other	**1,418,387**	1,509,849
Total other assets	**2,986,297**	2,938,442
Total assets	**$ 30,979,541**	$ 31,298,863

	March 31, 2015	June 30, 2014
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 85,034**	$ 91,532
Long-term debt subject to short-term remarketing arrangements*	**1,195,125**	1,345,530
Accounts payable and accrued liabilities	**2,294,787**	2,293,663
Estimated third-party payor settlements	**424,243**	450,054
Due to brokers *(see Notes 4 and 5)*	**125,292**	332,169
Current portion of self-insurance liabilities	**262,427**	226,856
Other *(see Notes 4 and 5)*	**439,043**	274,645
Total current liabilities	**4,825,951**	5,014,449
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**5,001,767**	4,994,913
Self-insurance liabilities	**525,984**	541,859
Pension and other postretirement liabilities	**339,548**	428,679
Other *(see Notes 4 and 5)*	**1,123,379**	1,343,826
Total noncurrent liabilities	**6,990,678**	7,309,277
Total liabilities	**11,816,629**	12,323,726
Net assets:		
Unrestricted		
Controlling interest	**16,990,972**	16,736,190
Noncontrolling interests	**1,562,711**	1,656,106
Unrestricted net assets	**18,553,683**	18,392,296
Temporarily restricted	**413,418**	391,226
Permanently restricted	**195,811**	191,615
Total net assets	**19,162,912**	18,975,137
Total liabilities and net assets	**$ 30,979,541**	$ 31,298,863

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to December 31, 2015. In the event that bonds are not remarketed upon the exercise of put options or the scheduled mandatory tenders, management would utilize other sources to access the necessary liquidity. Potential sources include liquidating investments (which could accompanied by a draw on the $500 million general purpose line of credit to restore fund balances), drawing upon the $500 million line of credit, and issuing commercial paper. The commercial paper program is supported by the $500 million hybrid line of credit.

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

Ascension

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

(Dollars in Thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	**2014**	**2015**	**2014**
Operating revenue:				
Net patient service revenue	**$ 4,999,761**	$ 4,766,540	**$ 15,037,971**	$ 14,357,839
Less provision for doubtful accounts	**255,706**	354,308	**863,954**	1,013,018
Net patient service revenue, less provision for doubtful accounts	**4,744,055**	4,412,232	**14,174,017**	13,344,821
Other revenue	**349,204**	570,565	**1,363,612**	1,618,205
Total operating revenue	**5,093,259**	4,982,797	**15,537,629**	14,963,026
Operating expenses:				
Salaries and wages	**2,129,881**	2,022,106	**6,400,388**	6,108,480
Employee benefits	**473,266**	442,123	**1,344,669**	1,312,118
Purchased services	**319,754**	293,331	**939,051**	884,342
Professional fees	**321,486**	322,938	**952,160**	925,929
Supplies	**728,607**	696,069	**2,199,602**	2,109,285
Insurance	**52,068**	39,199	**148,604**	107,658
Interest	**50,175**	48,424	**146,684**	147,013
Depreciation and amortization	**241,122**	225,594	**713,011**	669,806
Other	**617,246**	729,400	**2,059,234**	2,145,903
Total operating expenses before impairment, restructuring and nonrecurring losses, net	**4,933,605**	4,819,184	**14,903,403**	14,410,534
Income from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring losses, net	**159,654**	163,613	**634,226**	552,492
Self-insurance trust fund investment return	**(1,053)**	17,294	**(16,195)**	48,483
Impairment, restructuring and nonrecurring losses, net	**(25,481)**	(42,840)	**(85,413)**	(128,812)
Income from operations	**133,120**	138,067	**532,618**	472,163
Nonoperating gains (losses):				
Investment return	**181,001**	305,462	**(143,349)**	1,125,434
Loss on extinguishment of debt	**-**	160	**-**	(1,566)
(Losses) gain on interest rate swaps	**(19,002)**	3,271	**(43,979)**	18,817
Income from unconsolidated entities	**(7,893)**	1,421	**2,900**	3,320
Other	**(16,655)**	(16,109)	**(55,647)**	(46,733)
Total nonoperating gains (losses), net	**137,450**	294,205	**(240,076)**	1,099,272
Excess of revenues and gains over expenses and losses	**270,570**	432,272	**292,542**	1,571,436
Less noncontrolling interests	**42,426**	60,820	**38,258**	197,930
Excess of revenues and gains over expenses and losses attributable to controlling interest	**228,144**	371,452	**254,284**	1,373,506

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Consolidated Statements of Operations and Changes in Net Assets (unaudited) (continued)

(Dollars in Thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	**2014**	**2015**	**2014**
Unrestricted net assets, controlling interest:				
Excess of revenues and gains over expenses and losses	**$ 228,144**	$ 371,452	**$ 254,284**	$ 1,373,506
Transfers to sponsors and other affiliates, net	**(10,683)**	2,064	**(16,004)**	(5,307)
Net assets released from restrictions for property acquisitions	**8,609**	11,437	**26,478**	37,204
Pension and other postretirement liability adjustments	**6,273**	190	**15,090**	254
Change in unconsolidated entities' net assets	**(272)**	241	**(1,513)**	4,730
Other	**4,060**	32,427	**4,241**	27,550
Increase in unrestricted net assets, controlling interest, before loss from discontinued operations	**236,131**	417,811	**282,576**	1,437,937
Loss from discontinued operations	**(7,290)**	15,068	**(27,794)**	(18,328)
Increase in unrestricted net assets, controlling interest	**228,841**	432,879	**254,782**	1,419,609
Unrestricted net assets, noncontrolling interests:				
Excess (deficit) of revenues and gains over expenses and losses	**42,426**	60,820	**38,258**	197,930
Distributions of capital	**(52,496)**	(103,016)	**(160,008)**	(482,339)
Contributions of capital	**14,090**	28,538	**40,123**	340,397
Membership interest changes, net	**(5,850)**	(38,796)	**(11,767)**	(15,515)
(Decrease) increase in unrestricted net assets, noncontrolling interests	**(1,830)**	(52,454)	**(93,394)**	40,473
Temporarily restricted net assets, controlling interest:				
Contributions and grants	**16,028**	16,990	**78,878**	60,300
Investment return	**5,538**	4,215	**6,377**	23,541
Net assets released from restrictions	**(17,616)**	(16,153)	**(61,820)**	(67,752)
Other	**447**	(954)	**(1,243)**	2,072
Increase in temporarily restricted net assets, controlling interest	**4,397**	4,098	**22,192**	18,161
Permanently restricted net assets, controlling interest:				
Contributions	**2,610**	1,288	**5,677**	8,191
Investment return	**1,179**	474	**1,193**	5,936
Other	**(1,932)**	(595)	**(2,675)**	(1,345)
Increase in permanently restricted net assets, controlling interest	**1,857**	1,167	**4,195**	12,782
Increase in net assets	**233,265**	385,690	**187,775**	1,491,025
Net assets, beginning of period	**18,929,647**	18,233,962	**18,975,137**	17,128,627
Net assets, end of period	**$ 19,162,912**	$ 18,619,652	**$ 19,162,912**	$ 18,619,652

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

Ascension

Consolidated Statements of Cash Flows (unaudited)
(Dollars in Thousands)

	Nine Months Ended March 31, 2015	2014
Operating activities		
Increase in net assets	**$ 187,775**	$ 1,491,025
Adjustments to reconcile (decrease)/increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**713,011**	669,806
Amortization of bond premiums	**(17,043)**	(16,939)
Loss on extinguishment of debt	**–**	1,566
Provision for doubtful accounts	**868,880**	1,016,693
Pension and other postretirement liability adjustments	**(15,090)**	(254)
Interest, dividends, and net losses (gains) on investments	**151,974**	(1,203,394)
Change in market value of interest rate swaps	**44,183**	(15,943)
Deferred gain on interest rate swaps	**(227)**	(227)
Gain on sale of assets, net	**(36,107)**	(24,115)
Impairment and nonrecurring expenses	**3,975**	11,890
Transfers to sponsor and other affiliates, net	**16,004**	5,307
Restricted contributions, investment return, and other	**(89,793)**	(78,325)
Other restricted activity	**(18,817)**	(1,466)
Nonoperating depreciation expense	**37**	199
(Increase) decrease in:		
Short-term investments	**(31,144)**	19,227
Accounts receivable	**(1,035,842)**	(1,162,207)
Inventories and other current assets	**(119,371)**	72,834
Due from brokers	**189,266**	9,519
Investments classified as trading	**90,341**	454,822
Other assets	**(95,557)**	(107,253)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**26,932**	28,963
Estimated third-party payor settlements, net	**(58,133)**	(201,677)
Due to brokers	**(206,877)**	(177,866)
Other current liabilities	**295,786**	66,281
Self-insurance liabilities	**19,790**	820
Other noncurrent liabilities	**(283,876)**	(107,005)
Net cash provided by continuing operating activities	**600,077**	752,281
Net cash provided (used) in and adjustments to reconcile change in net assets for discontinued operations	**138,722**	(13,133)
Net cash provided by operating activities	**738,799**	739,148

Continued on next page.

Ascension

Consolidated Statements of Cash Flows (unaudited) (continued)

(Dollars in Thousands)

	Nine Months Ended March 31, 2015	Nine Months Ended March 31, 2014
Investing activities		
Property, equipment, and capitalized software additions, net	**$ (668,227)**	$ (754,900)
Proceeds from sale of property and equipment	**4,621**	11,917
Net cash used in investing activities	**(663,606)**	(742,983)
Financing activities		
Issuance of long-term debt	**211,816**	405,103
Repayment of long-term debt	**(344,822)**	(501,988)
Decrease in assets under bond indenture agreements	**8,875**	2,940
Transfers to/from sponsors and other affiliates, net	**(31,251)**	(16,673)
Restricted contributions, investment return, and other	**89,793**	78,325
Net cash used in financing activities	**(65,589)**	(32,293)
Net increase (decrease) in cash and cash equivalents	**9,604**	(36,128)
Cash and cash equivalents at beginning of period	**618,418**	753,555
Cash and cash equivalents at end of period	**$ 628,022**	$ 717,427

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

1. Organization and Mission

Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is the sole corporate member and parent organization of Ascension Health, a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Health Ministries, located in 23 states and the District of Columbia.

Ascension serves as the member or shareholder of various subsidiaries as listed below:

- AH Holdings, LLC, d/b/a Ascension Holdings
- AHV Holding Company, LLC, d/b/a AV Holding Company
- Ascension Health
- Ascension Health Clinical Holdings, d/b/a Ascension Clinical Holdings
- Ascension Health Global Mission, d/b/a Ascension Global Mission
- Ascension Health Insurance, Ltd. (AHIL)
- Ascension Health – IS Inc., d/b/a Ascension Information Services
- Ascension Health Resource and Supply Management Group, LLC d/b/a The Resource Group
- Ascension Health Leadership Academy, d/b/a Ascension Leadership Academy
- Ascension Health Ventures LLC, d/b/a Ascension Ventures
- Ascension Investment Management, LLC (AIM)
- Ascension Alpha Fund, LLC, f/k/a CHIMCO Alpha Fund, LLC (Alpha Fund)
- Ascension Risk Services, LLC
- Ascension Care Management LLC
- Ascension Ministry and Mission Fund, d/b/a Ascension Associate Assistance Fund

Ascension and its member organizations are hereafter referred to collectively as the System.

1. Organization and Mission (continued)

Sponsorship

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person. The Participating Entities of Ascension Sponsor are the Daughters of Charity of St. Vincent de Paul, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

1. Organization and Mission (continued)

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and other community benefit programs. The cost of providing care to persons living in poverty and other community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care.

Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

The amount of traditional charity care provided, determined on the basis of cost, was $386,090 and $441,725 for the nine months ended March 31, 2015 and 2014, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

2. Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments that are considered necessary for a fair presentation have been included and are of a normal and recurring nature. Operating results for the nine months ended March 31, 2015 are not necessarily indicative of the results to be expected for the year ending June 30, 2015. Substantially all expenses of Ascension are related to providing health care services. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended June 30, 2014.

2. Significant Accounting Policies (continued)

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the System or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where the System does not have operating control are recorded under the equity or cost method of accounting. Income from unconsolidated entities is included in consolidated excess of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets as follows:

	Nine Months Ended March 31, 2015	Nine Months Ended March 31, 2014
Other revenue	$ 51,512	$ 53,260
Nonoperating gains, net	2,900	3,320

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments are disclosed in the Fair Value Measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less.

2. Significant Accounting Policies (continued)

Short-Term Investments

Short-term investments consist of investments with original maturities exceeding three months and up to one year.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value using first-in, first-out (FIFO) or a methodology that closely approximates FIFO.

Long-Term Investments and Investment Return

Investments, excluding investments in unconsolidated entities, are measured at fair value, are classified as trading securities, and include pooled short-term investment funds; U.S. government, state, municipal and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. Investments also include alternative investments and other investments which are valued based on the net asset value of the investments, as further discussed in the Fair Value Measurements note. Investments also include derivatives held by the Alpha Fund, also measured at fair value, as discussed in the Pooled Investment Fund note.

Long-term investments include assets limited as to use of approximately $1,337,000 and $1,431,000, at March 31, 2015 and June 30, 2014, respectively, comprised primarily of investments placed in trust and held by captive insurance companies for the payment of self-insured claims and investments which are limited as to use, as designated by donors.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the average cost method. Investment returns on investments, excluding returns of self-insurance trust funds, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law. Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at March 31, 2015 and June 30, 2014, is as follows:

	March 31, 2015	June 30, 2014
Land and improvements	**$ 890,520**	$ 880,352
Buildings and equipment	**15,447,394**	14,933,470
	16,337,914	15,813,822
Less accumulated depreciation	**8,556,249**	7,987,988
	7,781,665	7,825,834
Construction in progress	**574,489**	584,795
Total property and equipment, net	**$ 8,356,154**	$ 8,410,629

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense for the nine months ended March 31, 2015 and 2014 was $575,250 and $551,106, respectively.

Several capital projects have remaining construction and related equipment purchase commitments of approximately $561,000 as of March 31, 2015.

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Intangible assets are included in the Consolidated Balance Sheets as presented in the table that follows. Capitalized software costs in the table below include software in progress of $161,418 and $125,451 at March 31, 2015 and June 30, 2014, respectively:

	March 31, 2015	**June 30, 2014**
Capitalized software costs	**$ 1,681,848**	$ 1,557,302
Less accumulated amortization	**912,272**	778,597
Capitalized software costs, net	**769,576**	778,705
Goodwill	**186,575**	181,490
Other, net	**25,589**	62,573
Intangible assets included in other assets	**212,164**	244,063
Total intangible assets, net	**$ 981,740**	$ 1,022,768

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets for the nine months ended March 31, 2015 and 2014 was $137,761 and $118,700, respectively.

2. Significant Accounting Policies (continued)

The System is in the midst of a significant multi-year, System-wide enterprise resource planning project, including information technology and process standardization (Symphony), which is expected to continue through fiscal year 2017. The project is anticipated to result in a transition to a common software product for various finance, information technology, procurement, and human resources management processes, including standardization of those processes throughout the System. Capitalized costs of Symphony software were approximately $321,000 and $320,000 at March 31, 2015 and June 30, 2014, respectively, and are included in capitalized software costs in the preceding table. Certain costs of this project were also expensed. Beginning September 1, 2012, the software associated with Symphony was considered substantially complete and ready for its intended use and is amortized on a straight-line basis over its expected useful life. Accumulated amortization of Symphony software was approximately $79,000 and $55,000 at March 31, 2015 and June 30, 2014, respectively. See the Impairment, Restructuring, and Nonrecurring Gains (Losses) discussion below for additional information about costs associated with Symphony.

Noncontrolling Interests

The consolidated financial statements include all assets, liabilities, revenues, and expenses of entities that are controlled by the System and therefore consolidated. Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donors' wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Temporarily and permanently restricted net assets consist solely of controlling interests of the System.

2. Significant Accounting Policies (continued)

Performance Indicator

The performance indicator is the excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, change in unconsolidated entities' net assets, discontinued operations, and contributions received of property and equipment.

Operating and Nonoperating Activities

The System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the System's primary mission are considered to be nonoperating. Additionally, contributions recognized in conjunction with business combination transactions are also classified as nonoperating.

Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. The System recognizes patient service revenue at the time services are rendered, even though the patient's ability to pay may not be completely assessed at that time. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by $101,938 and $63,736 for the nine months ended March 31, 2015 and 2014, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The percentage of net patient service revenue, less provision for doubtful accounts earned by payor for the nine months ended March 31, 2015 and 2014, is as follows:

	Nine Months Ended March 31, 2015	Nine Months Ended March 31, 2014
Medicare - traditional and managed	**35 %**	37 %
Medicaid - traditional and managed	**11**	11
Commercial and other managed care	**50**	48
Self-Pay and other	**4**	4
	100 %	100 %

The System grants credit without collateral to its patients, who are primarily local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable, less allowance for doubtful accounts, at March 31, 2015 and June 30, 2014, are as follows:

	March 31, 2015	June 30, 2014
Medicare - traditional and managed	**28 %**	28 %
Medicaid - traditional and managed	**9**	11
Commercial and other managed care	**42**	42
Self-Pay and other	**21**	19
	100 %	100 %

2. Significant Accounting Policies (continued)

The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the System. Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies.

The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year. The System has not experienced material changes in write-off trends and has not materially changed its charity care policy in the current fiscal year.

Impairment, Restructuring, and Nonrecurring Gains (Losses)

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on future discounted net cash flows or other estimates of fair value.

Nonrecurring expenses associated with Symphony include project management and process re-engineering costs, amortization expense for those Health Ministries not yet on Symphony, as well as costs to establish a shared service center and develop a business intelligence data warehouse. Costs associated with product deployment are recorded as nonrecurring gains (losses), and costs associated with product support are recorded as recurring operating expenses.

2. Significant Accounting Policies (continued)

During the nine months ended March 31, 2015, the System recorded total impairment, restructuring, and nonrecurring losses, net of $85,413. This amount was comprised primarily of $78,601 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of $4,560, and other nonrecurring expenses of $2,252.

During the nine months ended March 31, 2014, the System recorded total impairment, restructuring, and nonrecurring losses, net of $128,812. This amount was comprised primarily of $118,897 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of $7,332, and other nonrecurring expenses of $2,583.

Amortization

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method.

Capitalized software, including internally developed software, is amortized on a straight-line basis over the expected useful life of the software.

Income Taxes

The member healthcare entities of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(2), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of March 31, 2015.

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by certain members of the System. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of the investigations will not have a material adverse impact on the consolidated financial statements of the System.

2. Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications were made to the June 30, 2014 and March 31, 2014 accompanying consolidated financial statements to conform to the March 31, 2015 presentation.

Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the Consolidated Balance Sheet date. For the nine months ended March 31, 2015, the System evaluated subsequent events through May 13, 2015, representing the date on which the accompanying unaudited consolidated financial statements were issued. During this period, there were no material subsequent events that required recognition or disclosure in the accompanying unaudited consolidated financial statements.

3. Organizational Changes

Divestitures and Discontinued Operations

On February 13, 2015, Carondelet Health, a wholly owned subsidiary of Ascension Health, sold substantially all assets and liabilities associated with the operations of Carondelet Health, including St. Joseph Medical Center in Kansas City, Missouri, and St. Mary's Medical Center in Blue Springs, Missouri to Prime Healthcare Services (Prime). Operations and associated assets and liabilities of Carondelet Health's long-term care facilities and of two charitable foundations will remain with Ascension Health.

In August 2014, Ascension Health signed an affiliation agreement with Catholic Health, Inc. (Catholic Health), whereby Catholic Health will become the sole corporate member of Mount St. Mary's Hospital in Niagara Falls, New York. This transaction is expected to close during calendar year 2015, after obtaining all necessary regulatory approvals.

3. Organizational Changes (continued)

In July 2014, Carondelet Health Network, a subsidiary of Ascension Health, signed a non-binding letter of intent to sell a controlling interest in substantially all assets, liabilities and related operations, excluding certain non-acute entities, of Ascension's operations in Tucson, Arizona. Completion of the sale is subject to due diligence and execution of a final definitive agreement. This transaction is expected to close during calendar 2015, after obtaining all necessary approvals.

Assets and liabilities held for sale, related to the transactions discussed above, are included within Other Assets and Other Liabilities, respectively, in the System's Consolidated Balance Sheets. These assets were $256,180 and $431,404 at March 31, 2015 and June 30, 2014, respectively, while the liabilities were $93,978 and $130,722 at March 31, 2015 and June 30, 2014, respectively. Revenues of these entities were $447,194 and $445,030 for the nine months ended March 31, 2015 and 2014, respectively, which include revenues of Carondelet Health through the sale date of February 13, 2015. Net losses of these entities, which include losses of Carondelet Health through the sale date of February 13, 2015, are included in the Loss from discontinued operations in the Consolidated Statement of Operations and Changes in Net Assets and were $27,794 and $18,328 for the nine months ended March 31, 2015 and 2014, respectively.

Other

Effective February 1, 2015, Ascension Health and Adventist Health System entered into a joint operating agreement, which provides for an integrated health delivery system in Illinois, known as AMITA Health (AMITA). AMITA includes five hospitals of Alexian Brothers Health System (Alexian), a subsidiary of Ascension Health, and four hospitals of Adventist Midwest Health (Adventist), a subsidiary of Adventist Health System. The creation of AMITA Health did not result in a change in control of the hospitals of Alexian and Adventist; Alexian and Adventist will share in the cash flows generated by AMITA based on an agreed upon presumptive split.

Effective December 31, 2014, Ascension Care Management LLC, a member of Ascension, purchased U.S. Health and Holdings, Ltd., a corporation which provides group life, accident and health insurance and benefits processing services. The valuation of the acquired assets and liabilities and recognition of the combination transaction is expected to be completed by June 30, 2015.

3. Organizational Changes (continued)

During the nine months ended March 31, 2015, Ascension Health entered into two separate non-binding Letters of Intent with separate third parties in Michigan and Tennessee, to evaluate the potential of certain entities becoming members of Ascension Health.

Effective November 1, 2014, Ministry Health Care, Inc. (Ministry), a subsidiary of Ascension Health, and Ministry's wholly owned subsidiary, Ministry Holdings Inc. (MHI), sold a 50% membership interest in MHI to Froedtert Health, Inc. The sale resulted in a loss of control by Ministry over MHI, and as such, Ministry deconsolidated MHI as of that date. Ministry reports it's retained 50% investment in MHI, which was renamed Network Health, Inc. in conjunction with the sale transaction, on the equity basis of accounting.

In September 2014, Ascension Health and Evolution Health, LLC entered into an agreement for the purpose of providing home health, hospice and related services in certain states within the United States.

4. Pooled Investment Fund

At March 31, 2015 and June 30, 2014, a significant portion of the System's investments consists of the System's interest in the Alpha Fund, a limited liability company organized in the state of Delaware. Certain investments are held and managed outside the Alpha Fund.

The Alpha Fund includes the investment interests of the System and other Alpha Fund members. AIM, a wholly owned subsidiary of the System, manages and serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management. The Alpha Fund is consolidated in the System's financial statements.

The portion of the Alpha Fund's net assets representing interests held by entities other than the System are reflected in noncontrolling interests in the Consolidated Balance Sheets, which amount to $1,398,683 and $1,490,082 at March 31, 2015 and June 30, 2014, respectively.

4. Pooled Investment Fund (continued)

The Alpha Fund invests in a diversified portfolio of investments including alternative investments, such as real asset funds, hedge funds, private equity funds, commodity funds and private credit funds. The Alpha Fund's investments in certain alternative investment funds include contractual commitments to provide capital contributions during the investment period which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require the Alpha Fund to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of March 31, 2015, contractual agreements of the Alpha Fund expire between April 2015 and September 2019. The remaining unfunded capital commitments of the Alpha Fund total approximately $1,273,000 for 106 individual funds as of March 31, 2015. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

In the normal course of operations and within established Alpha Fund guidelines, the Alpha Fund may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, option, and forward contracts as well as warrants and swaps.

These instruments are used primarily to adjust the portfolio duration, restructure term structure exposure, change sector exposure, and arbitrage market inefficiencies. See the Fair Value Measurements note for a discussion of how fair value for the Alpha Fund's derivatives is determined.

At March 31, 2015 and June 30, 2014, the notional value of Alpha Fund derivatives outstanding was approximately $5,238,000 and $2,377,000, respectively. The fair value of Alpha Fund derivatives in an asset position was $154,704 and $61,234 at March 31, 2015 and June 30, 2014, respectively, while the fair value of Alpha Fund derivatives in a liability position was $80,076 and $3,478 at March 31, 2015 and June 30, 2014, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets at March 31, 2015 and June 30, 2014.

4. Pooled Investment Fund (continued)

Prior to September 30, 2014, the Alpha Fund participated in a securities lending program, whereby a portion of the Alpha Fund’s investments were loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned, usually on a short-term basis. The fair value of collateral held by the Alpha Fund associated with such lending agreements was approximately $3,000 at June 30, 2014 and is included in other current assets in the Consolidated Balance Sheets, while the liability associated with the obligation to repay such collateral is also approximately $3,000 at June 30, 2014 and is included in other current liabilities in the Consolidated Balance Sheets. In addition, the Alpha Fund has liabilities for investments sold not yet purchased, representing obligations of the Alpha Fund to purchase investments in the market at prevailing prices. The fair value of this Alpha Fund liability is approximately $179,000 at June 30, 2014 and is included in other noncurrent liabilities in the Consolidated Balance Sheets.

Due from brokers and due to brokers on the Consolidated Balance Sheets at March 31, 2015 and June 30, 2014, represent the Alpha Fund’s positions and amounts due from or to various brokers, primarily amounts for security transactions not yet settled, and cash held by brokers for securities sold, not yet purchased.

(Dollars in Thousands)

5. Cash and Investments

The System's cash and investments are reported in the Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes both the System's membership interest in the Alpha Fund and the noncontrolling interests held by other Alpha Fund members. System unrestricted cash and investments, net, represent the System's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

	March 31, 2015	June 30, 2014
Cash and cash equivalents	**$ 628,022**	$ 618,418
Short-term investments	**132,388**	109,081
Long-term investments	**14,872,671**	15,327,255
Subtotal	**15,633,081**	16,054,754
Other Alpha Fund assets and liabilities:		
In other current assets	**96,726**	30,671
In other long-term assets	**28,327**	2,641
In accounts payable and other accrued liabilities	**(6,813)**	(7,013)
In other current liabilities	**-**	(3,341)
In other noncurrent liabilities	**-**	(178,732)
Due to brokers, net	**29,199**	11,588
Total cash and investments, net	**15,780,520**	15,910,568
Less noncontrolling interests of Alpha Fund	**1,398,683**	1,490,082
System cash and investments, including assets limited as to use	**14,381,837**	14,420,486
Less assets limited as to use:		
Under bond indenture agreement	**34,994**	43,869
Self-insurance trust funds	**744,814**	759,388
Temporarily or permanently restricted	**601,809**	652,244
Total assets limited as to use	**1,381,617**	1,455,501
System unrestricted cash and investments, net	**$ 13,000,220**	$ 12,964,985

(Dollars in Thousands)

5. Cash and Investments (continued)

At March 31, 2015 and June 30, 2014, the composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows.

	March 31, 2015	June 30, 2014
Cash and cash equivalents and short-term investments	**$ 855,401**	$ 828,020
Pooled short-term investment funds	**435,169**	302,436
U.S. government, state, municipal and agency obligations	**3,195,890**	3,301,360
Corporate and foreign fixed income securities	**1,512,023**	1,660,267
Asset-backed securities	**814,916**	978,429
Equity securities	**3,214,140**	3,318,063
Alternative investments and other investments:		
Private equity and real estate funds	**1,328,823**	1,126,914
Hedge funds	**3,030,169**	3,303,800
Commodities funds and other investments	**1,246,550**	1,235,465
Total alternative investments and other investments	**5,605,542**	5,666,179
Total cash and cash equivalents, short-term investments, and long-term investments	**$ 15,633,081**	$ 16,054,754

As of March 31, 2015 and June 30, 2014, the System's membership interest in the Alpha Fund totaled $11,843,830 and $12,500,448, respectively. As of March 31, 2015 and June 30, 2014, the noncontrolling interest (see Note 2) in the Alpha Fund, representing interests held by entities other than the System, totaled $1,398,683 and $1,490,082, respectively.

Investment return recognized by the System for the nine months ended March 31, 2015 and 2014, is summarized in the following table. Total investment return includes the System's return in the Ascension Legacy Portfolio and the investment return of the Alpha Fund. System investment return represents the System's total investment return, net of the investment return earned by the noncontrolling interests of other Alpha Fund members.

(Dollars in Thousands)

5. Cash and Investments (continued)

	Nine Months Ended March 31, 2015	Nine Months Ended March 31, 2014
Interest and dividends	$ 302,692	$ 372,819
Net gains (losses) on investments reported at fair value	(462,236)	801,098
Restricted investment return and unrealized gains, net	7,570	29,477
Total investment return	(151,974)	1,203,394
Less return earned by noncontrolling interests of Alpha Fund	(23,162)	147,878
System investment return	$ (128,812)	$ 1,055,516

6. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

6. Fair Value Measurements (continued)

The System follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

> Level 1 – Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date.
>
> Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar assets and liabilities in active markets or exchanges or prices quoted for identical or similar assets and liabilities in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

There were no significant transfers between Levels 1 and 2 during the nine months ended March 31, 2015 and 2014.

As of March 31, 2015 and June 30, 2014, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates. Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value.

6. Fair Value Measurements (continued)

Pooled Short-term Investment Fund

The pooled short-term investment fund is a short term exchange traded money market fund primarily invested in treasury securities.

U S. Government, State, Municipal, and Agency Obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Corporate and Foreign Fixed Income Securities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Asset-backed Securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Equity Securities

The fair value of investments in U.S. and international equity securities is primarily determined using techniques consistent with the market and income approaches. The values for underlying investments are fair value estimates determined by external fund managers based on quoted market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

6. Fair Value Measurements (continued)

Alternative Investments and Other Investments

Alternative investments consist of private equity, hedge funds, private equity funds, commodity funds, and real estate partnerships. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

The fair value of hedge funds, private equity funds, commodity funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Other investments include derivative assets and derivative liabilities of the Alpha Fund, whose fair value is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Securities Lending Collateral

The fair value of collateral received under the Alpha Fund's securities lending program is valued using the calculated net asset value for the commingled fund in which the collateral is invested. The underlying investments in the commingled fund are valued using techniques consistent with the market approach, which uses significant observable market inputs such as available trade, quotes, benchmark curves, sector groupings, and matrix pricing.

6. Fair Value Measurements (continued)

Benefit Plan Assets

The fair value of benefit plan assets is based on original investment into a guaranteed pooled fund, plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

Interest Rate Swap Assets and Liabilities

The fair value of interest rate swaps is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Investments Sold, Not Yet Purchased

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at March 31, 2015, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
March 31, 2015				
Cash and cash equivalents	$ 468,161	$ 3,090	$ -	$ 471,251
Short-term investments	49,044	30,509	297	79,850
Pooled short-term investment funds	435,169	-	-	435,169
U.S. government, state, municipal and agency obligations	-	3,195,890	-	3,195,890
Corporate and foreign fixed income securities	-	1,310,856	201,167	1,512,023
Asset-backed securities	-	800,899	14,017	814,916
Equity securities	3,022,972	161,203	29,965	3,214,140
Alternative investments and other investments:				
Private equity and real estate funds	4,022	2,150	1,321,470	1,327,642
Hedge funds	-	-	3,030,169	3,030,169
Commodities funds and other investments	8,287	(2,398)	1,147,645	1,153,534
Assets not at fair value				398,497
Cash and investments				$ 15,633,081
Benefit plan assets, in other noncurrent assets	214,740	1,389	35,423	251,552
Interest rate swaps, in other noncurrent assets	-	59,475	-	59,475
Investments sold, not yet purchased, in other noncurrent liabilities	-	-	-	-
Interest rate swaps, included in other noncurrent liabilities	-	223,433	-	223,433

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the three months ended March 31, 2015, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following.

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Hedge Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Three Months Ended March 31, 2015								
Beginning balance	$ 295	$ 237,641	$ 465,088	$ 58,986	$ 1,241,859	$ 3,275,386	$ 1,078,516	$ 37,616
Total realized and unrealized gains (losses):								
Included in income from operations	-	28	(2)	249	-	(7)	11	-
Included in nonoperating gains (losses)	2	(6,114)	(87)	(366)	(2,618)	(6,904)	(56,574)	-
Included in changes in net assets	-	-	-	-	(16)	232	-	-
Purchases	-	11,136	3,841	-	228,017	93,288	100,254	6,877
Settlements	-	-	-	-	(89)	-	-	-
Issuances	-	-	-	-	2,690	-	-	-
Sales	-	(25,114)	(37,302)	(2,782)	(148,373)	(330,606)	(14,615)	(7,119)
Transfers into Level 3	-	358	-	-	-	-	59,059	980
Transfers out of Level 3	-	(16,768)	(417,521)	(26,122)	-	(1,220)	(19,006)	(2,931)
Ending balance	$ 297	$ 201,167	$ 14,017	$ 29,965	$ 1,321,470	$ 3,030,169	$ 1,147,645	$ 35,423
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2015	$ -	$ (3,290)	$ 562	$ (589)	$ (11,582)	$ 47,584	$ (38,399)	$ -

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the nine months ended March 31, 2015, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following.

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Hedge Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Nine Months Ended March 31, 2015								
Beginning balance	$ 293	$ 230,573	$ 99,921	$ 51,578	$ 1,117,746	$ 3,303,800	$ 1,125,210	$ 40,749
Total realized and unrealized gains (losses):								
Included in income from operations	-	-	1	(2,137)	-	27	(237)	-
Included in nonoperating gains (losses)	4	(10,022)	346	(744)	48,722	133,357	(221,768)	-
Included in changes in net assets	-	-	-	-	13	(597)	-	-
Purchases	-	93,526	5,936	2,748	301,541	131,686	269,338	38,792
Settlements	-	-	-	-	(172)	-	-	-
Issuances	-	-	-	-	2,690	-	-	-
Sales	-	(103,542)	(41,009)	(19,787)	(149,070)	(538,323)	(98,542)	(30,764)
Transfers into Level 3	293	483	41,232	-	-	1,500	159,661	4,879
Transfers out of Level 3	(293)	(9,851)	(92,410)	(1,693)	-	(1,281)	(86,017)	(18,233)
Ending balance	$ 297	$ 201,167	$ 14,017	$ 29,965	$ 1,321,470	$ 3,030,169	$ 1,147,645	$ 35,423
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2015	$ -	$ (8,101)	$ 863	$ (5,796)	$ 12,762	$ 71,405	$ (230,139)	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2014, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
June 30, 2014				
Cash and cash equivalents	$ 351,934	$ 3,398	$ -	$ 355,332
Short-term investments	44,193	23,804	293	68,290
Pooled short-term investment funds	302,436	-	-	302,436
U.S. government, state, municipal and agency obligations	-	3,301,360	-	3,301,360
Corporate and foreign fixed income securities	-	1,429,694	230,573	1,660,267
Asset-backed securities	-	878,508	99,921	978,429
Equity securities	3,079,815	186,670	51,578	3,318,063
Alternative investments and other investments:				
Private equity and real estate funds	388	5,901	1,117,746	1,124,035
Hedge funds	-	-	3,303,800	3,303,800
Commodities funds and other investments	134	1,352	1,125,210	1,126,696
Assets not at fair value				516,046
Cash and investments				$ 16,054,754
Securities lending collateral, in other current assets	$ -	$ 3,341	$ -	$ 3,341
Benefit plan assets, in other noncurrent assets	235,991	-	40,749	276,740
Interest rate swaps, in other noncurrent assets	-	69,883	-	69,883
Investments sold, not yet purchased, in other noncurrent liabilities	-	178,732	-	178,732
Interest rate swaps, included in other noncurrent liabilities	-	189,659	-	189,659

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the three months ended March 31, 2014, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following. Level 3 investments of the Alpha Fund are included in transfers in the table below.

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Hedge Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Three Months Ended March 31, 2014								
Beginning balance	$ 281	$ 355,124	$ 467	$ 43,923	$ 1,004,297	$ 3,268,159	$ 987,940	$ 38,659
Total realized and unrealized gains (losses):								
Included in income from operations	-	55	1	1,038	-	(17)	6	-
Included in nonoperating gains (losses)	3	6,257	7	55	31,969	71,919	96,214	-
Included in changes in net assets	-	-	-	-	22	209	3	-
Purchases	-	9,813	-	6,278	44,791	37,601	45,406	15,905
Settlements	-	-	-	-	(69)	-	-	-
Issuances	-	-	-	-	-	-	-	-
Sales	-	(43,625)	(1,997)	(524)	(17,063)	(8,811)	(103,797)	(19,445)
Transfers into Level 3	-	-	9,222	-	-	11,905	-	5,400
Transfers out of Level 3	-	-	-	-	-	(1)	-	(2,694)
Ending balance	$ 284	$ 327,624	$ 7,700	$ 50,770	$ 1,063,947	$ 3,380,964	$ 1,025,772	$ 37,825
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2014	$ -	$ 3,859	$ (16)	$ 943	$ 37,558	$ 96,196	$ 21,874	$ -

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the nine months ended March 31, 2014, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following. Level 3 investments of the Alpha Fund are included in transfers in the table below.

	Short-term investments	U.S. Government, State, Municipal and Agency Obligations	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Hedge Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Nine Months Ended March 31, 2014									
Beginning balance	$ 238	$ 5,829	$ 391,287	$ 117,033	$ 2,163	$ 1,131,789	$ 2,857,114	$ 498,806	$ 35,662
Total realized and unrealized gains (losses):									
Included in income from operations	-	3	129	-	6,309	-	(22)	10	-
Included in nonoperating gains (losses)	46	(27)	13,004	260	(95)	75,838	215,200	323,420	-
Included in changes in net assets	-	-	-	-	-	27	283	17	-
Purchases	-	-	85,925	2,258	52,128	172,772	334,781	191,372	65,048
Settlements	-	-	-	-	-	(259,698)	-	259,358	-
Issuances	-	-	-	-	-	-	-	-	-
Sales	-	(5,805)	(152,191)	(3,689)	(9,020)	(56,781)	(38,135)	(246,372)	(72,127)
Transfers into Level 3	-	-	-	1,686	-	-	11,744	-	21,819
Transfers out of Level 3	-	-	(10,530)	(109,848)	(715)	-	(1)	(839)	(12,577)
Ending balance	$ 284	$ -	$ 327,624	$ 7,700	$ 50,770	$ 1,063,947	$ 3,380,964	$ 1,025,772	$ 37,825
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2014	$ -	$ -	$ 9,055	$ 39	$ 5,680	$ 61,923	$ 200,268	$ 102,836	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

7. Derivative Instruments

The System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. Interest rate swaps with varying characteristics are outstanding under the Master Trust Indentures of the System, Alexian Brothers, Ministry Health Care, and St. John Health. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At March 31, 2015 and June 30, 2014, the notional values of outstanding interest rate swaps were as follows:

	March 31, 2015	June 30, 2014
Ascension Health Alliance MTI	**$ 2,128,757**	$ 2,128,757
Alexian Brothers Health System MTI	**31,220**	39,220
Ministry Health Care MTI	**191,800**	192,950
St. John Health System MTI	**100,000**	100,000
Total	**$ 2,451,777**	$ 2,460,927

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate. The respective fair values of interest rate swaps in an asset and liability position for the System, Alexian Brothers, Ministry Health Care and St. John Health were as follows:

	March 31, 2015		June 30, 2014	
	Asset	Liability	Asset	Liability
Ascension Health Alliance MTI	**$ 56,350**	**$ 199,310**	$ 66,981	$ 169,031
Alexian Brothers Health System MTI	**-**	**1,351**	-	1,934
Ministry Health Care MTI	**3,124**	**22,547**	2,902	17,938
St. John Health System MTI	**-**	**225**	-	756
Total	**$ 59,474**	**$ 223,433**	$ 69,883	$ 189,659

(Dollars in Thousands)

7. Derivative Instruments (continued)

The System's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria, subject to master netting arrangements. Collateral requirements are separately calculated for the System, Alexian Brothers, Ministry Health Care, and St. John Health based on the credit ratings of each. In the case of the System, the applicable credit rating is the Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies. Credit rating and the net liability position of total interest rate swap agreements outstanding with each counterparty determine the amount of collateral to be posted. Collateral and net fair value of interest rate swap agreements with credit-risk-related contingent features at March 31, 2015 and June 30, 2014, based upon the respective net liability positions and applicable credit ratings were as follows:

	March 31, 2015		**June 30, 2014**	
	Net Fair Value	**Collateral Posted**	**Net Fair Value**	**Collateral Posted**
Ascension Health Alliance MTI	**$ (142,960)**	**$ -**	$ (102,050)	$ -
Alexian Brothers Health System MTI	**(1,351)**	**-**	(1,934)	-
Ministry Health Care MTI	**(19,423)**	**-**	(15,036)	16,218
St. John Health System MTI	**(225)**	**-**	(756)	-
Total	**$ (163,959)**	**$ -**	$ (119,776)	$ 16,218

Prior to July 1, 2006, the System designated certain of its interest rate swaps as cash flow hedges, for accounting purposes, and accordingly deferred gains or losses associated with those swaps in net assets. As of March 31, 2015, the deferred net gain associated with these interest rate swaps was $3,826. The portion of this gain that will be reclassified into nonoperating gains (losses) over the next 12 months is immaterial.

All changes in the fair value of interest rate swaps are recognized in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Net nonoperating losses of $43,979 and gains of $18,817 were recognized for the nine months ended March 31, 2015 and 2014, respectively.

8. Retirement Plans

Defined-Benefit Plans

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans covering substantially all eligible employees of certain System entities. Benefits are based on each participant's years of service and compensation. All of the System Plans' assets are invested in Trusts, which include the Master Pension Trust (the Trust) and other trusts (the Other Trusts). The System Plans' assets primarily consist of cash and cash equivalents, equity, fixed income funds, and alternative investments, consisting of various hedge funds, real estate funds, private equity funds, commodity funds, private credit funds, and certain other private funds. Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term. During these contractual periods, investment managers may require the System Plans to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of March 31, 2015, investment periods expire between April 2015 and March 2018. The remaining unfunded capital commitments of the Trust total approximately $294,000 for 60 individual contracts as of March 31, 2015.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities. In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so.

(Dollars in Thousands)

8. Retirement Plans (continued)

The following table provides the components of net periodic benefit costs for the System plans.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	**2014**	**2015**	**2014**
Components of net periodic benefit cost				
Service cost	**$ 8,751**	$ 12,815	**$ 26,470**	$ 38,136
Interest cost	**81,009**	85,931	**242,908**	257,988
Expected return on plan assets	**(147,912)**	(139,628)	**(443,730)**	(418,729)
Amortization of prior service credit	**(855)**	(1,000)	**(2,567)**	(3,015)
Amortization of actuarial loss	**6,812**	1,893	**20,436**	5,767
Curtailment gain	**-**	-	**(1,655)**	(1,426)
Net periodic benefit cost	**$ (52,195)**	$ (39,989)	**$ (158,138)**	$ (121,279)

9. Contingencies and Commitments

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. Regulatory investigations also occur from time to time. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the System's Consolidated Balance Sheet.

In March 2013, the System and some of its subsidiaries were named as defendants to litigation surrounding the Church Plan status of its System Plans. On May 9, 2014, the United States District Court, Eastern District of Michigan, Southern Division, issued its Decision and Order Granting Defendants' Motion to Dismiss, which effectively dismissed the case against the System. On June 11, 2014, the plaintiff in the case filed a Notice of Appeal. On March 17, 2015, the Sixth Circuit granted the parties motion to stay and a limited remand to the District Court to approve settlement of the lawsuit. The System does not believe that this matter will have a significant effect on the System's financial position or results of operations.

9. Contingencies and Commitments (continued)

In September 2010, Ascension Health received a letter from the U.S. Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICD) were provided to certain Medicare beneficiaries in accordance with national coverage criteria. In connection with this nationwide review, identified System hospitals are reviewing applicable medical records and responding to the DOJ. The DOJ's investigation spans a time frame beginning in 2003 and extending through the present time. To date, seven System hospitals have entered into settlements with the DOJ and the System is having settlement discussions with the DOJ regarding the remaining System hospitals subject to the ICD investigation.

The System enters into agreements with non-employed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The carrying amounts of the liability for the System's obligation under these guarantees were approximately $33,400 and $37,600 at March 31, 2015 and June 30, 2014, respectively, and are included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheets. The maximum amount of future payments that the System could be required to make under these guarantees is approximately $131,400.

The System entered into agreements with sponsors for support through January 2017. The System's obligation under these agreements was approximately $20,500 at March 31, 2015, and is included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheet.

The System entered into Master Service Agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements was approximately $152,700.

9. Contingencies and Commitments (continued)

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 25 years. The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Groups at March 31, 2015:

Hospital de la Concepcion 2000 Series A debt guarantee	$	28,235
St. Vincent de Paul Series 2000 A debt guarantee		28,300
Other guarantees and commitments		16,900

Supplementary Information

Ascension

Schedule of Net Cost of Providing Care of Persons
Living in Poverty and Other Community Benefit Programs
(Dollars in Thousands)

Nine Months Ended March 31, 2015 and 2014

The net cost of providing care to persons living in poverty and other community benefit programs is as follows:

	Nine Months Ended March 31, 2015	Nine Months Ended March 31, 2014
Traditional charity care provided	**$ 386,090**	$ 441,725
Unpaid cost of public programs for persons living in poverty	**620,778**	438,802
Other programs for persons living in poverty and other vulnerable persons	**104,651**	83,696
Community benefit programs	**354,776**	304,464
Care of persons living in poverty and other community benefit programs	**$ 1,466,295**	$ 1,268,687

Ascension

Credit Group[1] Financial Statements
Consolidated Balance Sheets
(Dollars in Thousands)

	March 31, 2015	June 30, 2014
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	**$ 382,808**	$ 414,489
Short-term investments	**90,145**	60,957
Accounts receivable, less allowance for doubtful accounts ($1,123,867 and $1,077,662 at March 31, 2015 and June 30, 2014, respectively)	**2,128,284**	1,979,167
Inventories	**279,368**	270,472
Due from brokers	**154,491**	343,757
Estimated third-party payor settlements	**260,811**	225,709
Other	**705,260**	617,517
Total current assets	**4,001,167**	3,912,068
Long-term investments	**14,718,842**	14,970,497
Property and equipment, net	**6,261,481**	6,297,972
Other assets:		
Investment in unconsolidated entities	**562,008**	539,394
Capitalized software costs, net	**686,326**	684,996
Due from affiliates	**629,727**	637,799
Other	**1,294,691**	1,353,604
Total other assets	**3,172,752**	3,215,793
Total assets	**$ 28,154,242**	$ 28,396,330

Continued on next page.

[1] The Credit Group Financial Statements are comprised of the System (see Note 1) excluding the assets, liabilities and net assets of Alexian Brothers Health System (ABHS), St. John Health System, Inc. (St. John), and Ministry Health Care, Inc (Ministry). The Credit Group Financial Statements also include the System's noncontrolling interest (see Note 2) of the Alpha Fund (see Notes 4 and 5), which represents $1,398,683, or approximately 9.9%, and $1,490,082, or approximately 10.7%, of the Alpha Fund's net assets as of March 31, 2015 and June 30, 2014, respectively. See Note 5 for further discussion of noncontrolling interests of the Alpha Fund.

Ascension

Credit Group[1] Financial Statements
Consolidated Balance Sheets (continued)
(Dollars in Thousands)

	March 31, 2015	June 30, 2014
Liabilities and net assets	(unaudited)	
Current liabilities:		
Current portion of long-term debt	**$ 55,010**	$ 69,301
Long-term debt subject to short-term remarketing arrangements	**1,195,125**	1,345,530
Accounts payable and accrued liabilities	**1,973,596**	1,926,657
Estimated third-party payor settlements	**314,227**	344,262
Due to brokers	**125,292**	332,169
Current portion of self-insurance liabilities	**243,154**	220,710
Other	**397,832**	154,472
Total current liabilities	**4,304,236**	4,393,101
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**4,003,564**	3,961,654
Self-insurance liabilities	**500,330**	517,691
Pension and other postretirement liabilities	**245,920**	319,808
Other [2]	**2,413,875**	2,658,030
Total noncurrent liabilities	**7,163,689**	7,457,183
Total liabilities	**11,467,925**	11,850,284
Net assets:		
Unrestricted		
Controlling interest	**14,628,840**	14,418,042
Noncontrolling interests [3]	**1,560,659**	1,655,092
Unrestricted net assets	**16,189,499**	16,073,134
Temporarily restricted	**368,904**	349,104
Permanently restricted	**127,914**	123,808
Total net assets	**16,686,317**	16,546,046
Total liabilities and net assets	**$ 28,154,242**	$ 28,396,330

[2] Includes $1,466,368 and $1,490,730 at March 31, 2015 and June 30, 2014, respectively, representing the amounts due to ABHS, St. John and Ministry from Ascension attributable to interests in investments held by Ascension.

[3] Includes $1,398,683 and $1,490,082 at March 31, 2015 and June 30, 2014, respectively, attributable to the Alpha Fund (see Notes 4 and 5).

Ascension

Credit Group[1] Financial Statements
Consolidated Statements of Operations and Changes in Net Assets (unaudited)
(Dollars in Thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	**2014**	**2015**	**2014**
Operating revenue:				
Net patient service revenue	**$ 4,042,786**	$ 3,913,768	**$ 12,258,792**	$ 11,771,464
Less provision for doubtful accounts	**202,875**	294,236	**724,701**	835,643
Net patient service revenue, less provision for doubtful accounts	**3,839,911**	3,619,532	**11,534,091**	10,935,821
Other revenue	**380,482**	334,815	**1,080,641**	938,059
Total operating revenue	**4,220,393**	3,954,347	**12,614,732**	11,873,880
Operating expenses:				
Salaries and wages	**1,741,283**	1,648,077	**5,212,180**	4,966,334
Employee benefits	**371,431**	345,562	**1,076,262**	1,049,438
Purchased services	**245,500**	213,370	**738,186**	632,140
Professional fees	**277,250**	273,328	**817,130**	809,918
Supplies	**600,902**	572,822	**1,808,659**	1,717,041
Insurance	**56,877**	31,522	**146,897**	79,277
Interest	**33,875**	33,134	**99,446**	100,263
Depreciation and amortization	**190,799**	180,448	**563,609**	532,592
Other	**551,947**	507,884	**1,607,389**	1,502,156
Total operating expenses before impairment, restructuring and nonrecurring losses, net	**4,069,864**	3,806,147	**12,069,758**	11,389,159
Income from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring losses, net	**150,529**	148,200	**544,974**	484,721
Self-insurance trust fund investment return	**(1,053)**	17,294	**(16,195)**	48,483
Impairment, restructuring and nonrecurring losses, net	**(25,407)**	(41,852)	**(85,079)**	(126,907)
Income from operations	**124,069**	123,642	**443,700**	406,297
Nonoperating gains (losses):				
Investment return [4]	**182,637**	272,819	**(127,909)**	1,011,093
Loss on extinguishment of debt	**-**	160	**-**	(1,566)
(Loss) gain on interest rate swaps	**(16,876)**	4,246	**(39,963)**	19,923
Income from unconsolidated entities	**(8,054)**	1,256	**2,520**	2,907
Other	**(12,930)**	(12,483)	**(46,710)**	(40,930)
Total nonoperating (losses) gains, net	**144,777**	265,998	**(212,062)**	991,427
Excess of revenues and gains over expenses and losses	**268,846**	389,640	**231,638**	1,397,724
Less noncontrolling interests	**42,894**	61,172	**38,726**	198,282
Excess of revenues and gains over expenses and losses attributable to controlling interest	**225,952**	328,468	**192,912**	1,199,442

Continued on next page.

[4] Includes the investment return of $121,573 and $322,316 for the three months ended March 31, 2015 and 2014, respectively, and ($206,438) and $1,135,473 for the nine months ended March 31, 2015 and 2014, respectively, attributable to the Alpha Fund. Of the Alpha Fund's investment return, $11,828 and $37,093 for the three months ended March 31, 2015 and 2014, respectively, and ($23,162) and $147,878 for the nine months ended March 31, 2015 and 2014, respectively, is included in the noncontrolling interests.

Ascension

Credit Group[1] Financial Statements
Consolidated Statements of Operations and Changes in Net Assets (unaudited) (continued)

(Dollars in Thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	**2014**	**2015**	**2014**
Unrestricted net assets, controlling interest:				
Excess of revenues and gains over expenses and losses	**$ 225,952**	$ 328,468	**$ 192,912**	$ 1,199,442
Transfers (to) from sponsors and other affiliates, net	**6,728**	(4,706)	**2,057**	8,077
Net assets released from restrictions for property acquisitions	**8,300**	10,926	**26,143**	35,676
Pension and other postretirement liability adjustments	**6,273**	190	**15,090**	254
Change in unconsolidated entities' net assets	**(272)**	241	**(1,513)**	4,730
Other	**3,706**	37,603	**3,899**	28,723
Increase in unrestricted net assets, controlling interest, before loss from discontinued operations	**250,687**	372,722	**238,588**	1,276,902
Loss from discontinued operations	**(7,290)**	15,068	**(27,794)**	(18,328)
Increase in unrestricted net assets, controlling interest	**243,397**	387,790	**210,794**	1,258,574
Unrestricted net assets, noncontrolling interest:				
Excess of revenues and gains over expenses and losses	**42,894**	61,172	**38,726**	198,282
Distributions of capital	**(52,488)**	(102,959)	**(159,983)**	(482,167)
Contributions of capital	**13,664**	28,745	**38,594**	339,719
Membership interest changes, net	**(5,850)**	(38,794)	**(11,767)**	(15,511)
(Decrease) increase in unrestricted net assets, noncontrolling interest [5]	**(1,780)**	(51,836)	**(94,430)**	40,323
Temporarily restricted net assets, controlling interest:				
Contributions and grants	**13,809**	12,898	**65,043**	47,825
Investment return	**4,989**	2,877	**4,397**	20,616
Net assets released from restrictions	**(16,089)**	(19,673)	**(51,908)**	(63,788)
Other	**2,886**	6,414	**2,270**	11,177
Increase in temporarily restricted net assets, controlling interest	**5,595**	2,516	**19,802**	15,830
Permanently restricted net assets, controlling interest:				
Contributions	**2,599**	1,271	**5,448**	8,125
Investment return	**59**	24	**(4)**	431
Other	**(1,497)**	(241)	**(1,339)**	(28)
Increase in permanently restricted net assets, controlling interest	**1,161**	1,054	**4,105**	8,528
Increase in net assets	**248,373**	339,524	**140,271**	1,323,255
Net assets, beginning of period	**16,437,944**	15,941,587	**16,546,046**	14,957,856
Net assets, end of period	**$ 16,686,317**	$ 16,281,111	**$16,686,317**	$ 16,281,111

[5] Includes net distributions of $1,242, comprised of distributions of $13,412 and contributions of $12,170 for the three months ended March 31, 2015 and net distributions of $63,737, comprised of distributions of $85,918 and contributions of $22,181 for the three months ended March 31, 2014, attributable to the Alpha Fund. Also includes net distributions of $68,236, comprised of distributions of $95,348 and contributions of $27,112 for the nine months ended March 31, 2015 and net distributions of $123,774, comprised of distributions of $450,824 and contributions of $327,050 for the nine months ended March 31, 2014, attributable to the Alpha Fund.

Ascension

Schedule of Credit Group[1] Cash and Investments

(Dollars in Thousands)

The Credit Group's cash and investments at March 31, 2015 and June 30, 2014, are presented in the table that follows. Total cash and investments, net, includes both the Credit Group's membership interest in the Alpha Fund as well as the noncontrolling interests held by other Alpha Fund members. Credit Group unrestricted cash and investments, net, represent the Credit Group's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

	March 31, 2015	June 30, 2014
	(unaudited)	
Cash and cash equivalents	**$ 382,808**	$ 414,489
Short-term investments	**90,145**	60,957
Long-term investments	**14,718,842**	14,970,497
Subtotal	**15,191,795**	15,445,943
Other Alpha Fund and Ascension Legacy Portfolio assets and liabilities:		
In other current assets	**96,726**	30,671
In other long-term assets	**28,327**	2,641
In accounts payable and accrued liabilities	**(6,813)**	(7,013)
In other current liabilities	**-**	(3,341)
In other noncurrent liabilities	**-**	(178,732)
Due to brokers, net	**29,199**	11,588
Total cash and investments, net	**15,339,234**	15,301,757
Less noncontrolling interests of Alpha Fund	**1,398,683**	1,490,082
Less Interest in investments held by Ascension on behalf of:		
Alexian Brothers Health System	**377,797**	369,491
St. John Health System	**404,727**	417,881
Ministry Health System	**683,844**	703,358
Credit Group cash and investments, net including assets limited as to use	**12,474,183**	12,320,945
Less assets limited as to use:		
Under bond indenture agreements	**5,461**	10,079
Self insurance trust funds	**736,775**	758,775
Temporarily or permanently restricted	**477,723**	425,947
Credit Group unrestricted cash and investments, net	**$ 11,254,224**	$ 11,126,144

Ascension

Schedule of Credit Group[1] Statistical Information (unaudited)

(Dollars in Thousands)

	For the Nine Months Ended March 31,	
	2015	**2014**
Total Available Beds	**17,686**	18,610
Total Patient Days	**3,212,168**	3,211,417
Total Discharges	**476,019**	473,569
Average Length of Stay	**6.75**	6.78
Total Outpatient Visits	**15,360,436**	14,868,755

The percentage of net patient service revenue, less provision for doubtful accounts, earned by payor at March 31, 2015 and 2014, are as follows:

	For the Nine Months Ended March 31,	
	2015	**2014**
Medicare - traditional and managed	**36 %**	36 %
Medicaid - traditional and managed	**11**	12
Commercial and other managed care	**50**	47
Self-Pay and other	**3**	5
	100 %	100 %

Significant concentrations of accounts receivable, less allowance for doubtful accounts, at March 31, 2015 and June 30, 2014 are as follows:

	March 31, 2015	**June 30, 2014**
Medicare - traditional and managed	**27 %**	28 %
Medicaid - traditional and managed	**9**	11
Commercial and other managed care	**43**	42
Self-Pay and other	**21**	19
	100 %	100 %