LIFESPAN CORPORATION AND AFFILIATES

Auditors' Reports as Required by OMB Circular A-133
and *Government Auditing Standards* and Related Information

Year ended September 30, 2014

LIFESPAN CORPORATION AND AFFILIATES

Auditors' Reports as Required by OMB Circular A-133
and *Government Auditing Standards* and Related Information

Year ended September 30, 2014

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KPMG LLP
6th Floor, Suite A
100 Westminster Street
Providence, RI 02903-2321

Exhibit I

Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Directors
Lifespan Corporation:

Report on Compliance for Each Major Federal Program

We have audited Lifespan Corporation and Affiliates' (Lifespan) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Lifespan's major federal program for the year ended September 30, 2014. Lifespan's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Lifespan's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lifespan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lifespan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

Exhibit I

Report on Internal Control over Compliance

Management of Lifespan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lifespan's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lifespan's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Providence, Rhode Island
June 19, 2015

KPMG LLP
6th Floor, Suite A
100 Westminster Street
Providence, RI 02903-2321

Exhibit II

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

The Board of Directors
Lifespan Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Lifespan Corporation and Affiliates (Lifespan), which comprise the consolidated statement of financial position as of September 30, 2014, the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 12, 2015.

Internal Control over Financial Reporting

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

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

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

Exhibit II

Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

Providence, Rhode Island
February 12, 2015

Exhibit III

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Findings and Questioned Costs

Year ended September 30, 2014

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ yes __x__ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ yes __x__ none reported

Noncompliance material to the financial statements noted? ______ yes __x__ no

Federal Awards

Internal control over major program:

- Material weakness(es) identified? ______ yes __x__ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ yes __x__ none reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ______ yes __x__ no

Identification of Major Programs

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

Dollar threshold used to distinguish between Type A and Type B programs: $1,991,635

Auditee qualified as low-risk auditee? __x__ yes ______ no

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

No matters are reported.

(3) Findings and Questioned Costs Relating to Federal Awards

No matters are reported.

Exhibit IV

LIFESPAN CORPORATION AND AFFILIATES

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

September 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

Exhibit IV

LIFESPAN CORPORATION AND AFFILIATES

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

September 30, 2014 and 2013

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KPMG LLP
6th Floor, Suite A
100 Westminster Street
Providence, RI 02903-2321

Exhibit IV

Independent Auditors' Report

The Board of Directors
Lifespan Corporation:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lifespan Corporation and Affiliates (Lifespan), which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Exhibit IV

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifespan Corporation and Affiliates as of September 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (Schedule 1) is presented for purposes of additional analysis, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015 on our consideration of Lifespan's internal control and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lifespan's internal control and compliance.

KPMG LLP

Providence, Rhode Island
February 12, 2015, except
for our report on the
accompanying Schedule of
Expenditures of Federal Awards,
which is dated June 19, 2015

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Financial Position

September 30, 2014 and 2013

(In thousands)

Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 89,653	$ 46,936
Patient accounts receivable	279,722	314,356
Less allowance for doubtful accounts	(71,852)	(81,534)
Net patient accounts receivable	207,870	232,822
Other receivables	18,303	14,051
Current portion of contributions receivable, net	2,515	3,300
Total receivables	228,688	250,173
Assets limited as to use	28,057	19,360
Inventories	24,487	22,609
Prepaid expenses and other current assets	13,714	11,562
Total current assets	384,599	350,640
Assets limited as to use	1,200,301	1,248,040
Less amount required to meet current obligations	(28,057)	(19,360)
Noncurrent assets limited as to use	1,172,244	1,228,680
Property and equipment, net	869,446	832,987
Other assets:		
Contributions receivable, net	2,225	2,730
Deferred charges and financing costs, net	6,962	7,658
Other noncurrent assets	17,343	16,405
Total other assets	26,530	26,793
Total assets	$ 2,452,819	$ 2,439,100

Liabilities and Net Assets	2014	2013
Current liabilities:		
Accounts payable	$ 81,423	$ 84,775
Accrued employee benefits and compensation	74,884	65,931
Other accrued expenses	23,905	43,506
Current portion of long-term debt	19,595	18,428
Current portion of estimated third-party payor settlements	19,585	13,359
Current portion of estimated malpractice and other self-insurance costs	38,778	29,423
Total current liabilities	258,170	255,422
Long-term debt, net of current portion	369,747	389,616
Estimated third-party payor settlements, net of current portion	38,857	38,573
Estimated malpractice self-insurance costs, net of current portion	72,503	81,709
Accrued pension liability	216,555	172,627
Other liabilities	43,510	32,169
Total liabilities	999,342	970,116
Net assets:		
Unrestricted	944,293	975,275
Temporarily restricted	350,248	337,275
Permanently restricted	158,936	156,434
Total net assets	1,453,477	1,468,984
Total liabilities and net assets	$ 2,452,819	$ 2,439,100

See accompanying notes to consolidated financial statements.

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2014 and 2013

(In thousands)

	2014	2013
Unrestricted revenues and other support:		
Patient service revenue, net of contractual allowances	$ 1,709,990	$ 1,631,869
Provision for bad debts	(90,600)	(110,982)
Net patient service revenue	1,619,390	1,520,887
Other revenue	76,525	59,489
Endowment earnings contributed toward community benefit	15,518	15,417
Net assets released from restrictions used for operations	20,023	27,441
Net assets released from restrictions used for research	81,578	82,439
Total unrestricted revenues and other support	1,813,034	1,705,673
Operating expenses:		
Compensation and benefits	1,114,089	1,070,777
Supplies and other expenses	417,327	390,993
Purchased services	117,067	112,343
Depreciation and amortization	66,051	60,395
Interest	20,072	19,782
License fees	73,366	70,701
Total operating expenses	1,807,972	1,724,991
Income (loss) from operations	5,062	(19,318)
Nonoperating gains and losses:		
Effects of affiliation with Gateway Healthcare, Inc. (note 4)	-	23,576
Unrestricted gifts and bequests	2,298	2,643
Unrestricted income from board-designated investments	284	1,243
Net realized gains on board-designated investments	3,714	12,608
Grants to outside agencies	(212)	(229)
Fundraising expenses	(3,486)	(3,620)
Other nonoperating (losses) gains, net	(235)	85
Total nonoperating gains, net	2,363	36,306
Excess of revenues over expenses	$ 7,425	$ 16,988

(Continued)

LIFESPAN CORPORATION AND AFFILIATES

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

Years ended September 30, 2014 and 2013

(In thousands)

	2014	2013
Unrestricted net assets:		
Excess of revenues over expenses	$ 7,425	$ 16,988
Other changes in unrestricted net assets:		
Change in funded status of pension and other postretirement plans, other than net periodic pension and postretirement benefit costs	(41,152)	85,848
Net change in unrealized gains on investments available for sale	3,304	1,419
Net assets released from restrictions used for purchase of property and equipment	9,409	9,890
Other decreases	(9,968)	(633)
(Decrease) increase in unrestricted net assets	(30,982)	113,512
Temporarily restricted net assets:		
Gifts, grants, and bequests	98,500	106,339
Income from restricted endowment and other restricted investments	1,948	2,721
Net assets released from restrictions	(111,010)	(119,770)
Net realized and unrealized gains on investments	26,753	22,094
Effects of affiliation with Gateway Healthcare, Inc. (note 4)	-	847
Fundraising expenses	(2,160)	(1,842)
Grants to outside agencies	(762)	(680)
Other (decreases) increases	(296)	11
Increase in temporarily restricted net assets	12,973	9,720
Permanently restricted net assets:		
Gifts and bequests	2,178	5,446
Net change in unrealized gains on investments held in perpetual trusts by others	324	1,434
Effects of affiliation with Gateway Healthcare, Inc. (note 4)	-	53
Other increases	-	343
Increase in permanently restricted net assets	2,502	7,276
(Decrease) increase in net assets	(15,507)	130,508
Net assets, beginning of year	1,468,984	1,338,476
Net assets, end of year	$ 1,453,477	$ 1,468,984

See accompanying notes to consolidated financial statements.

LIFESPAN CORPORATION AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2014 and 2013

(In thousands)

	2014	2013
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (15,507)	$ 130,508
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Effects of affiliation with Gateway Healthcare, Inc. (note 4)	-	(24,476)
Change in funded status of pension and other postretirement plans, other than net periodic pension and postretirement benefit costs	41,152	(85,848)
Net realized and unrealized gains on investments	(34,095)	(37,555)
Permanently restricted gifts and bequests	(2,178)	(5,446)
Depreciation and amortization	66,051	60,395
Provision for estimated self-insurance costs	137,178	132,056
Decrease in liabilities for estimated self-insurance costs resulting from claims paid	(137,029)	(124,333)
Net decrease (increase) in patient accounts receivable	24,952	(17,327)
(Decrease) increase in accounts payable	(3,352)	11,526
Increase in accrued employee benefits and compensation	8,953	5,234
Increase in estimated third-party payor settlements	6,510	2,018
(Decrease) increase in all other current and noncurrent assets and liabilities, net	(13,289)	22,634
Net cash provided by operating activities	79,346	69,386
Cash flows from investing activities:		
Purchase of property and equipment	(102,510)	(97,420)
Net decrease (increase) in funds held by third parties under long-term debt agreements	45,081	(37,744)
Other net decreases in assets limited as to use	36,753	25,508
Net cash used in investing activities	(20,676)	(109,656)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	350	50,000
Payments on long-term debt	(18,481)	(10,885)
Permanently restricted gifts and bequests	2,178	5,446
Net cash (used in) provided by financing activities	(15,953)	44,561
Net increase in cash and cash equivalents	42,717	4,291
Cash and cash equivalents at:		
Beginning of year	46,936	42,645
End of year	$ 89,653	$ 46,936
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 21,068	$ 20,395

See accompanying notes to consolidated financial statements.

LIFESPAN CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2014 and 2013

(In thousands)

(1) Description of Organization

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

Through October 22, 2012, Lifespan Corp. was governed by a 17-member Board of Directors that included the chairs of the Boards of Trustees of its four hospital affiliates. Effective October 23, 2012, the Board of Directors of Lifespan Corp. and the Boards of Trustees of Rhode Island Hospital, The Miriam Hospital, Newport Health Care Corporation, Newport Hospital, and Emma Pendleton Bradley Hospital approved a restructuring of their governance. The restructuring has increased governance effectiveness and has streamlined governance operation, as well as provided a single strategic perspective for the Lifespan system hospitals. Pursuant to the restructuring, the composition of the Boards of Trustees of each of the hospitals and of Newport Health Care Corporation is defined as those persons serving from time to time as the directors of Lifespan Corp. As a result, the Boards of each entity are comprised of the same individuals. The Board of each entity retains its responsibilities and authorities notwithstanding the revision in its composition. The composition of the Boards of Trustees of the respective hospital foundations is not impacted by this restructuring; however, the chairs of the four hospital foundations serve ex officio as directors of Lifespan Corp., and by extension, as trustees of each of the hospitals. Certain other affiliates of Lifespan Corp. are governed by Boards of Trustees, which are elected annually by Lifespan Corp.'s directors.

Under an affiliation agreement effective July 1, 2013, Lifespan Corp. became the sole corporate member of Gateway Healthcare, Inc. (Gateway). The consolidated financial statements include the accounts of Gateway as of July 1, 2013 (see note 4). While Gateway continues to maintain its corporate identity, its Board of Directors is comprised of those persons serving as the directors of Lifespan Corp.

(1) Description of Organization (continued)

Affiliated corporations of Lifespan Corp. are as follows:

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

(Continued)

(1) Description of Organization (continued)

Member, Shareholder, or Entity with Reserved Powers	Affiliate
Gateway Healthcare, Inc.	Alternative Living Concepts, Inc. Human Services Realty, Inc. Families Reaching into Each New Day, Inc., d/b/a FRIENDS WAY The Autism Project Capital City Community Centers, Inc. Bayberry Courts, Inc. JM Apartments, Inc. JRR Housing LJR Corporation Mill River Community Housing Corporation Obed Apartments, Inc. Pathways, Inc. Shore Courts, Inc. Westerly Courts, Inc. TLR Realty Wentworth Corporation Gateway Professional Group, Inc.
Lifespan Diversified Services, Inc. (LDS)	VNA Technicare, Inc., d/b/a Lifespan Home Medical

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

On September 4, 2012, TMH and RIH acquired the assets of two cardiology practices to launch the Cardiovascular Institute (CVI) in an effort to meet the demands of the changing health care environment and to enhance the level of cardiovascular care provided to the community. CVI includes approximately 30 cardiologists, with support staff, and the creation of three ambulatory care centers and two comprehensive cardiac centers. The activities of CVI are reflected primarily within LPG.

On August 1, 2013, LPG acquired the assets of Ob-Gyn Associates (Ob-Gyn) and employed its medical staff of 13 physicians, 6 certified nurse midwives and 2 nurse practitioners, with support staff. Ob-Gyn provides a full range of obstetric and gynecological services with 5 offices across Rhode Island and in parts of Massachusetts.

(In thousands)

(1) Description of Organization (continued)

The consolidated financial statements also include the financial information of NHCCMA, which became an affiliate of Lifespan Corp. on July 22, 2014. Through July 21, 2014, Lifespan Corp. had been the sole corporate member of NHCCMA. Two Lifespan physician designees are designated by Lifespan Corp. to serve on the NHCCMA Board and hold designated reserved powers.

In 2009, Lifespan announced its intention to combine RIH and TMH into a single hospital with two campuses. RIHF and TMHF remain as separate entities. The hospitals continue to integrate clinical programs and services.

(2) Charity Care and Other Community Benefits

The total net cost of charity care and other community benefits provided by Lifespan for the years ended September 30, 2014 and 2013 is summarized in the following table:

	2014	2013
Charity care	$ 45,390	$ 71,781
Medical education, net	69,954	69,233
Research	17,202	16,842
Subsidized health services	26,099	29,020
Community health improvement services and community benefit operations	1,541	1,756
Unreimbursed Medicaid costs	20,371	19,629
Total	$ 180,557	$ 208,261

Charity Care

Lifespan provides full charity care for individuals at or below twice the federal poverty level, with a sliding scale for individuals up to four times the poverty level. In addition, a substantial discount consistent with Medicare program reimbursement is offered to all other uninsured patients. Lifespan determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including compensation and benefits, supplies, and other operating expenses, based on data from its costing system. The total cost, excluding medical education and research, incurred by Lifespan to provide charity care amounted to $45,390 and $71,781 in 2014 and 2013, respectively. The decline in 2014 is due largely to the January 1, 2014 expansion of Medicaid eligibility and the growth of health insurance exchanges. Charges forgone, based on established rates, amounted to $164,553 and $249,016 in 2014 and 2013, respectively.

Medical Education

Lifespan provides the setting for and substantially supports medical education in various clinical training and nursing programs. The total cost of medical education provided by Lifespan exceeded the reimbursement received from third-party payors by $69,954 and $69,233 in 2014 and 2013, respectively. In 1969, RIH, TMH, Bradley, and certain other Rhode Island hospitals entered into an affiliation agreement to participate jointly in various clinical training programs and research activities with Brown

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

Medical School, renamed The Warren Alpert Medical School of Brown University (Brown). In 2010, Brown named RIH its Principal Teaching Hospital. TMH and Bradley continue to be designated as major teaching affiliates. The goals of the partnership are to facilitate the expansion of joint educational and research programs in order to compete both clinically and academically. RIH currently sponsors 47 graduate medical education programs accredited by or under the auspices of the Accreditation Council for Graduate Medical Education (ACGME), while also sponsoring another 26 hospital-approved residency and fellowship programs. RIH serves as the principal setting for these clinical training programs, which encompass the following disciplines: internal medicine and medicine subspecialties, including hematology and oncology; orthopedics and orthopedic subspecialties; clinical neurosciences; general surgery and surgical subspecialties; pediatrics and pediatric subspecialties, including hematology and oncology; dermatology; radiology; pathology; child psychiatry; emergency medicine and emergency medicine subspecialties; dentistry; and medical physics. TMH participates in Brown programs in internal medicine and medicine subspecialties, general surgery and surgical subspecialties, psychiatry, emergency medicine, orthopedics, and dermatology. RIH and TMH provide stipends to residents and physician fellows while in training. Bradley participates in the Brown Residency Program in Psychiatry and in the Child and Adolescent Psychiatry Fellowship.

RIH and TMH are also participating clinical training sites for residents from other programs in anesthesiology, pediatric dentistry, family medicine, infectious disease, obstetrics/gynecology (OB/Gyn) and OB/Gyn subspecialties, otolaryngology, podiatry, psychiatry, geriatric psychiatry, orthopedics, rheumatology, and radiation oncology. In addition, TMH Behavioral Medicine, in collaboration with Brown, sponsors research and clinical psychology training programs for interns, postdoctoral fellows, and faculty trainees.

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

(Continued)

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

RIH sponsors training programs in the following medical fields: medical technology; diagnostic medical sonography; nuclear medicine technology; radiologic technology; mammography; computed tomography; and magnetic resonance imaging. At RIH, clinical affiliations/student clinical training programs are provided through contracts with a number of colleges and universities in the professional areas of speech-language pathology and audiology, physical therapy, physical therapy assistants, occupational therapy, and certified occupational therapy assistants. RIH has clinical training affiliations in respiratory therapy with local colleges as well as Independence University (Utah). In addition, RIH serves as the clinical setting for training programs in histology, cytology, phlebotomy, child development, and social work.

TMH sponsors training programs for a variety of allied health care professionals including required clinical and fieldwork experiences in physical, speech, and occupational therapy to university students in each discipline through contracts with the various universities. TMH serves as a clinical training site for students from CCRI for the vascular and cardiology ultrasound programs and also provides training experiences for students in diagnostic radiology, medical technology, phlebotomy, and social work. TMH serves as a clinical training site for students from The Nuclear Medicine Institute of the University of Findlay (Ohio).

Both RIH and TMH have clinical affiliations/student clinical training programs for pharmacy students provided through contracts with a number of colleges and universities. In addition, the RIH Pharmacy Department co-sponsors second-year postgraduate specialized residency programs in oncology and ambulatory care pharmacy. Lifespan pharmacists also participate in the education of pharmacy, nursing, and physician assistant students by providing didactic lectures at the University of Rhode Island's College of Pharmacy, Rhode Island College, and Johnson & Wales University, Center for Physician Assistant Studies.

Research

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

Federal support accounts for approximately 77% of all externally funded research at Lifespan. Researchers focus on clinical trials which investigate prevention and treatment of HIV/AIDS, obesity, cancer, diabetes, cardiac disease, neurological problems, orthopedic advancements, mental health concerns, and brain science. Researchers work in the laboratory or with patients, or both.

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

Subsidized Health Services

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

Community Health Improvement Services and Community Benefit Operations

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

Unreimbursed Medicaid Costs

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

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

Lifespan considers events and transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on February 12, 2015 and subsequent events have been evaluated through that date.

(Continued)

(3) Summary of Significant Accounting Policies (continued)

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

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

(d) Investments and Investment Income

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

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

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

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

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

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

(Continued)

(3) Summary of Significant Accounting Policies (continued)

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

Collective investment funds: Investments in collective investment funds with monthly pricing and liquidity are valued using NAV as reported by the investment manager, which approximates the market values of the underlying investments within the fund or realizable value as estimated by the investment manager. Otherwise, such investments are recorded at historical cost. Lifespan has applied the accounting guidance in Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12), which permits the use of NAV or its equivalent reported by each underlying alternative investment fund as a practical expedient to estimate the fair value of the investment. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying funds. Also, because Lifespan uses NAV as a practical expedient to estimate fair value, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based primarily on Lifespan's ability to redeem its interest in the fund at or near the date of the consolidated statement of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.

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

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

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

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

(3) Summary of Significant Accounting Policies (continued)

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

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

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

(e) Assets Limited as to Use

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

(f) Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed over the estimated useful life of each class of depreciable asset using the straight-line method. Buildings and improvements lives range from 5 to 40 years and equipment lives range from 3 to 20 years. Certain software development costs are amortized using the straight-line method over a period of five years.

(g) Deferred Financing Costs

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

(h) Goodwill and Indefinite-Lived Intangible Assets

Goodwill and intangible assets determined to have indefinite lives are not subject to amortization. Goodwill and indefinite-lived intangible assets are reviewed for impairment on an annual basis or more frequently if circumstances indicate a potential impairment exists or has occurred.

(Continued)

(3) Summary of Significant Accounting Policies (continued)

(i) Classification of Net Assets

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

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

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

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

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

See note 6 for more information about Lifespan’s endowment.

(j) Excess of Revenues over Expenses

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

(3) Summary of Significant Accounting Policies (continued)

(k) Net Patient Service Revenue

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

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

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

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

(3) Summary of Significant Accounting Policies (continued)

(l) Provision for Bad Debts

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

Lifespan's allowance for doubtful accounts for self-pay patients decreased from 80% of self-pay accounts receivable at September 30, 2013 to 78% of self-pay accounts receivable at September 30, 2014. Lifespan's self-pay writeoffs for the years ended September 30, 2014 and 2013 amounted to $91,153 and $90,758, respectively. Lifespan did not change its charity care or uninsured discount policies during the years ended September 30, 2014 and 2013, respectively.

(m) Charity Care

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

(n) Donor-Restricted Gifts

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

(3) Summary of Significant Accounting Policies (continued)

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

(o) Inventories

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

(p) Estimated Self-Insurance Costs

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

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

(q) Fair Value of Financial Instruments

The carrying amounts recorded in the consolidated statements of financial position for cash and cash equivalents, patient accounts receivable, contributions receivable, assets limited as to use, accounts payable, accrued expenses, estimated third-party payor settlements, and estimated self-insurance costs approximate their respective fair values. The estimated fair values of Lifespan's assets limited as to use, pension-related assets, and long-term debt are disclosed in notes 6, 9, and 13, respectively.

(r) Reclassifications

Certain 2013 amounts have been reclassified to conform to the 2014 reporting format.

(In thousands)

(4) Affiliation with Gateway Healthcare, Inc.

Under an affiliation agreement effective July 1, 2013, Lifespan Corp. became the sole corporate member of Gateway Healthcare, Inc. (Gateway), the largest community behavioral health care organization in Rhode Island. Gateway, established in 1995, provides integrated behavioral health care treatments and prevention through residential, outpatient, and community-based programs that reach more than 15,000 residents annually in 42 locations. No consideration was transferred in connection with the affiliation, which was consummated to improve coordination of mental health services between Lifespan hospitals and Gateway, as well as to further their common mission of promoting the health of the communities they serve.

The following table summarizes the value assigned to Gateway net assets recognized by Lifespan as of the affiliation date (July 1, 2013):

Assets:	
Current assets	$12,532
Property and equipment	25,711
Other assets	2,482
Total assets	40,725
Liabilities:	
Current liabilities	11,212
Other liabilities	5,037
Total liabilities	16,249
Total net assets recognized	$24,476

The following table presents unrestricted revenues and other support as well as (deficiency) of revenues over expenses of Lifespan as if the Gateway affiliation had occurred on October 1, 2012 (excluding the effects of the affiliation itself, which resulted in an increase in the excess of revenues over expenses amounting to $23,576 in 2013):

	Unrestricted revenues and other support	**(Deficiency) of revenues over expenses**
Supplemental pro forma from October 1, 2012 to September 30, 2013	$1,742,449	$(8,045)

(Continued)

(In thousands)

(5) Disproportionate Share

RIH, TMH, Bradley, and NH (the Hospitals) are participants in the State of Rhode Island's Disproportionate Share Program, established in 1995 to assist hospitals which provide a disproportionate amount of uncompensated care. Under the program, Rhode Island hospitals, including the Hospitals, receive federal and state Medicaid funds as additional reimbursement for treating a disproportionate share of low income patients. Total payments to the Hospitals under the Disproportionate Share Program aggregated $70,223 and $71,081 in 2014 and 2013, respectively, and are reflected as part of net patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

For periods beyond 2017, the federal government is scheduled to change the level of federal matching funds for the Disproportionate Share Program. Accordingly, it may be necessary for the State of Rhode Island to modify the program and the reimbursement to Rhode Island hospitals under the program. At this time, the scope of such modifications or their effect on the Hospitals cannot be reasonably determined.

(6) Investments

The composition of assets limited as to use at September 30, 2014 and 2013 is set forth in the following table:

		2014		2013
Funds available for self-insurance liabilities	$	156,013	$	155,925
Unrestricted board-designated funds		522,426		541,825
Funds held by third parties under long-term debt agreements		22,060		67,141
Temporarily restricted funds		341,381		327,620
Permanently restricted funds		158,421		155,529
Total	$	1,200,301	$	1,248,040

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

		2014		2013
Available-for-sale	$	734,325	$	819,642
Trading		465,976		428,398
Total	$	1,200,301	$	1,248,040

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

(Continued)

(In thousands)

(6) Investments (continued)

Fair Value

The following tables summarize Lifespan's investments and assets held in trust by major category within the ASC 820-10 fair value hierarchy as of September 30, 2014 and 2013, as well as related strategy and liquidity/notice requirements:

	2014				Redemption	Days'
	Level 1	Level 2	Level 3	Total	or liquidation	notice
U.S. equities:						
Large cap value	$ 76,007	$ —	$ —	$ 76,007	Daily	One
Mid-cap value	49,129	—	—	49,129	Daily	One
Large cap growth	76,817	—	—	76,817	Daily	One - Three
Marketable alternatives:						
Multiple strategies	—	29,908	—	29,908	Quarterly	Sixty-five
Long-short equity	—	64,927	7,982	72,909	Monthly - Annually	Forty-five - Sixty
Absolute return strategies	—	108,561	20,160	128,721	Monthly - Annually	Five - Sixty-five
International equities:						
Developed markets	11,331	136,411	—	147,742	Daily - Monthly	One - Ten
Emerging markets	18,210	44,965	—	63,175	Daily - Monthly	One - Ten
Commodities:						
Energy	10,406	—	—	10,406	Daily	One
Various	—	18,345	300	18,645	Daily - Illiquid	One - N/A
Real estate	—	15,500	—	15,500	Monthly	Fifteen
Fixed income:						
U.S. Treasuries	68,087	—	—	68,087	Daily - Weekly	One - Five
U.S. Treasury inflation-protected	—	17,721	—	17,721	Daily	Two
U.S. Government and agency	—	23,720	—	23,720	Daily - Weekly	One
Domestic bonds	—	177,347	—	177,347	Daily - Weekly	One
Global bonds	—	36,553	—	36,553	Daily - Weekly	Five
Cash and short-term investments	15,267	—	—	15,267	Daily	One
	325,254	673,958	28,442	1,027,654		
Assets held in trust (note 7)	—	—	64,815	64,815		
Held by third parties under long-term debt agreements (note 13)	22,060	—	—	22,060		
Total	$ 347,314	$ 673,958	$ 93,257	$ 1,114,529		

Investment subscriptions in transit at September 30, 2014 in the real estate category above amount to $15,500.

(In thousands)

(6) Investments (continued)

	2013 Level 1	2013 Level 2	2013 Level 3	2013 Total	Redemption or liquidation	Days' notice
U.S. equities:						
Large cap value	$ 68,903	$ —	$ —	$ 68,903	Daily	One
Mid-cap value	52,400	—	—	52,400	Daily	One
Large cap growth	51,665	—	—	51,665	Daily	One
Marketable alternatives:						
Multiple strategies	—	124,381	—	124,381	Quarterly-Annually	Sixty-Sixty-five
Absolute return strategies	—	61,639	—	61,639	Monthly	Five
International equities:						
Developed markets	35,767	108,200	—	143,967	Daily - Monthly	One - Ten
Emerging markets	17,512	42,673	—	60,185	Daily - Monthly	One - Ten
Commodities:						
Energy	10,515	—	—	10,515	Daily	One
Various	—	19,258	300	19,558	Daily - Illiquid	One - N/A
Real estate	17,711	—	—	17,711	Daily	Three - Five
Fixed income:						
U.S. Treasuries	37,350	—	—	37,350	Daily - Weekly	One - Five
U.S. Treasury inflation-protected	—	17,444	—	17,444	Daily	Two
U.S. Government and agency	—	28,423	—	28,423	Daily - Weekly	One
Domestic bonds	—	153,905	—	153,905	Daily - Weekly	One
Global bonds	25,462	98,434	—	123,896	Daily - Weekly	One - Five
Cash and short-term investments	28,375	—	—	28,375	Daily	One
	345,660	654,357	300	1,000,317		
Assets held in trust (note 7)	—	—	64,454	64,454		
Held by third parties under long-term debt agreements (note 13)	67,141	—	—	67,141		
Total	$ 412,801	$ 654,357	$ 64,754	$ 1,131,912		

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

Investments of less than 5% in collective investment funds which do not have monthly pricing or liquidity are recorded at historical cost. Investments of less than 5% in limited partnerships are also recorded at historical cost. The aggregate historical cost of these investments, which is less than market value as reported by investment managers, amounted to $85,772 at September 30, 2014 and $116,128 at September 30, 2013.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the NAV reported by each fund is used as a practical expedient to estimate the fair value of Lifespan's interest therein, its classification in Level 2 or 3 is based on Lifespan's ability to redeem its interest at or near the date of the consolidated statement of financial position. If the interest can be redeemed in ninety days or less, the investment is generally classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(In thousands)

(6) Investments (continued)

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended September 30, 2014 and 2013.

The following tables present Lifespan's activity for the years ended September 30, 2014 and 2013 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820-10:

	Marketable alternatives	Commodities	Assets held in trust	2014 Total
Fair value at October 1, 2013	$ —	$ 300	$ 64,454	$ 64,754
Purchases	28,142	—	—	28,142
Net unrealized gains	—	—	361	361
Fair value at September 30, 2014	$ 28,142	$ 300	$ 64,815	$ 93,257

	Commodities	Assets held in trust	2013 Total
Fair value at October 1, 2012	$ 338	$ 62,794	$ 63,132
Net unrealized gains	—	1,660	1,660
Realized losses	(33)	—	(33)
Sales	(5)	—	(5)
Fair value at September 30, 2013	$ 300	$ 64,454	$ 64,754

(Continued)

(In thousands)

(6) Investments (continued)

Investment Income, Gains and Losses

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

		2014		2013
Other revenue:				
Investment income	$	8,374	$	3,451
Endowment earnings contributed toward community benefit:				
Interest and dividend income	$	15,518	$	15,417
Nonoperating gains and losses:				
Unrestricted income from board-designated investments	$	284	$	1,243
Net realized gains on board-designated investments		3,714		12,608
	$	3,998	$	13,851
Other changes in unrestricted net assets:				
Net change in unrealized gains on investments available for sale	$	3,304	$	1,419
Changes in temporarily restricted net assets:				
Income from restricted endowment and other restricted investments	$	1,948	$	2,721
Net realized and unrealized gains on investments		26,753		22,094
		28,701	$	24,815
Changes in permanently restricted net assets:				
Net change in unrealized gains on investments held in perpetual trusts by others	$	324	$	1,434

(In thousands)

(6) Investments (continued)

Liquidity

Investments as of September 30, 2014 and 2013 are summarized below based on when they may be redeemed or sold:

	2014	2013
Investment redemption or sale period:		
Daily	$ 510,669	$ 621,579
Weekly	97,449	85,360
Monthly	283,445	222,955
Quarterly	116,828	124,381
One-to-five years	29,524	1,384
Locked-up until liquidation	76,614	76,253
Total	$ 1,114,529	$ 1,131,912

Locked-up until liquidation includes assets held in trust (note 7) and the trustee-held debt service reserve fund under the 2009A bond indenture agreement (note 13).

Commitments

Venture capital, private equity, and certain energy and real estate investments are made through limited partnerships. Under the terms of these agreements, Lifespan is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally ten years, and such agreements may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. Lifespan cannot anticipate such changes because they are based on unforeseen events, but should they occur they may result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with the above noted investment categories as of September 30, 2014 were $13,759.

(In thousands)

(6) Investments (continued)

Investments With Unrealized Losses

Information regarding investments with unrealized losses at September 30, 2014 and 2013 is presented below, segregated between those that have been in a continuous unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve or more months:

	Less than 12 months		12 months or longer		Total	
	Fair value	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**
September 30, 2014:						
Unrestricted board-designated and temporarily restricted funds:						
Collective investment funds	$ 84,186	$ 2,351	$ 18,345	$ 1,240	$ 102,531	$ 3,591
Total temporarily impaired securities	$ 84,186	$ 2,351	$ 18,345	$ 1,240	$ 102,531	$ 3,591

	Less than 12 months		12 months or longer		Total	
	Fair value	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**
September 30, 2013:						
Unrestricted board-designated and temporarily restricted funds:						
Collective investment funds	$ 36,770	$ 802	$ 25,462	$ 1,049	$ 62,232	$ 1,851
Total temporarily impaired securities	$ 36,770	$ 802	$ 25,462	$ 1,049	$ 62,232	$ 1,851

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

(In thousands)

(6) Investments (continued)

Endowments

Lifespan's endowment consists of approximately 479 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by Lifespan to function as endowments. Investments associated with endowment funds, including funds designated by Lifespan to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment funds consist of the following at September 30, 2014:

	Unrestricted board-designated	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	$ 341,381	$ 158,421	$ 499,802
Internally board-designated endowment funds	522,426	—	—	522,426
Total endowment funds	$ 522,426	$ 341,381	$ 158,421	$ 1,022,228

Endowment funds consist of the following at September 30, 2013:

	Unrestricted board-designated	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	$ 327,620	$ 155,529	$ 483,149
Internally board-designated endowment funds	541,825	—	—	541,825
Total endowment funds	$ 541,825	$ 327,620	$ 155,529	$ 1,024,974

(Continued)

(In thousands)

(6) Investments (continued)

Endowments (continued)

Changes in endowment funds for the year ended September 30, 2014 are as follows:

	Unrestricted board-designated	Temporarily restricted	Permanently restricted	Total
Endowment funds, October 1, 2013	$ 541,825	$ 327,620	$ 155,529	$ 1,024,974
Interest and dividend income	14,124	1,948	—	16,072
Net realized and unrealized gains	9,533	26,753	324	36,610
Cash gifts, grants, and bequests	2,298	99,288	2,568	104,154
Net assets released from restrictions	—	(111,010)	—	(111,010)
Deposits	2,924	—	—	2,924
Withdrawals	(48,278)	—	—	(48,278)
Other decreases	—	(3,218)	—	(3,218)
Endowment funds, September 30, 2014	$ 522,426	$ 341,381	$ 158,421	$ 1,022,228

Changes in endowment funds for the year ended September 30, 2013 are as follows:

	Unrestricted board-designated	Temporarily restricted	Permanently restricted	Total
Endowment funds, October 1, 2012	$ 557,664	$ 317,437	$ 148,161	$ 1,023,262
Interest and dividend income	14,555	2,721	—	17,276
Net realized and unrealized gains	12,541	22,094	1,434	36,069
Cash gifts, grants, and bequests	2,643	106,802	5,538	114,983
Net assets released from restrictions	—	(119,770)	—	(119,770)
Deposits	2,924	—	—	2,924
Withdrawals	(48,502)	—	—	(48,502)
Other (decreases) increases	—	(1,664)	396	(1,268)
Endowment funds, September 30, 2013	$ 541,825	$ 327,620	$ 155,529	$ 1,024,974

(6) Investments (continued)

Endowments (continued)

(a) *Interpretation of Relevant Law*

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

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

(b) *Return Objectives and Risk Parameters*

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

(c) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate of return objectives, Lifespan relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Lifespan targets a diversified asset allocation that places emphasis on investments in public equity, marketable alternatives, real assets, and fixed income to achieve its long-term return objectives within prudent risk constraints.

(In thousands)

(6) Investments (continued)

Endowments (continued)

(d) *Spending Policy*

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

(7) Assets Held in Trust

Certain Lifespan affiliates (Bradley, RIH, and NH) are beneficiaries of various irrevocable charitable and split-interest trusts. The fair market value of these investments at September 30, 2014 and 2013 was $64,815 and $64,454, respectively, and is reported as permanently restricted funds within assets limited as to use in the consolidated statements of financial position.

(8) Property and Equipment

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

	2014	2013
Land and improvements	$ 37,041	$ 36,370
Buildings and improvements	1,160,461	1,099,032
Equipment	583,349	554,587
	1,780,851	1,689,989
Less accumulated depreciation and amortization	985,885	926,619
	794,966	763,370
Construction in progress	74,480	69,617
Property and equipment, net	$ 869,446	$ 832,987

Depreciation and amortization expense for the years ended September 30, 2014 and 2013 amounted to $66,051 and $60,395, respectively.

(In thousands)

(8) Property and Equipment (continued)

The estimated cost of completion of Lifespan's multi-year information systems conversion project approximated $39,400 at September 30, 2014, allocated to Lifespan's hospital affiliates as follows:

RIH	$	24,400
TMH		9,200
EPBH		2,200
NH		3,600
Total	$	39,400

The estimated cost of completion of construction in progress approximated $5,800 at September 30, 2014, comprised principally of RIH ($2,700) and TMH ($1,600) projects. In addition, RIH and TMH have several building renovation projects pending contractual commitments with estimated costs of completion of approximately $6,300 and $3,300, respectively.

(9) Pension and Other Postretirement Benefits

Pension Benefits – Lifespan Corporation Retirement Plan

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

Effective December 31, 1997, the Pension Plan for Employees of Newport Health Care Corporation and Subsidiaries (the NHCC Plan) merged into the Plan. Each employee who was a participant in the NHCC Plan and was an eligible employee on December 31, 1997 continues to be a participant in the Plan on and after December 31, 1997, subject to the provisions of the Plan. In 2011, the Plan was amended to freeze NHCC defined benefit accruals effective October 31, 2011. NHCC participants continue to accrue benefits under the separate account balance component of the Plan.

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

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

may be determined to be appropriate by Lifespan. Lifespan may also make certain discretionary matching contributions to participant account balances included in Plan assets based on salary deferral elections of participants.

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

The provisions of FASB ASC Topic 715, *Compensation-Retirement Benefits: Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (ASC 715), require an employer to recognize in its statement of financial position an asset for a benefit plan's overfunded status or a liability for a plan's underfunded status, and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. The funded-status amount is measured as the difference between the fair value of plan assets and the projected benefit obligation including all actuarial gains and losses and prior service cost. Based on September 30, 2014 and 2013 funded-status amounts for the Plan, Lifespan recorded a decrease in unrestricted net assets of $43,699 in 2014 and an increase in unrestricted net assets of $79,046 in 2013.

The estimated amounts that will be amortized from unrestricted net assets into net periodic pension cost in 2015 are as follows:

Net actuarial loss	$	12,885
Prior service benefit		(541)
	$	12,344

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

		2014		2013
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$	601,633	$	638,739
Service cost		22,051		25,801
Interest cost		31,272		26,657
Actuarial loss (gain)		47,968		(66,235)
Benefits paid		(38,156)		(23,329)
Projected benefit obligation at end of year	$	664,768	$	601,633

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

The accumulated benefit obligation at the end of 2014 and 2013 was $593,805 and $538,986, respectively.

	2014	2013
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 429,006	$ 394,336
Actual return on plan assets	25,334	27,380
Employer contributions	32,029	30,619
Benefits paid	(38,156)	(23,329)
Fair value of plan assets at end of year	$ 448,213	$ 429,006

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

	2014	2013
Funded status, end of year:		
Fair value of plan assets	$ 448,213	$ 429,006
Projected benefit obligation	664,768	601,633
Accrued pension liability	$ (216,555)	$ (172,627)

	2014	2013
Amounts not yet reflected in net periodic pension cost and included in unrestricted net assets:		
Prior service benefit	$ 3,924	$ 4,465
Accumulated net actuarial loss	(176,517)	(133,360)
Amounts not yet recognized as a component of net periodic pension cost	(172,593)	(128,895)
Accumulated net periodic pension cost in excess of employer contributions	(43,962)	(43,732)
Net amount recognized	$ (216,555)	$ (172,627)

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

	2014	2013
Sources of change in unrestricted net assets:		
Net (loss) gain arising during the year	$ (52,893)	$ 64,043
Amortizations:		
Net actuarial loss	9,735	15,544
Prior service benefit	(541)	(541)
Total unrestricted net asset (loss) gain recognized during the year	$ (43,699)	$ 79,046

Net Periodic Pension Cost

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

	2014	2013
Service cost	$ 22,051	$ 25,801
Interest cost	31,272	26,657
Expected return on plan assets	(30,259)	(29,571)
Amortization of net actuarial loss	9,735	15,544
Amortization of prior service benefit	(541)	(541)
Net periodic pension cost	$ 32,258	$ 37,890

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

	2014	2013
Discount rate for benefit obligations	4.33%	4.88%
Discount rate for net periodic pension cost	4.88%	3.66%
Rate of compensation increase	4.50%	4.50%
Expected long-term rate of return on Plan assets	7.50%	7.75%

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

The asset allocation for the Plan at September 30, 2014 and 2013, and the target allocation for 2015, by asset category, are as follows:

Asset category	Target allocation 2015	Percentage of plan assets September 30 2014	2013
U.S. equities	20.0%	17.3%	15.7%
Marketable alternatives	23.0%	13.4	14.5
International equities	20.0%	23.9	16.5
Venture capital	-	0.7	0.8
Commodities	3.0%	4.4	6.2
Real estate	1.5%	1.3	2.0
Fixed income	31.5%	31.2	39.3
Cash and cash equivalents	1.0%	7.8	5.0
Total		100.0%	100.0%

The asset allocation table above does not include $107,702 and $102,832 of Plan assets at September 30, 2014 and 2013, respectively, attributable to the separate savings account balances of participants which are managed in various mutual funds by Fidelity Investments (Fidelity).

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

The primary investment objective of the Plan is to attain the expected long-term rate of return on Plan assets in support of the above objective. The Plan's specific investment objective is to attain an average annual real total return (net of investment management fees) of at least 4.75% over the long term (rolling five-year periods). Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation as measured by the Consumer Price Index.

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

(Continued)

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Fair Value

The following tables summarize the Plan's investments by major category within the ASC 820-10 fair value hierarchy as of September 30, 2014 and 2013, as well as related strategy and liquidity/notice requirements:

	2014				Redemption	Days'
	Level 1	Level 2	Level 3	Total	or liquidation	notice
U.S. equities:						
Large cap value	$ 19,212	$ —	$ —	$ 19,212	Daily	One
Mid-cap value	20,446	—	—	20,446	Daily	Three
Large cap growth	18,639	—	—	18,639	Daily	One
Marketable alternatives:						
Multiple strategies	—	39,272	—	39,272	Quarterly-Annually	Sixty - Ninety-five
Long-short equity	—	2,000	—	2,000	Quarterly	Sixty
Absolute return strategies	—	27,173	—	27,173	Monthly-Semiannually	Five - Ninety
International equities:						
Developed markets	25,443	40,367	—	65,810	Daily - Monthly	One - Seven
Emerging markets	—	15,620	—	15,620	Monthly	Ten
Venture capital	—	—	5,005	5,005	Illiquid	N/A
Commodities:						
Energy	6,221	—	—	6,221	Daily	One
Various	—	6,624	—	6,624	Daily	One
Real estate	—	3,500	—	3,500	Monthly	Fifteen
Fixed income:						
U.S. Treasuries	18,670	—	—	18,670	Daily	One
U.S. Government and agency	—	1,266	—	1,266	Daily	One
Domestic bonds	—	57,238	—	57,238	Daily	One
Global bonds	—	28,205	—	28,205	Monthly	Fifteen
Cash and cash equivalents	5,610	—	—	5,610	Daily	One
Fidelity mutual funds	107,702	—	—	107,702	Daily	One
Total	$ 221,943	$ 221,265	$ 5,005	$ 448,213		

Investment subscriptions in transit at September 30, 2014 included in the above major categories are as follows:

Absolute return strategies	$15,900
Real estate	3,500
Long-short equity	2,000

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

	2013				Redemption	Days'
	Level 1	Level 2	Level 3	Total	or liquidation	notice
U.S. equities:						
Large cap value	$ 17,349	$ —	$ —	$ 17,349	Daily	One
Mid-cap value	17,239	—	—	17,239	Daily	Three
Large cap growth	16,381	—	—	16,381	Daily	One
Marketable alternatives:						
Multiple strategies	—	36,527	—	36,527	Quarterly-Annually	Ninety-Ninety-five
Absolute return strategies	—	10,844	—	10,844	Monthly	Five
International equities:						
Developed markets	—	39,060	—	39,060	Monthly	Five - Seven
Emerging markets	—	14,942	—	14,942	Daily	One
Venture capital	—	—	5,786	5,786	Illiquid	N/A
Commodities:						
Energy	10,653	—	—	10,653	Daily	One
Various	—	6,953	—	6,953	Daily	One
Real estate	4,925	—	—	4,925	Daily	Three
Fixed income:						
U.S. Treasuries	10,119	—	—	10,119	Daily	One
U.S. Treasury inflation-protected	—	14,347	—	14,347	Daily	Two
U.S. Government and agency	—	9,813	—	9,813	Daily	One
Domestic bonds	—	44,556	—	44,556	Daily	One
Global bonds	21,152	28,218	—	49,370	Daily - Monthly	One - Fifteen
Cash and cash equivalents	17,310	—	—	17,310	Daily	One
Fidelity mutual funds	102,832	—	—	102,832	Daily	One
Total	$ 217,960	$ 205,260	$ 5,786	$ 429,006		

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended September 30, 2014 and 2013.

The following tables set forth a summary of changes in the fair value of the Plan's Level 3 investments for the years ended September 30, 2014 and 2013:

	2014	2013
Venture capital:		
Fair value at October 1, 2013	$ 5,786	$ 7,889
Unrealized losses, net	(399)	(1,580)
Purchases	10	14
Sales/redemptions	(2,303)	(2,299)
Realized gains, net	1,911	1,762
Fair value at September 30, 2014	$ 5,005	$ 5,786

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Expected Cash Flows

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

Employer contributions:		
2015 (required)	$	35,208
Expected benefit payments:		
2015		36,265
2016		30,425
2017		30,405
2018		31,352
2019		35,157
2020 through 2024		202,134

Management evaluates its Plan assumptions annually and the expected employer contributions in 2015 could increase.

Other Postretirement Benefits

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

Lifespan recognizes in its consolidated statements of financial position an asset for a benefit plan's overfunded status or a liability for a plan's underfunded status, and recognizes changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. The funded-status amount is measured as the difference between the fair value of plan assets and the benefit obligation including all actuarial gains and losses and prior service cost. Based on September 30, 2014 and 2013 funded-status amounts for the postretirement benefit plan, Lifespan recorded increases in unrestricted net assets of $2,547 in 2014 and $6,802 in 2013, respectively. Approximately $361 of prior service benefit will be amortized from unrestricted net assets into net periodic postretirement benefit cost in 2015.

(Continued)

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Benefit Obligations

		2014		2013
Change in accumulated postretirement benefit obligation:				
Accumulated postretirement benefit obligation at beginning of year	$	18,276	$	25,069
Service cost		271		424
Interest cost		858		885
Benefits paid		(1,109)		(1,410)
Actuarial gain		(2,706)		(6,692)
Accumulated postretirement benefit obligation at end of year	$	15,590	$	18,276

Funded Status

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

		2014		2013
Benefit obligations	$	15,590	$	18,276
Funded status	$	(15,590)	$	(18,276)
Accrued postretirement benefit cost recognized in the consolidated statements of financial position	$	15,590	$	18,276

Amounts recognized in the consolidated statements of financial position at September 30, 2014 and 2013 consist of:

		2014		2013
Accrued postretirement benefit cost:				
Current (included in accrued employee benefits and compensation)	$	1,139	$	1,393
Noncurrent (included in other liabilities)		14,451		16,883
Total accrued postretirement benefit cost	$	15,590	$	18,276

(Continued)

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

	2014	2013
Amounts not yet reflected in net periodic postretirement benefit cost and included in unrestricted net assets:		
Prior service benefit	$ —	$ 159
Accumulated net actuarial gain	4,410	1,715
Amounts not yet recognized as a component of net periodic postretirement benefit cost	4,410	1,874
Accumulated net periodic postretirement benefit cost	(20,000)	(20,150)
Net amount recognized	$ (15,590)	$ (18,276)

	2014	2013
Sources of change in unrestricted net assets:		
Net gain arising during the year	$ 2,706	$ 6,692
Amortizations:		
Net actuarial loss	—	314
Prior service benefit	(159)	(204)
Total unrestricted net asset gain recognized during the year	$ 2,547	$ 6,802

Net Periodic Postretirement Benefit Cost

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

	2014	2013
Service cost	$ 271	$ 424
Interest cost	858	885
Amortization of net actuarial loss	—	314
Amortization of prior service benefit	(159)	(204)
Net periodic postretirement benefit cost	$ 970	$ 1,419

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

	2014	2013
Discount rate for benefit obligations	4.33%	4.88%
Discount rate for net periodic postretirement benefit cost	4.88%	3.66%

(In thousands)

(9) Pension and Other Postretirement Benefits (continued)

Assumed Health Care Cost Trend Rates at September 30:

	2014	2013
Health care cost trend rate assumed for next year	7.44%	7.66%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2030	2030

Assumed health care cost trend rates have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects as of September 30, 2014:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service cost and interest cost	$ 78	$ (71)
Effect on accumulated postretirement benefit obligation	894	(822)

Expected Cash Flows

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

Expected benefit payments:	
2015	$ 1,139
2016	1,234
2017	1,349
2018	1,529
2019	1,577
2020 through 2024	7,410

Supplemental Executive Retirement Plan

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

(10) Estimated Self-Insurance Costs

Professional Liability/Medical Malpractice and General Liability

Professional liability/medical malpractice coverage for RIH, TMH, Bradley, NHCC, and all other Lifespan affiliates is supplied on a claims-made basis by RISE, Lifespan's affiliated captive insurance company, which underwrites the medical malpractice risk of Lifespan (including a contractual commitment to indemnify certain eligible nonemployed physicians). The adequacy of the coverage provided and the funding levels are reviewed annually by independent actuaries and consultants. The professional liability/medical malpractice insurance provided by RISE has liability limits of $4,000 per claim with no annual aggregate. RISE provides a second layer of coverage which has limits of an additional $2,000 per claim with a $2,000 annual aggregate. In addition, commercial umbrella excess insurance has been obtained to increase the professional liability limits to $32,000 per claim. Also covered under the Lifespan professional liability/medical malpractice policy are 645 nonemployed physicians. Each of these physicians is provided with a $2,000 indemnification per claim and a $6,000 annual indemnification aggregate.

General liability coverage is provided to RIH, TMH, Bradley, NHCC and all other Lifespan affiliates by RISE amounting to $2,000 per claim and $4,000 in the annual aggregate. Commercial excess liability insurance has been obtained by Lifespan which provides aggregate general liability coverage of $80,000.

Lifespan has recorded a provision for estimated losses on professional liability/medical malpractice and general liability incidents, based on actuarial studies and its own experience. The actuarial studies include an assumed inflation rate of 4%. The amounts accrued for estimated professional liability/medical malpractice and general liability self-insurance costs at September 30, 2014 and 2013 have been discounted at 4%. Had Lifespan provided for losses at undiscounted levels, estimated self-insurance liabilities would have been increased by approximately $6,813 and $7,689 at September 30, 2014 and 2013, respectively.

Workers' Compensation

Lifespan has recorded a provision for workers' compensation losses, based on actuarial studies and its own experience. The actuarial studies include an assumed inflation rate of 4%. The amounts accrued for estimated workers' compensation self-insurance costs at September 30, 2014 and 2013 have been discounted at 4%. Had such losses been provided for at undiscounted levels, estimated self-insurance liabilities would have been increased by approximately $843 and $700 at September 30, 2014 and 2013, respectively. Lifespan has a standby letter of credit at September 30, 2014 in the amount of $6,500 supporting the estimated unpaid liability.

(Continued)

(In thousands)

(11) Patient Service Revenue and Related Reimbursement

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

	2014	2013
Medicare and Senior Care	42%	41%
Blue Cross	18	18
Medicaid and RIte Care	19	15
Managed care	11	11
Commercial, self-pay, and other	10	15
	100%	100%

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

Medicare cost reports filed annually with The Centers for Medicare and Medicaid Services (CMS) are subject to audit prior to final settlement. The 2014 Medicare cost reports have not been filed and, therefore, are not settled. The State of Rhode Island Medicaid Program no longer requires annual cost reports and year-end retrospective settlements; however, Medicaid cost reports for 2004 through 2010 have not been final settled.

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

	RIH	TMH	NH
Medicare 2013	X	X	X
Medicare 2012	X	X	X
Medicare 2011			X

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

Regulations in effect require annual settlements based upon cost reports filed by the Lifespan hospitals. These settlements are estimated and recorded in the accompanying consolidated financial statements. Changes in these estimates are reflected in the consolidated financial statements in the year in which they occur. Net patient service revenue in the accompanying consolidated statements of operations and changes in net assets was increased by $3,296 and $6,491 in 2014 and 2013, respectively, to reflect changes in the estimated settlements for certain prior years.

Revenues from Medicare and Medicaid programs accounted for approximately 42% and 19%, respectively, of Lifespan's gross patient service revenue for the year ended September 30, 2014. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Lifespan believes that it is in compliance with all applicable laws and regulations. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action; failure to comply with such laws and regulations can result in fines, penalties, and exclusion from Medicare and Medicaid programs.

(12) Income Tax Status

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

Lifespan recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount of benefit that is greater than fifty percent likely to be realized upon settlement. Changes in measurement are reflected in the period in which the change in judgment occurs. Lifespan did not recognize the effect of any income tax positions in either 2014 or 2013.

(Continued)

(In thousands)

(13) Long-Term Debt

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

		2014		2013
Hospital Financing Revenue fixed rate serial and term bonds due May 15, 2015 through 2032 in annual amounts ranging from $10,210 to $15,020 at rates ranging from 4% to 5% (2006A Series – Lifespan Obligated Group)	$	150,105	$	159,830
Hospital Financing Revenue fixed rate serial and term bonds due May 15, 2027 through 2039 in annual amounts ranging from $1,870 to $7,900 at rates ranging from 6.125% to 7% (2009A Series – Lifespan Obligated Group)		114,985		114,985
Hospital Financing Revenue fixed rate serial and term bonds due May 15, 2015 through 2026 in annual amounts ranging from $810 to $14,705 at rates ranging from 5.25% to 5.75% (1996 Series – Lifespan Obligated Group)		51,115		51,885
Master lease and loan and security agreement due December 15, 2014 through 2020 in semiannual amounts ranging from $3,439 to $3,766 at 1.66% (the 2013 Financing)		43,206		50,000
Hospital Financing Revenue fixed rate serial and term bonds due July 1, 2015 through 2029 in annual amounts ranging from $920 to $1,890 at rates ranging from 5.1% to 5.3% (1999 Series – NH)		20,275		21,150
Other (Gateway Healthcare, Inc.)		5,641		5,609
Unamortized premium – 2006A Series		3,851		4,415
Unamortized premium – 2009A Series		164		170
		389,342		408,044
Less current portion		19,595		18,428
Long-term debt, net of current portion	$	369,747	$	389,616

The estimated fair value of Lifespan’s long-term debt at September 30, 2014 and 2013 approximates $406,000 and $415,000, respectively, and is estimated using discounted cash flow analyses, based on Lifespan’s current incremental borrowing rates for similar types of borrowing arrangements. The fair value of long-term debt is based on significant observable inputs and is categorized as Level 2 for purposes of valuation disclosure.

On June 14, 2013, RIH, TMH, and Bradley entered into a tax-exempt $50,000 master lease and loan and security agreement (the 2013 Financing) with a seven-year term, to partially fund the capital costs associated with Lifespan’s multi-year information systems conversion project. The 2013 Financing is

(Continued)

(13) Long-Term Debt (continued)

secured by a first priority lien and security interest on the equipment (excluding intellectual property), goods, and other property financed with the proceeds of the 2013 Financing, as well as the unspent balance of the master lease obligation escrow fund (the Escrow Fund). RIH, TMH, and Bradley are jointly and severally liable for repayment of the 2013 Financing. NHCC indirectly participated in the 2013 Financing via an intercompany payable of $4,500 to RIH in exchange for an equivalent interest in the Escrow Fund.

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

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

The above outstanding 2009 Hospital Financing Revenue Bonds (OG – RIH, TMH, Bradley, RIHF and TMHF) are secured by a pledge of the gross receipts of the Obligated Group Hospitals and by mortgage liens on RIH's and TMH's real property and all buildings, structures and improvements thereon. The Obligated Group Hospitals, RIHF and TMHF are jointly and severally liable for repayment of the 2009A Bonds. Payment of the principal amount of and interest on $64,825 of the 2009A Bonds when due is guaranteed by a financial guaranty insurance policy issued by Assured Guaranty Corp.

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

The above outstanding 2006 Hospital Financing Revenue Bonds (OG – RIH, TMH, Bradley, and the Foundations) are secured by a pledge of the gross receipts of RIH and TMH and by mortgage liens on RIH's and TMH's real property and all buildings, structures and improvements thereon. The Obligated Group Hospitals and the Foundations are jointly and severally liable for repayment of the 2006A Bonds. Payment of the principal and interest on the 2006A Bonds when due is guaranteed by a financial guaranty insurance policy issued by Assured Guaranty Corp.

(13) Long-Term Debt (continued)

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

The above outstanding 1996 Hospital Financing Revenue Bonds (OG – RIH, TMH, Bradley, and the Foundations) are secured by a pledge of the gross receipts of RIH and TMH. The Obligated Group Hospitals and the Foundations are jointly and severally liable for repayment of the 1996 Bonds. Payment of the principal and interest on the 1996 Bonds when due is guaranteed by a financial guaranty insurance policy issued by National Public Finance Guarantee Corp.

Under the terms of the 2009A, 2006A, and 1996 Bonds, the Obligated Group Hospitals are required to satisfy certain measures of financial performance as long as the bonds are outstanding. At September 30, 2014, management believes the Obligated Group Hospitals were in compliance with all covenants of the 2009A and 1996 Bonds. As previously noted, the 2006A Bonds are insured by Assured Guaranty Corp. and the insurance policy requires the Obligated Group Hospitals to maintain a Debt Service Coverage Ratio (DSCR) of 2.0x or higher. The DSCR is 2.29x for the year ended September 30, 2014, compared to 1.69x for the year ended September 30, 2013. Since the DSCR for the year ended September 30, 2013 resulted in this insurance covenant not being met, the Debt Service Reserve Fund (DSRF) associated with the Obligated Group Hospitals' 2006A Bonds was funded in the approximate amount of $14,900 via the OG's establishment of a standby letter of credit which provides for the availability of the DSRF requirement.

On February 1, 1999, RIHEBC issued, on behalf of NH, $30,000 of tax-exempt bonds (the 1999 Bonds) to finance the acquisition, construction, renovation and equipping of various NH facilities. The 1999 Bonds are secured by a pledge of the gross receipts of NH.

Payment of the principal and interest on the 1999 Bonds when due is guaranteed by Newport Hospital Foundation, Inc. Under the terms of the 1999 Bonds, NH is required to satisfy certain measures of financial performance as long as the bonds are outstanding. At September 30, 2014, management believes NH was in compliance with all covenants of the bonds.

Lifespan's aggregate maturities of long-term debt for the five fiscal years ending in September 2019 are as follows: 2015, $19,595; 2016, $19,890; 2017, $21,449; 2018, $21,355; and 2019, $22,116.

(Continued)

(In thousands)

(13) Long-Term Debt (continued)

Agreements underlying the various Hospital Financing Revenue Bonds and the 2013 Financing require that RIH, TMH, Bradley, and NH maintain certain funds included with assets limited as to use in the consolidated statements of financial position, as follows:

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

Bond Funds – RIH, TMH, Bradley, and NH are required to make periodic deposits to the trustee sufficient to provide sinking funds for the payment of principal and interest to bondholders when due.

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

Master Lease Obligation Escrow Fund – unspent balance of the 2013 Financing.

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

	2014	2013
RIH, TMH, and Bradley:		
Project Fund – 2009A Series	$ 6,333	$ 13,399
Bond Fund – 1996 Series	885	886
Debt Service Reserve Fund – 2009A Series	11,499	11,499
Master Lease Obligation Escrow Fund – 2013 Financing	2,589	37,182
	21,306	62,966
Newport Hospital:		
Master Lease Obligation Escrow Fund – 2013 Financing	256	3,677
Bond Fund – 1999 Series	498	498
	754	4,175
Total	$ 22,060	$ 67,141

(Continued)

(In thousands)

(14) Temporarily and Permanently Restricted Net Assets

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

	2014	2013
General health care service activities	$ 284,140	$ 275,756
Research	66,108	61,519
Total	$ 350,248	$ 337,275

Permanently restricted net assets at September 30 are restricted to:

	2014	2013
General health care service activities	$ 154,475	$ 151,973
Research	4,461	4,461
Total	$ 158,936	$ 156,434

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

(15) Leases

Lifespan leases building space and equipment under various noncancelable operating lease agreements. Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases with terms of one year or more consist of the following at September 30, 2014:

	Amount
Year ending September 30:	
2015	$ 25,491
2016	19,729
2017	16,794
2018	13,425
2019	11,125
Thereafter	20,005
Total minimum lease payments	$ 106,569

Rental expense, including rentals under leases with terms of less than one year, for the years ended September 30, 2014 and 2013 was $23,097 and $20,816, respectively.

(In thousands)

(16) Concentrations of Credit Risk

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

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

(17) Malpractice and Other Litigation

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

(18) License Fees

In 2014 and 2013, the State of Rhode Island has assessed a license fee to all Rhode Island hospitals, based on each hospital's 2012 and 2011 net patient service revenue, respectively, as defined. The Hospitals' license fee expense was $73,366 in 2014 and $70,701 in 2013.

(19) Functional Expenses

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

	2014	2013
Health care services	$ 1,463,410	$ 1,394,825
Research	98,780	99,281
General and administrative:		
Depreciation and amortization	66,051	60,395
Interest	20,072	19,782
Other	159,659	150,708
Total general and administrative	245,782	230,885
	$ 1,807,972	$ 1,724,991

(Continued)

(In thousands)

(20) Non-recurring Charges

Income (loss) from operations includes non-recurring charges of approximately $2,700 and $6,000 in the years ended September 30, 2014 and 2013, respectively, related to streamlining initiatives resulting from Lifespan's review of its operating strategies. The charges include provisions for the severance costs of permanent management and supervisory workforce reductions. The liability related to the non-recurring charges is approximately $3,097 and $4,485 at September 30, 2014 and 2013, respectively, and is included in accrued employee benefits and compensation in the consolidated statements of financial position.

In July 2013, Lifespan announced a voluntary early retirement program (VERP), which was designed to provide salary and medical benefits continuation for eligible employees who wished to retire. The estimated costs of this program in 2013 amounted to $5,264 and are included in compensation and benefits in the consolidated statement of operations and changes in net assets. The liability related to Lifespan's VERP program is approximately $1,280 and $2,855 as of September 30, 2014 and 2013, respectively, and is included in accrued employee benefits and compensation in the consolidated statements of financial position.

(21) Promises to Give

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

	2014	2013
Capital campaigns	$ 2,323	$ 3,575
Other restricted	2,987	3,172
Unconditional promises to give before unamortized discount and allowance for collectibles	5,310	6,747
Less: unamortized discount at rates ranging from 0.6% to 3.3%	(171)	(285)
Subtotal	5,139	6,462
Less: allowance for uncollectibles	(399)	(432)
Net unconditional promises to give	$ 4,740	$ 6,030
Amounts due in:		
Less than one year	$ 2,542	$ 3,337
One to five years	2,714	3,357
More than five years	54	53
Total	$ 5,310	$ 6,747

Exhibit IV
Schedule 1

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through grantor	CFDA number	Pass-through number	Expenditures
Research and Development Cluster:			
Department of Defense:			
U.S. Army Medical Command	12.420		$ 529,608
Defense Threat Reduction Agency:			
Passed through:			
University of New Mexico	12.HDTRA113C	HDTRA1-13-C-0005	(49,032)
Department of Health and Human Services:			
Agency for Healthcare Research and Quality:	93.226		308,720
Passed through:			
Administration for Children and Families	93.715	R01 HS019312	(621)
Passed through:			
Rhode Island Kids Count	93.670	7127426	(7,868)
Centers for Disease Control and Prevention:			
Passed through:			
Inflexion Incorporated	93.136	U01 CE002165	16,759
Icahn School of Medicine at Mount Sinai	93.283	0258-9821-4609	257,529
Rhode Island Department of Health	93.940	PO# 3341227	39,652
Icahn School of Medicine at Mount Sinai	93.945	0258-8812	(9,174)
Centers for Medicare and Medicaid Services:			
Passed through:			
Health Resources in Action	93.610	1C1CMS331039	111,327
Department of Health and Human Services:			
Passed through:			
Rhode Island Department of Health	93.UNKNOWN	7015414	71,072
Rhode Island Department of Health	93.UNKNOWN	PO 3293475-01	797,574
University of Florida at Gainesville	93.HHSN2662007	HHSN26620070023C	49,449
Health Resources and Services Administration	93.110		137,156
Health Resources and Services Administration	93.928		(15,375)
Passed through:			
Children’s Hospital of Pittsburgh	93.127	U03 MC22685	149,723
Yale University	93.127	H34 MC19349	3,007
University of Massachusetts Medical Center	93.145	H4AHA00050	68,237
University of Massachusetts Medical Center	93.145	H4AHA00050	18,003
Butler Hospital	93.156	7109859	52,706
Rhode Island Department of Health	93.917	X07HA00011	121,682
National Institutes of Health	93.213		731,114
National Institutes of Health	93.242		4,499,160
National Institutes of Health	93.273		3,000,343
National Institutes of Health	93.277		(7,550)
National Institutes of Health	93.279		7,066,868
National Institutes of Health	93.281		315,329
National Institutes of Health	93.282		351,255
National Institutes of Health	93.310		248,524
National Institutes of Health	93.361		372,463
National Institutes of Health	93.389		211,247
National Institutes of Health	93.393		1,034,890
National Institutes of Health	93.394		857,103
National Institutes of Health	93.395		291,940
ARRA-National Institutes of Health	93.701		2,474
National Institutes of Health	93.837		6,558,775
National Institutes of Health	93.838		341,732
National Institutes of Health	93.839		402,955
National Institutes of Health	93.846		1,880,587
National Institutes of Health	93.847		5,283,029
National Institutes of Health	93.848		16,980
National Institutes of Health	93.853		560,502
National Institutes of Health	93.855		4,288,769
National Institutes of Health	93.859		6,205,485
National Institutes of Health	93.865		2,836,551
National Institutes of Health	93.866		65,438
National Institutes of Health	93.989		170,128
National Institutes of Health	93.DA024459		283,940
Passed through:			
Brown University	93.113	1U0ES020913	42,362

Exhibit IV
Schedule 1

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through grantor	CFDA number	Pass-through number		Expenditures
Boston University	93.121	U54 DE019275	$	106,756
Pennsylvania State University	93.173	1R03 DC010904		5,967
American Academy of Child & Adolescent Psychiatry	93.242	AACAP		142,099
Brown University	93.242	7127432		227,319
Brown University	93.242	7127434		(2,568)
Brown University	93.242	7127451		42,697
Brown University	93.242	7127461		133,040
Brown University	93.242	R21 MH092781		141
Brown University	93.242	R25 MH101076		10,670
Brown University	93.242	R01 MH092238		32,465
Brown University	93.242	R01 MH097703		134,330
Brown University	93.242	00000534		2,854
Butler Hospital	93.242	R34 MH098694		12,780
Butler Hospital	93.242	7127435		214,225
Butler Hospital	93.242	R01 MH095786		80,255
Drexel University	93.242	R01 MH095982		20,228
SUNY Research Foundation at Binghamton University	93.242	R01 MH098060		325,703
University of Alabama at Birmingham	93.242	R01 AG018384		39,751
University of Colorado	93.242	7127441		36,534
University of Connecticut	93.242	R01MH095982		15,745
University of Minnesota	93.242	R01 MH096748		25,334
Virtually Better, Inc.	93.242	R42 MH087322		150,217
Weil Medical College/New York Presbyterian Hospital	93.242	7015504		13,959
Women & Infants Hospital of Rhode Island	93.242	R01 MH078033		30,568
Yale University	93.242	1K01 MH093273		5,123
Drug & Alcohol Treatment Association of Rhode Island	93.243	U79 P015404		(472)
Brown University	93.273	7015501		1,603
Brown University	93.273	R01 AA007850		18,444
Brown University	93.273	P01 AA019072		12,641
Brown University	93.273	P01 AA019072		94,391
Brown University	93.273	P01 AA019072		272,187
Brown University	93.273	P01 AA019072		(3,695)
Brown University	93.273	R01 AA012518		58,263
Brown University	93.273	R01 AA015753		2,193
Brown University	93.273	R01 AA017181		19,710
Brown University	93.273	R01 AA020705		77,699
Brown University	93.273	R01 AA020805		8,158
Brown University	93.279	R03 DA037770		478
Butler Hospital	93.279	R34 DA034558		82,130
Columbia University	93.279	R01 DA030459		10,102
Friends Research Institute	93.279	R01 DA030771		26,875
Memorial Hospital of Rhode Island	93.279	R21 DA032739		20,550
Research Foundation for Mental Hygiene	93.279	R01 DA026775		8,627
Research Foundation for Mental Hygiene	93.279	R01 DA031005		29,861
Tufts University	93.279	P30 DA013868		27,466
University of Massachusetts	93.279	R01 DA023170		166
University of Massachusetts	93.279	R01 DA031081		16,444
University of Texas	93.279	R01 DA032457		98,894
Brown University	93.307	T37 MD008655		11,387
Brown University	93.310	U24 AA022000		5,323
Brown University	93.310	U24 AA022000		79,063
Butler Hospital	93.361	R01 NR012005		41,047
Butler Hospital	93.361	R21 NR013438		16,535
University of Akron	93.361	R21 NR013628		13,352
University of California at San Diego	93.361	R01 NR011295		(1)
University of Massachusetts	93.361	R01 NR011317		41,534
Albert Einstein College of Medicine	93.393	R01 CA142942		22,036
Boston University	93.393	R01 CA141587		25,738
Brown University	93.393	R01 CA155381		14,885
Brown University	93.393	R01 CA166150		8,089
University of Oklahoma	93.393	R21 CA164521		46,298
University of Washington	93.393	724570		17,949
American College of Radiology	93.394	U01 CA080098		10,000
University of California at San Diego	93.394	R01 CA159954		32,116

Exhibit IV
Schedule 1

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through grantor	CFDA number	Pass-through number	Expenditures
Beckman Research Institute	93.395	R01 CA174683	$ 13,212
Brigham & Women's Hospital	93.395	U10 CA031946	58,008
Brigham & Women's Hospital	93.395	U10 CA031496	15,529
ARRA-University of Pennsylvania	93.701	U01 NS062835	328
Brigham & Women's Hospital	93.837	R01 HL117713	124
California Polytechnic State University	93.837	U01 HL114377-01	340,806
California Polytechnic State University	93.837	U01 HL114377-02S1	40,254
California Polytechnic State University	93.837	R01HL118208	109,353
Cincinnati Children's Hospital Medical Center	93.837	Sub#109363/1R24	16,822
Medical College of Ohio	93.837	U01 HL715560	13,913
Medical College of Ohio	93.837	U01 HL715560	41,468
Medical College of Ohio	93.837	U01 HL715560	(17,040)
Medical University of South Carolina	93.837	R34 HL107733	19,760
Icahn School of Medicine at Mount Sinai	93.837	U01HL088942	5,873
Temple University	93.837	R01HL092901	97,338
Texas Heart Institute	93.837	R01 HL090521	53,755
Tufts University	93.837	R01 HL06160	19,039
University of Massachusetts Medical Center	93.837	R21 HL114083	51,884
University of Massachusetts Medical Center	93.837	R21 HL119665	17,777
Vanderbilt University	93.837	P01 HL058000	40,871
Yale University	93.837	R01 HL081153	396
Johns Hopkins University	93.838	R01 HL087997	14,977
Temple University	93.838	R01 HL070301	83,923
University of Michigan Medical Center	93.838	R01 HL109118	67,572
Washington University	93.839	7011540	30,122
Boston Children's Hospital	93.846	R01 AR05018	(26,994)
Boston Children's Hospital	93.846	7011937	286,394
Memorial Sloan-Kettering Cancer Institute	93.846	R01 AR049342	53,717
Tribologics	93.846	7015576	114,117
Vanderbilt University	93.846	R01 AR053684	17,519
Beth Israel Deaconess Medical Center	93.847	R01 DK085185	54,274
Connecticut Children's Medical Center	93.847	U01 DK095745	2,778
Drexel University	93.847	R01 DK095069	3,839
Georgia Regents University	93.847	U24 DK076169	34,474
Massachusetts General Hospital	93.847	R01 DK61230	18,021
University of Pittsburgh	93.847	R01 DK087780	445
University of Pittsburgh	93.847	R21 DK088672	2,500
Wake Forest University	93.847	R01 DK092237-01	59,777
Wake Forest University	93.847	R01 DK092237-02S2	106,942
Beth Israel Deaconess Medical Center	93.853	U01 NS074425	1,346
Emory University	93.853	U01 NS062778	54,960
Fundacao de Apoio a Pesquisa e Extensao	93.853	R01 NS064905	8,204
Massachusetts General Hospital	93.853	P50 NS051343	122,399
University of Iowa	93.853	R01 NS040068	11,215
University of Pennsylvania	93.853	U01 NS062778	10,358
Yale University	93.853	U01 NS044876	56,913
Baylor Research Institute	93.855	7015539	37,634
Biofire	93.855	R01 AI104593	61,191
Boston University	93.855	U19 AI096398	37,711
Boston University	93.855	U19 AI096398-02	59,493
Brigham & Women's Hospital	93.855	RO1 AI079085	13,259
Brigham & Women's Hospital	93.855	UM1 AI068636	785
Brigham & Women's Hospital	93.855	UM1 AI068636	9,021
Brigham & Women's Hospital	93.855	UM1 AI068636	4,372
Brigham & Women's Hospital	93.855	R01 AI108538	55,336
Brown University	93.855	D43 TW000237	34,326
Fred Hutchinson Cancer Research Center	93.855	UM1 AI068618	(24)
George Washington University	93.855	R01 AI102837	27,111
ImQuest BioSciences	93.855	U19 AI101961	369,274
Massachusetts Eye and Ear Infirmary	93.855	P01 AI083214	331,632
Massachusetts General Hospital	93.855	U01 AI069472	70,200
Massachusetts General Hospital	93.855	U01 AI069472	301,542
Pennsylvania State University	93.855	R21 AI094514	1,265
Research Institute for Tropical Medicine	93.855	P50 AI098481	27,309

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through grantor	CFDA number	Pass-through number	Expenditures
Research Institute for Tropical Medicine	93.855	P50 AI098481	$ 6,292
Research Institute for Tropical Medicine	93.855	P50 AI098481	10,934
Research Institute for Tropical Medicine	93.855	P50 AI098481	6,727
Research Institute for Tropical Medicine	93.855	P50 AI098481	7,602
Social & Scientific Systems, Inc.	93.855	UM1 AI068636	180
Stanford University	93.855	R01 AI066922	127,276
Stanford University	93.855	R01 AI066922	42,023
University of Rhode Island	93.855	P01AI034533	30,522
University of Rhode Island	93.855	U19AI082642	219,557
University of Rhode Island	93.855	U19AI082642	(1,291)
University of Rhode Island	93.855	U19AI082642	46,064
University of Rhode Island	93.855	U19AI082642	128,643
University of Rhode Island	93.855	U19AI082642	86,737
University of Rochester Medical Center	93.855	P30 AI078498	44,530
University of Washington	93.855	R01 AI112002	28,726
Brown University	93.859	P20 GM103645	11,051
Ocean State Research Institute	93.859	P20 GM103652	200,180
Ocean State Research Institute	93.859	P20 GM103652	8,413
Ocean State Research Institute	93.859	P20 GM103652	275,529
Ocean State Research Institute	93.859	P20 GM103652	157,882
Ocean State Research Institute	93.859	P20 GM103652	204,274
Ocean State Research Institute	93.859	P20 GM103652	262,813
University of Rhode Island	93.859	P20 GM104317	13,120
University of Rhode Island	93.859	P20 GM104317	115,675
University of Rhode Island	93.859	P20 GM104317	48,831
University of Rhode Island	93.859	P20 GM104317	190,967
University of Rhode Island	93.859	P20 GM104317	1,975
University of Rhode Island	93.859	P20 GM104317	177,724
University of Rhode Island	93.859	P20 GM104317	41,639
University of Rhode Island	93.859	P20 GM103430	3,806
Emory University	93.865	R01HD071982	3,320
Fenway Community Health Center	93.865	U01 HD068040	14,034
SUNY Research Foundation at Binghamton University	93.865	R01HD057066	10,069
University of Alabama at Birmingham	93.865	U01 HD040533	9,422
University of Alabama at Birmingham	93.865	U01 HD040533	104,884
University of California at Davis	93.865	U01 DH062417	4,472
Virtually Better, Inc.	93.865	R43 HD075524	21,107
Washington University	93.865	R01 HD071915	2,637
Wayne State University	93.865	R01 HD062477	4,869
Women & Infants Hospital of Rhode Island	93.865	U01 HD027904	8,896
Eli Lilly and Company	93.866	U19 AG010483	13,020
Medchem Products, Inc.	93.866	R41 AG044871	64,052
University of California at San Diego	93.866	U01 AG010483	721
University of California at San Diego	93.866	RF1 AG041845	24,370
University of California at San Diego	93.866	U01 AG024904	61,049
Washington University	93.866	U01 AG042791	144,605
Children’s Hospital of Philadelphia	93.867	R01EY021137	1,291
American College of Radiology	93.CA21661	U10 CA21661	51,490
American College of Radiology	93.CA80098	U01 CA80098	22,835
MEE (Motivational Educational Entertainment) Productions Inc.	93.MH082103	R44 MH082103	240,973
Women & Infants Hospital of Rhode Island	93.R01MH074919	R01MH074919	14,370
Cayetano Heredia University	93.R01NS040068	HHSN26820090033	7,875
Virtually Better, Inc.	93.R44MH102140	7015554	75,099
Brown University	93.HHSA2902011	HHSA290320041T	110,111
Brown University	93.N2682009	HHSN268200900031	22,377
Yale University	93.HHSN26772008	HHSN26772008	17,822
Moi University	93.HHSN2682009	HHSN26800900031	9,622
American College of Radiology	93.U10CA21661	U10CA21661	4,167
American College of Radiology	93.UNKNOWN	7011505	7,101
University of Maryland Medical Center	93.UNKNOWN	7127484	29,045

Exhibit IV
Schedule 1

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through grantor	CFDA number	Pass-through number	Expenditures
Department of Justice:			
National Institute of Corrections	16.601		$ 26,226
United States Agency for International Development			
Passed through:			
Indiana University	93.623112	AID-623-A-12-00001	50,683
Total expenditures of research and development federal awards			60,888,499
Child Nutrition Cluster:			
Department of Agriculture:			
Food and Nutrition Services:			
Passed through:			
Rhode Island Department of Education	10.553	10801	84,826
Rhode Island Department of Education	10.555	10801	140,678
Rhode Island Department of Education	10.582	10801	12,254
Food and Nutrition Services–Gateway :			
Passed through:			
Rhode Island Department of Education (FY14)	10.555	Spon #26835	29,548
Rhode Island Department of Education (FY14)	10.555	Spon #28856	70,933
Rhode Island Department of Education (7/1/13-9/30/13)	10.555	Spon #26835	6,359
Rhode Island Department of Education (7/1/13-9/30/13)	10.555	Spon #28856	12,743
Total expenditures of Child Nutrition federal awards			357,341
Workforce Investment Act (WIA) Cluster:			
Department of Labor:			
Employment Training Administration:			
Rhode Island Department of Labor and Training	17.259	JDF2014-6000-13	8,738
Rhode Island Department of Labor and Training	17.259	G-921	12,261
Rhode Island Department of Labor and Training	17.259	G-779 W3666	149,621
Workforce Solutions of Providence/Cranston	17.259	WSPC-SUM-1413	63,240
Workforce Solutions of Providence/Cranston	17.259	WSPC-TANF-1452	14,175
Total expenditures of WIA federal awards			248,035
Other Federal Awards:			
Department of Education:			
Office of Special Education and Rehabilitative Services	84.181		30,437
Passed through:			
State of Rhode Island	84.181A	7011923	64,646
Department of Education–Gateway:			
Office of Special Education and Rehabilitative Services			
Passed through:			
State of Rhode Island (FY14)	84.126		27,500
State of Rhode Island (7/1/13-9/30/13)	84.126		2,000
Department of Health and Human Services:			
Centers for Disease Control and Prevention:			
Passed through:			
University of Massachusetts Medical Center	93.184	ATHN2011001	20,583
Rhode Island Department of Health	93.940	7109964	43,193
Department of Health and Human Services:			
Passed through:			
Family Aid Center for Treatment	93.UNKNOWN	7017973	50,320
Rhode Island Department of Health	93.UNKNOWN	7109945	37,254
Rhode Island Department of Health	93.UNKNOWN	7011923	7,455
Rhode Island Department of Health	93.UNKNOWN	7109391	21,822
Health Resources and Services Administration	93.887		152,959
Health Resources and Services Administration	93.918		669,799
Passed through:			
Icahn School of Medicine at Mount Sinai	93.110	H30 MC24048	20,711
Rhode Island Department of Health	93.917	HIV-14-02	66,572
Rhode Island Department of Health	93.917	HIV-15-02	20,544
National Institutes of Health:			
Passed through:			
Rhode Island Department of Health	93.242	7127423	287,756
Tufts University	93.279	P30 DA013868	(440)

Exhibit IV
Schedule 1

LIFESPAN CORPORATION AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through grantor	CFDA number	Pass-through number	Expenditures
Department of Health and Human Services-Gateway:			
Administration for Children and Families:			
Passed through:			
RI Department of Behavioral Healthcare, Developmental Disabilities and Hospitals:			
Family Connections (FY14)	93.558		$ 588,032
Family Connections (7/1/13-9/30/13)	93.558		138,014
On the Job Training (FY14)	93.558		151,697
On the Job Training (7/1/13-9/30/13)	93.558		45,292
RI Works (FY14)	93.558		1,082,185
RI Works (7/1/13-9/30/13)	93.558		196,436
Substance Abuse and Mental Health Services Administration:			
Passed through:			
RI Department of Behavioral Healthcare, Developmental Disabilities and Hospitals:			
Block Grants for Community Mental Health Services (FY14)	93.958		32,890
Block Grants for Community Mental Health Services (7/1/13-9/30/13)	93.958		3,973
Department of Housing and Urban Development–Gateway:			
Office of Community Planning and Development:			
Passed through:			
City of Pawtucket (FY14)	14.218	Contract #699-40A/39A	80,765
City of Pawtucket (7/1/13-9/30/13)	14.218	Contract #699-39A	18,589
Rhode Island Housing (FY14)	14.235	RI16L1T001205	105,130
Rhode Island Housing (7/1/13-9/30/13)	14.235	RI0016B1T001104	28,949
Office of Housing-Federal Housing Commissioner:			
Passed through:			
Rhode Island Housing (FY14)	14.181		551,033
Rhode Island Housing (7/1/13-9/30/13)	14.181		154,377
Department of Justice–Gateway:			
Office for Victims of Crime (FY14)	16.575	2011-VA-GX-0057	29,896
Office for Victims of Crime (7/1/13-9/30/13)	16.575	2010-VA-GX-0066	7,474
Department of Transportation:			
National Highway Traffic Safety Administration:			
Passed through:			
Rhode Island Department of Transportation	20.UNKNOWN	NHTSAK31401	53,381
Rhode Island Department of Transportation	20.UNKNOWN	NHTSAM21CPS14	7,630
Department of Veterans' Affairs:			
Office of Personnel Management:			
Passed through:			
Veterans' Affairs Medical Center	64.UNKNOWN	VA# CARA-006-09F	95,118
Total expenditures of other federal awards			4,893,972
Total expenditures of federal awards			$ 66,387,847

LIFESPAN CORPORATION AND AFFILIATES

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

(1) Definition of Reporting Entity

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

(2) Summary of Significant Accounting Policies

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

Basis of Presentation

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

(3) Subrecipients

During the year ended September 30, 2014, Lifespan provided $9,483,018 to subrecipients as part of its research and development program.