FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Greenwich Hospital
Years Ended September 30, 2009 and 2008
With Report of Independent Auditors

Greenwich Hospital

Financial Statements and Other Financial Information

Years Ended September 30, 2009 and 2008

Contents

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Report of Independent Auditors

The Board of Trustees
Greenwich Hospital

We have audited the accompanying balance sheets of Greenwich Hospital (the "Hospital") as of September 30, 2009 and 2008, and the related statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Hospital's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenwich Hospital at September 30, 2009 and 2008, and the results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

December 23, 2009

Greenwich Hospital

Balance Sheets

	September 30 2009	September 30 2008
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 32,032**	$ 29,053
Short-term investments *(Note 5)*	**28,273**	26,526
Accounts receivable for services to patients, less allowances for uncollectible accounts, charity and free care of approximately $9,756,000 in fiscal 2009 and $10,907,000 in fiscal 2008 *(Note 10)*	**32,088**	33,602
Other receivables *(Note 1)*	**7,680**	5,521
Prepaid expenses	**2,260**	1,996
Inventories	**995**	789
Total current assets	**103,328**	97,487
Assets limited as to use *(Notes 5, 7 and 11)*:		
Escrow funds for long-term debt	**10**	169
Trustee assets for self-insurance	**802**	802
Board designated	**20,735**	16,941
	21,547	17,912
Beneficial interest in investments held by Foundation *(Note 5)*	**47,113**	46,869
Long-term investments *(Note 5)*	**31,567**	23,182
Prepaid pension benefit *(Note 8)*	**–**	13,914
Due from affiliate *(Note 13)*	**7,901**	9,501
Beneficial interest in trusts *(Notes 1 and 5)*	**11,451**	11,763
Beneficial interest in remainder trusts	**1,434**	1,767
Contributed property	**2,100**	2,100
Other assets *(Note 1)*	**915**	1,098
	102,481	110,194
Property, plant and equipment *(Note 1)*:		
Land and land improvements	**6,743**	6,625
Buildings and fixtures	**218,476**	214,725
Equipment	**159,737**	146,386
Leasehold improvements	**12,505**	4,970
	397,461	372,706
Less accumulated depreciation and amortization	**(153,823)**	(135,755)
	243,638	236,951
Construction in progress	**1,331**	1,129
	244,969	238,080
Total assets	**$ 472,325**	$ 463,673

	September 30 2009	2008
	(In Thousands)	
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 8,765**	$ 6,762
Accrued expenses *(Note 13)*	**27,327**	26,228
Other current liabilities (*Notes 2 and 13)*	**6,431**	5,794
Current portion of long-term debt *(Note 11)*	**2,190**	2,115
Total current liabilities	**44,713**	40,899
Long-term debt, net of current portion *(Note 11)*	**47,265**	49,455
Self-insurance liabilities *(Note 7)*	**11,687**	11,334
Pension liability *(Note 8)*	**27,902**	–
Other long-term liabilities *(Notes 2 and 11)*	**9,203**	9,063
Interest rate swap	**3,455**	762
Total liabilities	**144,225**	111,513
Commitments and contingencies		
Net assets *(Note 4)*:		
Unrestricted	**280,445**	304,976
Temporarily restricted	**25,902**	26,410
Permanently restricted	**21,753**	20,774
Total net assets	**328,100**	352,160
Total liabilities and net assets	**$ 472,325**	$ 463,673

See accompanying notes.

Greenwich Hospital

Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2009	**2008**
	(In Thousands)	
Operating revenue:		
Net patient service revenue *(Note 2)*	**$ 270,245**	$ 263,093
Other revenue *(Note 12)*	**17,422**	14,346
Net assets released from restrictions used for operations *(Note 4)*	**6,439**	7,206
Total operating revenue	**294,106**	284,645
Operating expenses *(Note 12)*:		
Salaries and benefits	**156,642**	154,113
Supplies and other	**99,355**	94,972
Depreciation	**19,015**	16,861
Interest *(Note 11)*	**669**	2,205
Bad debts	**7,851**	10,117
Total operating expenses	**283,532**	278,268
Income from operations	**10,574**	6,377
Nonoperating gains and losses:		
Loss on extinguishment of long-term debt	**–**	(1,146)
Change in fair value on interest rate swap, including counterparty payments *(Note 11)*	**(3,971)**	(2,513)
Change in unrealized gains and losses on investments	**6,098**	(14,403)
Other nonoperating gains and losses, net *(Note 12)*	**(3,219)**	2,163
Excess (deficiency) of revenue and gains over expenses	**9,482**	(9,522)

(Continued on next page.)

Greenwich Hospital

Statements of Operations and Changes in Net Assets (continued)

	Year Ended September 30 2009	2008
	(In Thousands)	
Unrestricted net assets:		
Excess (deficiency) of revenue and gains over expenses *(from page 4)*	**$ 9,482**	$ (9,522)
Amortization on interest rate swap *(Note 11)*	**(74)**	(74)
Transfers to affiliates *(Note 13)*	**(2,014)**	(2,357)
Net assets released from restrictions used for plant assets	**9,337**	2,062
Pension adjustment *(Note 8)*	**(41,262)**	(6,066)
Decrease in unrestricted net assets	**(24,531)**	(15,957)
Temporarily restricted net assets:		
Contributions	**15,408**	6,129
Income from investments	**359**	382
Net realized (losses) gains on investments	**(1,570)**	132
Change in net unrealized gains and losses on investments	**1,073**	(4,915)
Net assets released from restrictions used for operations *(Note 4)*	**(6,439)**	(7,206)
Net assets released from restrictions used for nonoperating activities, net *(Note 12)*	**(2)**	(5)
Net assets released from restrictions used for plant assets	**(9,337)**	(2,062)
Decrease in temporarily restricted net assets	**(508)**	(7,545)
Permanently restricted net assets:		
Net realized (losses) gains on investments	**(12)**	17
Change in net unrealized gains and losses on investments	**991**	(841)
Increase (decrease) in permanently restricted net assets	**979**	(824)
Decrease in net assets	**(24,060)**	(24,326)
Net assets at beginning of year	**352,160**	376,486
Net assets at end of year	**$ 328,100**	$ 352,160

See accompanying notes.

Greenwich Hospital

Statements of Cash Flows

	Year Ended September 30	
	2009	**2008**
	(In Thousands)	
Cash flows from operating activities		
Decrease in net assets	**$ (24,060)**	$ (24,326)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	**19,015**	16,861
Change in net unrealized (gains) and losses on investments	**(8,162)**	20,159
Net realized losses (gains) on investments	**1,582**	(149)
Loss on extinguishment of long-term debt	**–**	1,146
Contributions	**(15,408)**	(6,129)
Decrease in contributed property and beneficial interest in remainder trusts	**333**	47
Decrease in beneficial interest in trusts	**312**	2,583
Pension adjustment	**41,262**	6,066
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	**1,514**	(940)
Contributions receivable	**(284)**	(704)
Trustee assets for self-insurance	**–**	(15)
Other receivables	**(2,159)**	(1,086)
Prepaid expenses	**(264)**	249
Pension benefit/liability	**554**	613
Other assets	**(183)**	1,672
Accounts payable	**2,003**	1,506
Accrued expenses	**1,099**	1,605
Other current liabilities	**609**	1,613
Other long-term liabilities and interest rate swap	**2,883**	688
Third-party payer liabilities	**(282)**	(1,512)
Self-insurance liabilities	**353**	1,320
Net cash provided by operating activities	**20,717**	21,267
Cash flows from investing activities		
Net capital expenditures	**(25,904)**	(21,306)
Net change in investments and assets limited as to use	**(7,431)**	1,735
Net cash used in investing activities	**(33,335)**	(19,571)
Cash flows from financing activities		
Contributions	**16,112**	7,580
Payments of long-term debt	**(2,115)**	(56,635)
Proceeds from the issuance of debt	**–**	53,630
Payments for issuance costs	**–**	(595)
Decrease in due from affiliate	**1,600**	1,301
Net cash provided by financing activities	**15,597**	5,281
Net increase in cash and cash equivalents	**2,979**	6,977
Cash and cash equivalents at beginning of year	**29,053**	22,076
Cash and cash equivalents at end of year	**$ 32,032**	$ 29,053
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 669**	$ 2,060

See accompanying notes.

1. Organization and Significant Accounting Policies

Organization

Greenwich Hospital (the "Hospital") is a not-for-profit acute care hospital located in Greenwich, Connecticut. The Greenwich Hospital Foundation (the "Foundation") has been included as part of the reporting entity of the Hospital, based upon the financial interrelationship between the two organizations. The accompanying financial statements have been prepared from the separate records maintained by the Hospital and the Foundation. The Hospital's sole member is Greenwich Health Care Services, Inc. ("GHCS" or the "Parent").

Yale-New Haven Health Services Corporation ("YNHHSC") is the sole member of GHCS and two similar organizations. Each of these three tax-exempt organizations serves as the sole member/parent for its respective delivery network of regional health care providers and related entities. Under the terms of an agreement with YNHHSC, GHCS continues to operate autonomously with separate boards, management and medical staff; however, YNHHSC approves the strategic plans, operating and capital budgets, and board appointments.

The Foundation is a 501(c)(3) organization whose tax-exempt status is based upon its support of the Hospital and is a stand-alone corporation with its own board of directors. The Foundation was formed without variance power to receive and administer funds for the benefit of the Hospital, GHCS, and any or all of their affiliates, which are exempt from federal income tax.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectibles for accounts receivable for services to patients, and liabilities, including estimated settlements with third-party payers and professional insurance liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the year. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

1. Organization and Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital and the Foundation in perpetuity.

Contributions, including unconditional promises to give, are reported at fair value in the period received. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, donor withdraws previously imposed restrictions, or purpose restriction is accomplished, net assets are reclassified. Conditional promises to give are not recorded as revenue or support until the conditions upon which they depend have been substantially met.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recognized as revenue and is classified as either unrestricted or temporarily restricted in accordance with donor imposed restrictions, if any, on the contributions.

Contributions receivable, included in other receivables and other assets in the accompanying balances sheets, are expected to be received as follows (in thousands):

	September 30	
	2009	**2008**
Gross:		
Amounts due in less than one year	**$ 534**	$ 837
Amounts due in one to five years	**127**	537
	661	1,374
Less:		
Discount to present value (discount rates range from 3.85% to 4.08%)	**(14)**	(5)
Allowance for uncollectible contributions	**(68)**	(108)
Current portion, net (included in other receivables)	**(467)**	(729)
Contributions receivable, net (included in other assets)	**$ 112**	$ 532

1. Organization and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with original maturities of three months or less when purchased, which are not classified as assets limited as to use and which are not maintained in the investment portfolios.

Cash and cash equivalents are maintained with domestic financial institutions with deposits which exceed federally insured limits. It is the Hospital's policy to monitor the financial strength of the financial institutions.

Accounts Receivable

Patient accounts receivable result from the healthcare services provided by the Hospital. Changes to the allowance for doubtful accounts result from changes to the provision for bad debts. Accounts written off as uncollectible are recorded as bad debt expense. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 2 for additional information relative to third-party payer programs.

Investments

The Hospital has determined that all investments reported in the accompanying balance sheets are considered trading securities. Investment income or loss, including realized gains and losses on investments, interest and dividends, and the change in net unrealized gains and losses are included in the excess (deficiency) of revenue and gains over expenses, unless the income or loss is restricted by donor or law.

Investments in equity securities and debt securities are measured at fair value in the accompanying balance sheets based upon the last sale price if quotations are readily available or is estimated using quoted market prices for similar securities if quotations are not readily available. The basis of marketable securities or investments received as donations or bequests is deemed to be their fair value at the date of gift.

1. Organization and Significant Accounting Policies (continued)

Investments (continued)

To diversify its investment portfolio and to enhance opportunities for increased rate of return, the Hospital has invested in alternative investments. Alternative investments include investments in non-marketable and market-traded debt and equity securities. Alternative investments are reported at fair value, which is estimated using the net asset values of each alternative investment. Net asset values of these investments, provided by the investment manager or general partner, are primarily based upon financial data derived from underlying securities and other financial instruments and estimates that require varying degrees of judgment. The investments may indirectly expose the Hospital to securities lending, short sales of securities, and trading in futures and forwards contracts, options, swap contracts and other derivative products. While these financial instruments may contain varying degrees of risk, the Hospital's risk with respect to such transactions is limited to its capital balance in each investment. The financial statements of the investees are audited annually by independent auditors. Future funding commitments for alternative investments aggregated approximately $1.6 million at September 30, 2009.

Inventories

Inventories are stated at the lower of cost or market. The Hospital values its inventories using the first-in, first-out method.

Assets Limited as to Use

Assets limited as to use primarily consists of cash and debt securities. These assets are restricted to pay interest and principal on bonds payable, self-insurance claims, and are also earmarked by the Hospital to fund various Board approved projects.

Interest Rate Swap

The Hospital utilizes an interest rate swap to limit the variability of changes in future interest rates. The interest rate swap is reported at fair value in the accompanying financial statements. The Hospital is exposed to credit loss in the event of nonperformance by the counterparties to its interest rate swap agreement. The Hospital is also exposed to the risk that the swap receipts may not offset its debt service. To the extent these variable rate receipts do not equal variable interest payments on the bonds, there will be a net loss or net benefit to the Hospital.

1. Organization and Significant Accounting Policies (continued)

Beneficial Interest in Investments Held by Foundation

The Hospital has recognized its beneficial interest in the net assets of the Foundation. The investment is decreased when the Foundation makes distributions to the Hospital.

Deferred Financing Costs

Issuance costs, included in other assets, related to the Hospital's bond issuance are being amortized over the term of the applicable indebtedness using the effective interest method. Amortization, included in interest expense in the accompanying statements of operations and changes in net assets, was approximately $23,000 and $58,000 for the years ended September 30, 2009 and 2008, respectively.

Beneficial Interest in Trusts

The Hospital has recognized its beneficial interest in trusts held by a third party at fair value. Under these arrangements, the Hospital is receiving distributions to fund free care programs. The Hospital received distributions of approximately $401,000 and $591,000 for the years ended September 30, 2009 and 2008, respectively.

Beneficial Interest in Remainder Trusts

The Hospital is the ultimate beneficiary of certain charitable remainder trusts and similar arrangements. Under most of these arrangements, the Hospital is not receiving any distributions, but will be entitled to the remaining assets in the trust upon the death of the donor and any other named beneficiaries. In certain cases, use of such assets ultimately to be received by the Hospital is restricted to specific purposes.

Property, Plant and Equipment

Property, plant and equipment purchased are carried at cost, and those acquired by gifts and bequests are carried at fair value established at date of contribution. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in income from operations. Depreciation of property, plant and equipment is computed by the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives ranging from 3 to 40 years. Fully depreciated assets are removed when no longer in use.

1. Organization and Significant Accounting Policies (continued)

Performance Indicator

In the accompanying statements of operations and changes in net assets, "excess (deficiency) of revenue and gains over expenses" is the performance indicator. Peripheral or incidental transactions are included in excess (deficiency) of revenue and gains over expenses. Those gains and losses deemed by management to be closely related to ongoing operations are included in other revenue; other gains and losses are classified as nonoperating.

Consistent with industry practice, contributions of, or restricted to, property, plant and equipment, transfers of assets to and from affiliates for other than goods and services, and pension adjustments are excluded from the performance indicator but are included in the changes in net assets.

Income Taxes

The Hospital is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code.

Professional and General Liability Insurance

The Hospital accesses modified-claims-made insurance for professional and comprehensive general risk through a Yale-New Haven Hospital ("YNHH") partially owned captive insurance company. The Hospital has no ownership interest in the captive insurance company. The Hospital records the actuarially determined liabilities for incurred but not reported professional and comprehensive general liabilities on a discounted basis.

1. Organization and Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 168 establishes the FASB Accounting Standards Codification ("ASC", also collectively known as the "Codification") as the single source of authoritative GAAP to be applied by nongovernmental entities. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. It is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Hospital has adopted SFAS No. 168 for its year ended September 30, 2009. Accounting references have been updated, and therefore SFAS references, where applicable, have been replaced with ASC references.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, (hereafter referred to as ASC No. 820) which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosure about fair value measurements. The Hospital adopted ASC No. 820 effective October 1, 2008. The effect of adopting ASC No. 820 was not material to the Hospital's financial statements (See Note 15).

In September 2009, the FASB issued Accounting Standards Update ("ASU") 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2009-12 provides amendments to ASC No. 820. The amendments permit, as practical expedient, a reporting entity to estimate the fair value of an investment that is within the scope of ASU 2009-12 using the net asset value per share (or its equivalent) of the investment and provides for additional disclosures. The amended guidance is effective for interim and annual periods ending after December 15, 2009; however early application is permitted if financial statements for prior periods have not been issued. Entities that elect to early adopt may defer the additional disclosure requirements of the ASU until the effective date. The Hospital has elected to early adopt the amended guidance and therefore, as a practical expedient, measures the fair value of the Hospital's investments within the scope of ASU 2009-12, based on the unadjusted net asset value per share of the investments (or its equivalent) as of September 30, 2009. However, the Hospital elected to defer adoption of the disclosure provisions required in the amended guidance.

1. Organization and Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

Effective October 1, 2008, the Hospital adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities* (hereafter referred to as ASC No. 825-10). ASC 825-10 permits companies to choose to measure certain financial instruments and other items at fair value that currently are not required to be measured at fair value under accounting principles generally accepted in the United States. The Hospital chose not to elect the fair value option for its financial assets and liabilities. Consequently, the adoption of ASC 825-10 did not have any effect on its financial statements.

Effective October 1, 2008, the Hospital adopted FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds,* (hereafter referred to as ASC No. 958-205). ASC 958-205 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 of 2006 (UPMIFA), and also requires enhanced disclosures for all endowment funds, including funds designated as endowments by the Hospital. The adoption of ASC 958-205 did not have a material effect on the Hospital's financial position as of September 30, 2009 or on the statements of operations and changes in net assets or cash flows for the year then ended (see Note 4).

During 2009, FASB issued ASC 855-10, *Subsequent Event*s ("ASC 855-10"). ASC 855-10 establishes general standards of accounting and disclosure requirements for subsequent events, events that occur after the balance sheet date but before the financial statements are issued. The Hospital adopted the provisions of ASC 855-10 at September 30, 2009 (see Note 16).

Reclassifications

Certain reclassifications have been made to the 2008 financial statements in order to conform with the 2009 presentation.

2. Net Patient Service Revenue and Accounts Receivable for Services to Patients

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates; the difference is accounted for as allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service discounted charges and per diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program and is reported at the estimated net realizable amounts due from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

The Hospital has established estimates, based on information presently available, of amounts due to or from Medicare, Medicaid and other third-party payers for adjustments to current and prior year payment rates, based on industry-wide and hospital-specific data. Such amounts are included in the accompanying balance sheets. Additionally, certain payers' payment rates for various years have been appealed by the Hospital. If the appeals are successful, additional income applicable to those years might be realized.

Revenue from Medicare and Medicaid programs collectively accounted for approximately 30% of the Hospital's net patient service revenue for each of the years ended September 30, 2009 and 2008. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Hospital. Cost reports for the Hospital, which serve as the basis for final settlement with government payers, have been settled by final settlement through 2006 for Medicare and 1994 for Medicaid. Subsequent years remain open for settlement. Net patient service revenue for the year ended September 30, 2009 and 2008 decreased by approximately $0.4 million and increased by approximately $0.5 million, respectively, for net changes in estimates and settlements related to prior years.

2. Net Patient Service Revenue and Accounts Receivable for Services to Patients (continued)

The Hospital has agreements with various managed care companies to provide medical services to subscribing participants. The managed care companies make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules.

Net patient service revenue for the years ended September 30 includes the following (in thousands):

	2009	2008
Gross patient service revenue	**$ 829,881**	$ 773,050
Less contractual and other allowances	**(559,636)**	(509,957)
	$ 270,245	$ 263,093

3. Uncompensated Care and Community Benefit Expense

The Hospital's commitment to community service is evidenced by services provided to the poor and benefits provided to the broader community. Services provided to the poor include services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

For financial reporting purposes, the Hospital reports care provided for which no payment was received from the patient or insurer as uncompensated care. Uncompensated care is the sum of the Hospital's free care provided, charity care provided and bad debt expense. In determining uncompensated care, the Hospital excludes contractual allowances. The cost of uncompensated care amounted to approximately $13.9 million and $14.7 million in fiscal 2009 and 2008, respectively. Additionally, the Hospital incurred losses related to the Medicare and State Medicaid programs of approximately $30.1 million and $30.5 million in fiscal 2009 and 2008, respectively. The estimated cost of uncompensated care and Medicaid losses were determined using patient-specific data.

The Hospital makes available free care programs for qualifying patients. In accordance with the established policies of the Hospital, during the registration, billing and collection process, a patient's eligibility for free care funds is determined. For patients who were determined by the Hospital to have the ability to pay but did not, the uncollected amounts are bad debt expense. For patients who do not avail themselves of any free care program and whose ability to pay cannot be determined by the Hospital, care given but not paid for, is classified as charity care.

3. Uncompensated Care and Community Benefit Expense (continued)

Annually, the Hospital accrues for the potential losses related to its uncollectible accounts and the amounts that meet the definition of charity and free care allowances. At September 30, 2009 and 2008, the amount estimated by management to represent the Hospital's uncollectible and charity and free care allowance, which is included in the accompanying balance sheet as a reduction of accounts receivable for services to patients, was approximately $9.8 million and $10.9 million, respectively.

Additionally, the Hospital provides benefits for the broader community which includes services provided to other needy populations that may not qualify as poor but need special services and support. Benefits include the cost of health promotion and education of the general community, interns and residents, health screenings, and medical research. The benefits are provided through community health centers, some of which service non-English speaking residents, disabled children, and various community support groups.

In addition to the quantifiable services defined above, the Hospital provides additional benefits to the community through its advocacy of community service by employees. The Hospital's employees serve numerous organizations through board representation, membership in associations and other related activities. The Hospital also solicits the assistance of other healthcare professionals to provide their services at no charge through participation in various community seminars and training programs.

4. Net Assets

Unrestricted net assets include the following at September 30 (in thousands):

	2009	2008
Designated by Board of Trustees for:		
Depreciation fund	**$ 20,735**	$ 16,941
Quasi endowment; capital gains, net, held by the Foundation	**34,005**	33,761
Undesignated	**225,705**	254,274
	$ 280,445	$ 304,976

4. Net Assets (continued)

Temporarily restricted net assets are available for the following purposes at September 30 (in thousands):

	2009	2008
Hospital's major facility renovation project	**$ 549**	$ 886
Other specified capital expenditures	**1,312**	957
Indigent care	**990**	2,227
Indigent care funds held by trustee	**8,866**	10,043
Specified healthcare services and operations	**11,275**	9,161
Education	**2,910**	3,136
	$ 25,902	$ 26,410

Permanently restricted net assets are restricted as follows at September 30 (in thousands):

	2009	2008
Principal to be held in perpetuity (held by the Foundation), with income expendable to support health care services and other activities (reported as nonoperating gains)	**$ 13,108**	$ 13,108
Principal to be held in perpetuity (held by the trustee), with income expendable to support free care programs (reported as an increase in unrestricted net assets)	**1,634**	1,634
Principal to be held in perpetuity, with income to be spent for restricted purposes as specified by donor (reported as additions to temporarily restricted net assets until released upon satisfaction of restriction)	**7,011**	6,032
	$ 21,753	$ 20,774

4. Net Assets (continued)

The Hospital has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment related to the Hospital's beneficial interest in perpetual trusts made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Hospital; and (7) the investment and spending policies of the Hospital.

Changes in endowment net assets for the year ended September 30, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 33,761	$ 13,621	$ 20,774	$ 68,156
Investment returns:				
Investment income and realized gains (losses)	(2,067)	(1,570)	(12)	(3,649)
Unrealized gains (losses)	5,059	–	991	6,050
Total investment return (loss)	2,992	(1,570)	979	2,401
Appropriation of endowment assets for expenditure	(2,748)	(953)	–	(3,701)
Endowment net assets, end of year	$ 34,005	$ 11,098	$ 21,753	$ 66,856

4. Net Assets (continued)

The Hospital has adopted investment policies for endowed assets that attempt to provide a predictable stream of funding to programs supported by its endowment. To satisfy its long-term rate-of-return objectives, the Hospital 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).

Net assets released from donor imposed restrictions used for operations consisted of the following at September 30 (in thousands):

	2009	2008
Restricted funds to support operations	**$ 4,941**	$ 5,573
Free care fund	**1,498**	1,633
	$ 6,439	$ 7,206

5. Investments

Cost and fair values for investments are summarized as follows as of September 30, 2009 and 2008 (in thousands):

	2009		2008	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Short-term investments:				
Cash	**$ 146**	**$ 146**	$ 142	$ 142
Debt securities	**28,332**	**28,127**	27,497	26,384
	$ 28,478	**$ 28,273**	$ 27,639	$ 26,526
Assets limited as to use:				
Escrow funds for long-term debt:				
Cash	**$ 10**	**$ 10**	$ 169	$ 169
	$ 10	**$ 10**	$ 169	$ 169
Trustee assets for self-insurance:				
Cash	**$ 802**	**$ 802**	$ 802	$ 802
	$ 802	**$ 802**	$ 802	$ 802
By board designation:				
Cash	**$ 15,572**	**$ 15,572**	$ 6,631	$ 6,631
Debt securities	**5,110**	**5,163**	10,387	10,310
	$ 20,682	**$ 20,735**	$ 17,018	$ 16,941

Long-term investments are composed of the following as of September 30 (in thousands):

	2009		2008	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Investments held for operating purposes:				
Cash	**$ 1**	**$ 1**	$ 16	$ 16
Debt securities	–	–	76	77
Equity securities	–	–	30	34
Alternative investments	–	–	50	45
	1	**1**	172	172
Investments deemed held for donor-restricted purposes:				
Cash	**15,289**	**15,289**	2,225	2,225
Debt securities	**6,155**	**6,277**	10,355	10,276
Equity securities	**3,066**	**3,871**	4,080	4,520
Alternative investments	**6,132**	**6,129**	6,749	5,989
	30,642	**31,566**	23,409	23,010
Total long-term investments	**$ 30,643**	**$ 31,567**	$ 23,581	$ 23,182

5. Investments (continued)

Investments held by the Foundation consisted of the following at fair value at September 30 (in thousands):

	2009	2008
Cash	**$ 3,537**	$ 465
Debt securities	**6,277**	4,439
Equity securities	**14,335**	18,083
Alternative investments	**22,964**	23,882
	$ 47,113	$ 46,869

Investments held in trusts consisted of the following at fair value at September 30 (in thousands):

	2009	2008
Cash	**$ 308**	$ 429
Debt securities	**4,513**	4,408
Equity securities	**6,630**	6,926
	$ 11,451	$ 11,763

6. Operating Leases and Other Commitments

The Hospital leases various equipment and properties under operating leases and has long-term commitments under service contracts expiring at various dates through fiscal 2014. Expense under such leases and service contracts was approximately $4.5 million and $3.9 million for fiscal 2009 and 2008, respectively.

Future minimum lease payments for each of the following five years subsequent to September 30, 2009 under noncancelable operating leases and service contracts are as follows (in thousands):

2010	$ 4,432
2011	4,362
2012	4,094
2013	4,244
2014	4,344
	$ 21,476

The Hospital has been involved in leasing leased and owned houses and properties to Hospital employees. Expenses for the years ended September 30, 2009 and 2008 under these leases are included in supplies and other expenses. The amounts received from employees relating to these leases are included in other revenue (see Note 12).

The Hospital has a leasing arrangement, renewable annually, with an affiliate, Perryridge Corporation, to rent four office buildings (the Cohen Pavilion, 55 Holly Hill Lane, 500 West Putnam Avenue, and 2015 West Main Street). Included in supplies and other expenses was approximately $2.6 million and $2.3 million for fiscal 2009 and 2008, respectively. It is anticipated that this arrangement will be renewed in the future.

7. Self-Insurance Liabilities

YNHH and a number of other academic medical centers formed The Medical Center Insurance Company, Ltd. (the "Captive") to insure for professional and comprehensive general liability risks. On January 1, 1999, the Hospital was added to the YNHH program as an additional insured. The Captive and its wholly owned subsidiary write direct insurance and reinsurance for varying levels of per claim limit exposure. The Captive has reinsurance coverage from outside reinsurers for amounts above the per claim limits. Premiums are based on modified claims made coverage and are actuarially determined based on actual experience of the Hospital and the Captive. The Hospital initially pays insurance premiums to YNHHSC.

For the years ended September 30, 2009 and 2008, the Hospital recorded approximately $213,000 and $258,000, respectively, which represents the Captive's best estimate for additional premium requirements for worse than expected loss experiences. The funding of the additional premium requirements is made by the Hospital in the subsequent year.

The estimated undiscounted incurred but not reported liability for professional and general claims at September 30, 2009 and 2008 was approximately $8.8 million and $9.4 million, respectively. The actuarially determined present value of approximately $7.1 million for the years ended September 30, 2009 and 2008 is based on a discount rate of 4.5% for 2009 and 5.0% for 2008.

The Hospital is a defendant in a number of claims, including alleged malpractice and various matters. In the opinion of Hospital management, the ultimate resolution of these claims, after consideration of applicable insurance coverage as explained above, will not materially impact the Hospital's financial position or results of operations.

The Hospital is also self-insured, subject to certain umbrella and stop-loss coverage limits, for its employee health plan and workers' compensation. Estimated amounts are accrued for claims, including claims incurred but not reported ("IBNR") and are based on Hospital-specific experience. At September 30, 2009 and 2008, the estimated discounted liabilities for self-insured workers' compensation claims and IBNR aggregated approximately $4.5 million and $4.2 million, respectively, discounted at 5.5%.

8. Retirement Plan

Defined Contribution Plan

The Hospital provides a defined contribution pension plan for those employees eligible to participate. The plan contains three separate benefits. The incentive contribution, which is generally available to all nonmanagement employees, is designed to reward employees when the Hospital meets certain predetermined quality and financial measures (if paid, this benefit varies based on service from 1% to 3% of pay). Effective January 1, 2007, a matching contribution, which is generally available to all employees no longer accruing benefits under the defined benefit plan, is designed to provide an incentive to employees to save for retirement by matching employee contributions (employees can receive up to 3% of pay on contributions equal to 5% of pay). The length of service contribution, effective January 1, 2007, which is generally available to all employees no longer accruing benefits under the defined benefit plan, is designed to provide future retirement income that rewards continued service at the Hospital (this benefit varies based on service from 3% to 8% of pay). In total, the Hospital contributed approximately $5.1 million and $4.5 million for the years ended September 30, 2009 and 2008, respectively.

Defined Benefit Plan

Prior to December 31, 2006, the Hospital provided a noncontributory defined benefit pension plan (the "Plan") covering substantially all employees. The benefits provided are based on age, years of service and compensation. The Hospital's policy is to make annual contributions to fund the Plan's normal cost as required by the Employee Retirement Income Security Act of 1974. Effective as of December 31, 2006, the Plan was amended to freeze benefits for employees who were under age 50 with less than 5 years of service. This amendment is reflected in the tables below. Future retirement benefits will be provided through the defined contribution plan for those employees affected by the freeze. Employees who were age 50 or older with 5 years of service continue to accumulate benefits under the defined benefit plan and do not participate in the defined contribution plan.

On September 30, 2009, the Hospital adopted the measurement date provisions of FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (hereafter referred to as ASC No. 715). ASC No. 715 required the Hospital to measure plan assets and benefit obligations at a date consistent with its fiscal year end balance sheet. The amount recorded as a result of this net change approximates $0.1 million and is included in the accompanying 2009 statements of operations and changes in net assets.

8. Retirement Plan (continued)

Included in unrestricted net assets at September 30, 2009 and June 30, 2008 are the following amounts that have not yet been recognized in net periodic benefit cost:

	2009	2008
	(In Thousands)	
Unrecognized actuarial (loss) gain	**$ (34,286)**	$ 6,984
Unrecognized prior service cost	**(33)**	(41)
	$ (34,319)	$ 6,943

The actuarial loss and prior service cost included in unrestricted net assets at September 30, 2009 and expected to be recognized in net periodic benefit cost during the year ending September 30, 2010 are as follows (in thousands):

Unrecognized actuarial loss	$	218
Unrecognized prior service cost		6
	$	224

8. Retirement Plan (continued)

The following table sets forth the change in benefit obligations, change in Plan assets and the funded status of the Hospital's defined benefit plan at September 30, 2009 and June 30, 2008 (in thousands):

	2009	2008
Change in benefit obligations:		
Benefit obligation, at prior measurement date	**$ 111,784**	$ 112,967
Service cost	**2,817**	3,063
Interest cost	**7,636**	7,103
Change in assumptions	**21,485**	(7,958)
Actuarial loss	**414**	587
Benefits paid	**(5,517)**	(3,978)
Change in measurement date	**2,613**	–
Benefit obligation, at current measurement date	**$ 141,232**	$ 111,784
Change in Plan assets:		
Fair value of Plan assets, at prior measurement date	**$ 125,698**	$ 133,560
Actual return on Plan assets	**(9,327)**	(3,884)
Benefits paid	**(5,517)**	(3,978)
Change in measurement date	**2,476**	–
Fair value of Plan assets, at current measurement date	**$ 113,330**	$ 125,698
Pension (liability) asset	**$ (27,902)**	$ 13,914

The change in assumptions primarily relates to a decrease in the discount rate used to measure the benefit obligation for the year ended September 30, 2009 and an increase in the discount rate used to measure the benefit obligation for the year ended June 30, 2008.

The projected benefit obligation, accumulated benefit obligation and fair value of Plan assets were as follows at September 30, 2009 and June 30, 2008 (in thousands):

	2009	2008
Projected benefit obligation	**$ 141,232**	$ 111,784
Accumulated benefit obligation	**130,999**	103,183
Fair value of Plan assets	**113,330**	125,698

8. Retirement Plan (continued)

The following table provides the components of the net periodic benefit cost for the Plan for the years ended September 30, 2009 and June 30, 2008 (in thousands):

	2009	2008
Service cost	**$ 2,817**	$ 3,063
Interest cost	**7,636**	7,103
Expected return on Plan assets	**(9,905)**	(9,553)
Amortization of prior service cost	**6**	6
Net periodic benefit cost	**$ 554**	$ 619

The weighted-average assumptions used in the measurement of the Hospital's net periodic benefit cost and benefit obligations for the years ended September 30, 2009 and June 30, 2008 are shown in the following table:

	Net Periodic Benefit Cost		Benefit Obligation	
	2009	2008	2009	2008
Discount rate	**7.00%**	6.40%	**5.70%**	7.00%
Rate of compensation increase	**3.25**	3.25	**3.25**	3.25
Expected rate of return on Plan assets	**7.75**	7.75	–	–

The asset allocation of the Plan at September 30, 2009 and June 30, 2008 (the Hospital's measurement date) was as follows:

	2009 Target Allocation	2009	2008
Equity securities	**60% - 90%**	**34.9%**	44.0%
Debt securities	**10% - 40%**	**28.6**	22.8
Alternative investments	**0% - 25%**	**36.5**	33.2
		100.0%	100.0%

8. Retirement Plan (continued)

Description of Investment Policies and Strategies

The primary objective of the investment policy is to provide a satisfactory return on the Plan's assets. The specific investment objective is to attain an average annual total return (net of investment management fees) of at least 7.75%.

The Plan's assets are managed by external investment managers. In the interest of diversification, the equity portion of the portfolio is placed with managers who have distinct and different investment philosophies. The investment manager has complete discretion to manage the assets in each particular portfolio to best achieve the investment objectives.

The Plan's assets are diversified both by asset class (e.g., equities, bonds, cash equivalents, and other alternative investments) and within each asset class (e.g., within equities by economic sector, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the Plan's assets.

To achieve its investment objective, the Plan's assets are divided into three parts: "Fixed Income Fund," "Equity Fund" and "Alternative Investments." The purpose of dividing the funds in this manner is to ensure that the overall asset allocation among these three major asset classes remains under the regular scrutiny of the Investment Committee.

The purpose of the Fixed Income Fund (bonds and cash equivalents) is to provide a deflation hedge, reduce the overall volatility of the Fund, and produce current income (to be added to dividend income from the Equity Fund) in support of spending needs.

The Hospital expects to make cash contributions of approximately $5.0 million to the Plan in fiscal 2010.

8. Retirement Plan (continued)

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows (in thousands):

2010	$	5,271
2011		5,853
2012		6,485
2013		7,068
2014		7,712
2015 to 2019		48,292

9. Postretirement Medical and Life Insurance Benefits

Certain employees who retired prior to August 1, 1992 are provided certain postretirement healthcare and life insurance benefits. In addition, a 1994 early retirement benefits program provided limited postretirement medical benefits to employees who accepted the one-time early retirement offer. The accrued postretirement benefit liabilities were approximately $0.5 million and $0.6 million at September 30, 2009 and 2008, respectively, and are included in other long-term liabilities.

10. Reimbursement Arrangements

The significant concentrations of accounts receivable for services to patients, before allowances for uncollectible accounts, consisted of the following at September 30 (in thousands):

	2009	2008
Managed care/commercial	**$ 23,312**	$ 23,523
Medicare and Medicaid	**10,929**	11,615
Self-pay patients	**8,789**	9,881
Other third-party payers (none over 10%)	**244**	284
Accounts receivable for services to patients, gross	**43,274**	45,303
Less:		
Allowance for uncollectible accounts, charity and free care	**(9,756)**	(10,907)
Medical record denials and credit balances	**(1,430)**	(794)
Accounts receivable for services to patients, net	**$ 32,088**	$ 33,602

11. Long-Term Debt

Long-term debt consists of the following at September 30, 2009 and 2008 (in thousands):

	2009	2008
State of Connecticut Health and Educational Facilities Authority Tax Exempt Bonds, Series C (variable interest rates with an average rate of approximately 3.15% for fiscal 2009)	**$ 49,455**	$ 51,570
Less current portion	**(2,190)**	(2,115)
Long-term portion	**$ 47,265**	$ 49,455

On March 1, 1996, the State of Connecticut Health and Educational Facilities Authority ("CHEFA") issued $62,905,000 of its Revenue Bonds on behalf of Greenwich Hospital, Series A, consisting of $12,760,000 of serial bonds and $50,145,000 of term bonds, the proceeds of which have been loaned by CHEFA to the Hospital for the master facility renovation project.

On April 3, 2006, CHEFA issued $56,600,000 of its Revenue Bonds on behalf of Greenwich Hospital, Series B, consisting of auction rate certificates. The proceeds were utilized for the defeasance and retirement of the outstanding Series A revenue bonds at a redemption price of 102%, which occurred on July 1, 2006. The transaction resulted in the Hospital's receiving approximately $2.2 million as a result of the release of a debt service reserve fund maintained in connection with the Series A revenue bonds.

On May 6, 2008, CHEFA issued $53,630,000 of its Revenue Bonds on behalf of Greenwich Hospital, Series C, consisting of variable rate demand bonds. The proceeds were utilized for the refunding of the outstanding Series B revenue bonds. Principal amounts related to the Series C revenue bonds mature annually each July 1 through fiscal 2026. In connection with the refunding, the Hospital recorded a loss on extinguishment of long-term debt of approximately $1.1 million. The effective interest rate of 3.15% is the result of the variable rate paid to bondholders, disclosed as interest expense of approximately $669,000, and net counterparty payments of approximately $1.3 million in connection with the interest rate swap included in nonoperating gains and losses.

The Series C bonds are required to be supported by a letter of credit which has been executed with Bank of America. The letter of credit is scheduled to expire on May 7, 2013.

11. Long-Term Debt (continued)

Aggregate principal and sinking fund payments required by the Hospital for the Series C revenue bonds for fiscal 2010 through fiscal 2014 and thereafter are as follows (in thousands):

2010	$ 2,190
2011	2,260
2012	2,360
2013	2,430
2014	2,505
Thereafter	37,710
	$ 49,455

Required payments on the Series C revenue bonds by the Hospital are made to a trustee in amounts sufficient to provide for the payment of principal, interest and sinking fund installments as the same become due, and certain other payments. Additionally, the Hospital has granted a collateral interest to CHEFA on its gross receipts.

Pursuant to the State of Connecticut Health and Educational Authority Trust Indenture ("Trust Indenture"), dated May 1, 2008, the Hospital is required to maintain a debt service fund with a trustee to cover payment of principal and interest. The Hospital is required to comply with a variety of covenants, including a debt service coverage ratio. In connection with the Bonds, the Parent is part of the "Obligated Group" with the Hospital (including the Hospital's Foundation, see Note 1). At September 30, 2009 and 2008, the Obligated Group was in compliance with its financial debt covenants.

In connection with refinancing its Series A revenue bonds and issuing its Series B revenue bonds, the Hospital entered into an interest rate swap agreement (the "swap") with a financial institution. Under the terms of the agreement, the Hospital will receive variable interest payments and pay fixed interest payments on a notional value of $35.2 million. On October 1, 2006, the Hospital concluded not to apply hedge accounting for the swap agreement. Accordingly, the change in fair value of the swap agreement was recorded as a nonoperating loss in the accompanying statements of operations and changes in net assets, while in 2006 the change in market value was recorded as a change in unrestricted net assets. As a result, the accumulated unrealized derivative gain of approximately $1.4 million at September 30, 2006 will be amortized into excess (deficiency) of revenue and gains over expenses in future years. The Hospital expects that the amount of gain existing in unrestricted net assets to be reclassified to excess (deficiency) of revenue and gains over expenses within the next 12 months will not be significant.

11. Long-Term Debt (continued)

The swap remained in place for the Series C revenue bonds. At September 30, 2009 and 2008, the aggregate fair value of the swap was approximately $3,455,000 and $762,000, respectively, and is reflected as a liability in the accompanying balance sheets. The net interest paid or received under the swap agreement is recorded as an adjustment of the variable interest rate on the Series C revenue bonds included in nonoperating gains and losses.

12. Supplemental Operating Data

Other revenue consisted of the following (in thousands):

	Year Ended September 30	
	2009	**2008**
Pathology services	**$ 4,927**	$ 2,760
Foundation distributed income	**2,748**	2,705
Dining room receipts	**1,364**	1,188
Purchase discounts and rebates	**1,291**	1,094
Breast care services program	**893**	897
Rental income	**892**	882
Hospitalist program	**739**	753
In vitro fertilization	**687**	551
Integrative medicine	**843**	383
Radiation oncology	**423**	373
Perinatology	**347**	344
Cardiovascular program	**378**	343
Occupational medicine	**264**	286
Power consumption program	**393**	280
Telecom services	**238**	191
Fitness center membership fees	**137**	187
Pharmacy sales	**77**	86
Miscellaneous	**781**	1,043
	$ 17,422	$ 14,346

12. Supplemental Operating Data (continued)

Functional expenses related to the Hospital's operating activities for the years ended September 30 are as follows (in thousands):

	2009	2008
Healthcare services	**$ 149,887**	$ 149,422
General and administrative	**133,645**	128,846
	$ 283,532	$ 278,268

Other nonoperating gains and losses for the years ended September 30, 2009 and 2008 consisted of (in thousands):

	2009	2008
(Loss) income from Foundation operations, primarily investment income and net realized gains	**$ (2,067)**	$ 3,121
Less: Foundation income distributed to the Hospital included in other revenue	**(2,748)**	(2,705)
	(4,815)	416
Unrestricted contributions	**2,571**	1,689
Interest and investment income	**1,478**	2,596
Fundraising expenses	**(1,673)**	(1,770)
Community Health at Greenwich Hospital	**(503)**	(482)
Net assets released from restrictions used for nonoperating activities, net	**2**	5
Other	**(279)**	(291)
	$ (3,219)	$ 2,163

Annually, the Foundation has committed to make a distribution to the Hospital, calculated as the greater of $800,000 or 5% of the average market value of its investments for the prior 12 quarters (see Note 1).

13. Related Party Transactions

The Hospital purchased certain services from YNHHSC for the years ended September 30 as follows (in thousands):

	2009	2008
Operating expenses:		
Professional and general liability insurance	**$ 6,988**	$ 7,416
Information systems	**940**	888
Management services	**4,743**	4,164
Other support services	**6,661**	6,544
	$ 19,332	$ 19,012

The Hospital funds certain capital assets purchased by YNHHSC. Included in prepaid expenses were approximately $51,000 and $338,000 at September 30, 2009 and 2008, respectively, and included in supplies and other for each of the years ended September 30, 2009 and 2008 is approximately $300,000 of costs allocated from YNHHSC for shared capital projects.

The Hospital has amounts due to YNHHSC of approximately $2.8 million and $2.7 million, included in accrued expenses and other current liabilities, for the years ended September 30, 2009 and 2008, respectively.

In July 2001, the Hospital granted an $11.0 million line of credit to GH Realty Holding LLC, a wholly owned subsidiary of the Perryridge Corporation (an affiliate of the Hospital), of which approximately $3.2 million and $4.1 million was outstanding at September 30, 2009 and 2008, respectively. In April 2004, the Hospital granted a $10.0 million line of credit to 2015 West Main Street Associates, LLC, a wholly owned subsidiary of the Perryridge Corporation (an affiliate of the Hospital), of which approximately $6.3 million and $6.7 million was outstanding at September 30, 2009 and 2008, respectively. Future payments under these loans are as follows (in thousands):

	2009	2008
Amounts due in one year (included in other receivables)	**$ 1,600**	**$ 1,300**
Amounts due in two to five years	**7,901**	**9,501**

During the years ended September 30, 2009 and 2008, the Hospital transferred approximately $2.0 million and $2.4 million, respectively, to GHCS related to operations.

14. Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Hospital. Such lawsuits and claims are either specifically covered by insurance as explained in Note 7 or are deemed to be immaterial. While the outcome of the lawsuits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Hospital.

15. Fair Values of Financial Instruments

As described in Note 1, on October 1, 2008, the Hospital adopted the methods of calculating fair value defined in ASC 820-10 to value its financial assets and liabilities, when applicable. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. ASC 820-10 applies to other accounting pronouncements that require or permit fair value measurements and does not require new fair value measurements. Fair value measurements are applied based on the unit of account from the reporting entity's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

> *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
>
> *Level 2:* Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.
>
> *Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

15. Fair Values of Financial Instruments (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Hospital uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

Financial assets and liabilities carried at fair value as of September 30, 2009 are classified in the table below in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Investments at fair value:				
Cash and cash equivalents	$ 64,160	$ –	$ –	$ 64,160
Debt securities	44,080	–	–	44,080
Equity securities	10,501	–	–	10,501
Alternative investments	–	6,129	–	6,129
Beneficial interest in remainder trusts	1,434	–	–	1,434
	$ 120,175	$ 6,129	$ –	$ 126,304
Investments held by Foundation (equity method)				$ 47,113
Total				$ 173,417
Liabilities:				
Interest rate swap	$ –	$ 3,455	$ –	$ 3,455

The amounts reported in the table above exclude assets invested in the Hospital's defined benefit pension plan (see Note 8).

15. Fair Values of Financial Instruments (continued)

The following is a description of the Hospital's valuation methodologies for assets measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

16. Subsequent Events

As described in Note 1, the Hospital has adopted ASC 855-10, which requires the Hospital to disclose the date through which subsequent events have been evaluated. Management has evaluated subsequent events through December 23, 2009, which is the date the financial statements were available to be issued. No events have occurred that require disclosure or adjustment of the financial statements.

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Report of Independent Auditors on Other Financial Information

To The Board of Directors and Management of Greenwich Hospital

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The following schedule of net patient service revenue is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

December 23, 2009

Greenwich Hospital

Schedule of Net Patient Service Revenue

Year ended September 30, 2009

(In Thousands)

Gross patient service revenue	$ 829,881
Less:	
Contractual allowances	(534,451)
Charity and free care	(25,185)
Net patient service revenue	$ 270,245