

The Griffin Hospital and Subsidiary

**Consolidated Financial Statements and
Consolidating Information
September 30, 2009 and 2008**

**The Griffin Hospital and Subsidiary
Index
September 30, 2009 and 2008**

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Report of Independent Auditors

To the Board of Trustees of
The Griffin Hospital

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in net assets and of cash flows present fairly, in all material respects, the financial position of The Griffin Hospital and Subsidiary at September 30, 2009 and 2008, and the results of their operations, their changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Hospital's and its subsidiary's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

As described in Note 2 and Note 16 to the financial statements, during 2009, the Hospital and its subsidiary changed the manner in which they account for investments and endowment.

PricewaterhouseCoopers LLP

January 22, 2010

The Griffin Hospital and Subsidiary
Consolidated Balance Sheets
September 30, 2009 and 2008

Assets	2009	2008	Liabilities and Net (Deficit) Assets	2009	2008
Current assets			Current liabilities		
Cash and cash equivalents	\$ 3,982,008	\$ 3,876,497	Current portion of long-term debt and capital lease obligations	\$ 5,522,347	\$ 2,791,843
Investments	8,704,501	10,721,108	Accounts payable	16,971,467	16,613,710
Assets limited as to use	617,399	450,032	Accrued expenses	6,944,653	5,911,228
Patient accounts receivable, less allowance for doubtful accounts of approximately \$4,952,442 and \$4,274,000, respectively	17,201,535	14,398,367	Accrued interest payable	594,634	554,371
Estimated third party settlements	196,080	1,139,765	Estimated third party settlements	466,105	701,700
Other current assets	3,092,112	3,105,185	Accrued postretirement benefit liability	434,000	430,000
Total current assets	33,793,635	33,690,954	Deferred revenue	563,771	368,397
Assets limited as to use			Due to affiliates	440,386	2,529,889
Board-designated investments	874,392	617,035	Total current liabilities	31,937,363	29,901,138
Beneficial interest in trusts	3,518,834	3,634,818	Estimated third party settlements, long term	171,989	65,452
Under indenture agreement	6,941,579	13,643,925	Professional and general liability loss reserves	733,405	715,155
Total assets limited as to use	11,334,805	17,895,778	Workers compensation loss reserves, net of current portion	1,223,389	1,241,036
Long-term investments	985,048	924,351	Accrued pension liability	31,533,528	8,125,092
Property, plant and equipment, net	62,837,650	50,280,965	Accrued postretirement benefit liability, net of current portion	5,884,827	4,878,097
Interest in net assets of affiliate	5,571,880	4,874,018	Asset retirement obligations	321,918	202,512
Due from affiliates	4,948,065	4,868,498	Long-term debt, net of current portion	50,824,548	53,664,215
Estimated third party settlements, long term	11,415	528,397	Capital lease obligations, net of current portion	4,059,602	251,198
Other long-term assets	3,203,134	3,275,749	Other long-term liabilities	4,812,093	3,136,941
Total assets	\$ 122,685,632	\$ 116,338,710	Total liabilities	131,502,662	102,180,836
			Net (deficit) assets		
			Unrestricted operating	22,887,366	23,077,472
			Cumulative unrecognized pension changes	(39,643,598)	(16,347,787)
			Total unrestricted	(16,756,232)	6,729,685
			Temporarily restricted	2,260,107	1,633,110
			Permanently restricted	5,679,095	5,795,079
			Total net (deficit) assets	(8,817,030)	14,157,874
			Total liabilities and net (deficit) assets	\$ 122,685,632	\$ 116,338,710

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

The Griffin Hospital and Subsidiary
Consolidated Statements of Operations
Years Ended September 30, 2009 and 2008

	2009	2008
Operating revenues		
Net patient service revenue	\$ 121,589,729	\$ 116,725,457
Other operating revenue	3,248,018	3,084,059
Net assets released from restrictions used for operations	9,006	15,924
Total operating revenues	<u>124,846,753</u>	<u>119,825,440</u>
Operating expenses		
Employee compensation and related expenses	69,499,777	65,371,492
Supplies and other expenses	40,540,141	39,756,532
Depreciation	5,011,362	4,254,412
Interest	2,492,363	1,365,385
Provision for doubtful accounts, net of recoveries	6,381,600	8,148,063
Total operating expenses	<u>123,925,243</u>	<u>118,895,884</u>
Gain from operations	<u>921,510</u>	<u>929,556</u>
Nonoperating gains (losses)		
Contributions	-	3,000
Investment income (loss)	713,606	(528,708)
Net realized and unrealized losses on interest rate swaps	(2,772,085)	(2,477,285)
Loss on refinancing	-	(631,415)
Research grant revenues	1,612,552	1,035,809
Research grant expenses	(1,132,590)	(1,126,805)
	<u>(1,578,517)</u>	<u>(3,725,404)</u>
Deficiency of revenues over expenses	(657,007)	(2,795,848)
Other changes in unrestricted net assets		
Change in unrealized gains and losses on investments	-	(382,791)
Change in interest in net assets of affiliate	132,302	(183,804)
Transfers between affiliates, net	355,031	271,319
Other changes	(20,432)	-
Pension and other post-retirement related changes other than net periodic benefit cost	<u>(23,295,811)</u>	<u>(1,689,512)</u>
Decrease in unrestricted net assets	<u>\$ (23,485,917)</u>	<u>\$ (4,780,636)</u>

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

The Griffin Hospital and Subsidiary
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2009 and 2008

	2009	2008
Unrestricted net assets		
Deficiency of revenues over expenses	\$ (657,007)	\$ (2,795,848)
Change in unrealized gains and losses on investments	-	(382,791)
Change in interest in net assets of affiliate	132,302	(183,804)
Other changes	(20,432)	-
Transfers between affiliates, net	355,031	271,319
Pension and other post-retirement related changes other than net periodic benefit cost	<u>(23,295,811)</u>	<u>(1,689,512)</u>
Decrease in unrestricted net assets	<u>(23,485,917)</u>	<u>(4,780,636)</u>
Temporarily restricted net assets		
Change in interest in net assets of affiliate	565,560	(431,611)
Investment income (loss)	50,011	(66,279)
Other changes	20,432	-
Net assets released from restrictions used for operations	<u>(9,006)</u>	<u>(15,924)</u>
Increase (decrease) in temporarily restricted net assets	<u>626,997</u>	<u>(513,814)</u>
Permanently restricted net assets		
Change in beneficial interest in trusts	<u>(115,984)</u>	<u>(774,018)</u>
Decrease in permanently restricted net assets	<u>(115,984)</u>	<u>(774,018)</u>
Decrease in net assets	(22,974,904)	(6,068,468)
Net assets, beginning of year	<u>14,157,874</u>	<u>20,226,342</u>
Net (deficit) assets, end of year	<u>\$ (8,817,030)</u>	<u>\$ 14,157,874</u>

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

The Griffin Hospital and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Changes in net assets	\$ (22,974,904)	\$ (6,068,468)
Adjustments to reconcile increases (decreases) in net assets to net cash provided by operating activities		
Pension and other post-retirement changes other than net periodic benefit cost	23,295,811	1,689,512
Depreciation and amortization	5,034,427	4,315,965
Loss on refinancing of debt	-	631,415
Change in unrealized gains and losses on investments	299,664	1,548,791
Change in beneficial interest in trusts	115,984	774,018
Change in fair value of interest rate swap	1,865,152	2,477,285
Provision for doubtful accounts, net of recoveries	6,381,600	8,148,063
Transfers between affiliates, net	(355,301)	(271,319)
Change in interest in net assets of affiliate	(697,862)	615,415
Changes in assets and liabilities		
Patient accounts receivable	(9,184,768)	(8,655,658)
Other current and long-term assets	(9,544)	(1,222,824)
Due from affiliates, net	(2,169,070)	(2,257,675)
Accounts payable, accrued expenses and other	2,826,567	512,332
Estimated amounts due to third-party payors	1,331,609	205,233
Accrued pension and postretirement benefit liabilities	1,123,355	(1,850,094)
Total adjustments	<u>29,857,624</u>	<u>6,660,459</u>
Net cash provided by operating activities	<u>6,882,720</u>	<u>591,991</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(13,445,190)	(15,509,219)
Purchases of investments	(11,678,879)	(13,459,661)
Proceeds from sales and maturities of investments	19,612,747	31,526,178
Transfers between affiliates, net	<u>355,301</u>	<u>271,319</u>
Net cash (used in) provided by investing activities	<u>(5,156,021)</u>	<u>2,828,617</u>
Cash flows from financing activities		
Proceeds from long-term financing	-	33,947,850
Payments for debt issuance costs	-	(455,143)
Principal payments on long-term debt	(1,035,000)	(35,050,000)
Principal payments on capital lease obligations	<u>(586,188)</u>	<u>(9,385)</u>
Net cash used in financing activities	<u>(1,621,188)</u>	<u>(1,566,678)</u>
Net increase in cash and cash equivalents	105,511	1,853,930
Cash and cash equivalents at beginning of year	<u>3,876,497</u>	<u>2,022,567</u>
Cash and cash equivalents at end of year	<u>\$ 3,982,008</u>	<u>\$ 3,876,497</u>
Supplemental disclosures of cash flow information		
Interest paid	\$ 3,688,228	\$ 1,426,286
Supplemental disclosure of noncash financing activities		
Acquisition of property, plant and equipment financed with capital leases	5,392,596	314,926
Property, plant and equipment included in accounts payable and accrued expenses	771,510	2,041,249

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

The Griffin Hospital and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

1. Organization

The Griffin Hospital (the "Hospital") is a licensed 160-bed acute care hospital located in Derby, Connecticut and is part of an affiliated group which consists of its parent corporation, Griffin Health Services Corporation ("GHSC"), including Griffin Pharmacy and Gift Shop ("GP&GS"), and certain other affiliates, primarily the Griffin Hospital Development Fund ("GHDF"), the fund-raising organization for GHSC and the other tax-exempt subsidiaries; G.H. Ventures, Inc. ("GHV"), a for profit organization currently managing medical office buildings; Planetree Inc. ("Planetree"), a not-for-profit entity assisting hospitals and other health care facilities in the development and implementation of a patient centered model of care; the Griffin Faculty Practice Plan, Inc. ("FPP"), a not-for-profit entity incorporated for the purpose of providing medical services and to charge for services performed by physicians as supervisors of interns, and Healthcare Alliance Insurance Company, Ltd. ("HAIC"), a for profit off-shore captive insurance company.

In February 2008, the Hospital and GHV entered into a joint venture with TOPCO Associates, LLC, to form a company called NuVal. The purpose of this company is to commercialize an "Overall Nutrition Quality Index" system, developed by the Hospital for promoting healthy eating habits among the general population. The Hospital's ownership interest in NuVal was transferred to GHV in 2008 and as such all amounts related to NuVal are recorded in the GHV and consolidated GHSC financial statements.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital and its wholly owned subsidiary, FPP. All significant intercompany accounts and transactions are eliminated in consolidation.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets have been combined as follows:

Permanently Restricted

Net assets subject to explicit donor-imposed stipulations that they be maintained by the Hospital in perpetuity are classified as permanently restricted. Generally, the donors of these assets permit the Hospital to use all or part of the investment return on these assets for operating purposes.

Temporarily Restricted

Net assets whose use by the Hospital is subject to explicit donor-imposed stipulations that can be fulfilled upon incurrence of expenses by the Hospital pursuant to those stipulations or that expire by the passage of time are classified as temporarily restricted.

Unrestricted

Net assets that are not subject to explicit donor-imposed stipulations are classified as unrestricted. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The Griffin Hospital and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

Revenues from sources other than contributions are reported in unrestricted net assets. Contributions are reported as increases in the applicable category of net assets, consistent with donor designation. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Grant revenues and expenses relating to Hospital operations are included within operating revenues and expenses. Grant revenues and expenses relating to research are included within nonoperating gains and losses.

Contributions, including unconditional promises to give, are recognized as increases in net assets at the date the promise is received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed stipulations, if any, on the contributions.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted support. These contributions are reclassified to unrestricted net assets when the capital asset is acquired or placed in service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to patient accounts receivable allowances, estimated final settlements due to or from third party payors, professional and general liability loss reserves and pension costs.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with a maturity of three months or less when purchased, excluding amounts whose use is limited by the Board of Trustees or other restrictive arrangements.

The majority of the Hospital's banking activity, including cash and cash equivalents, is maintained with a regional bank and from time to time exceeds federal insurance limits. It is the Hospital's policy to monitor the bank's financial strength on an ongoing basis.

Beneficial Interest in Trusts

The fair value of contributions received from perpetual trust assets held by third parties is measured at the Hospital's proportionate share of the fair value of the trust's assets at the time the Hospital is notified of the trust's existence and periodically adjusted for changes in value. Distributions received by the Hospital may be restricted by the donor. These assets are classified as permanently restricted net assets.

The Griffin Hospital and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

Inventories

Inventories are stated at the lower of cost, using the first-in, first-out method, or market.

Fair Value Measurements

During 2009, the Hospital and FPP adopted a new accounting principle related to valuation and disclosures of its financial assets and liabilities. The new standard defines fair value and establishes a framework for measuring fair value. The framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this principle are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital and FPP have the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of the Hospital's and FPP's investments is based on quoted market values.

The fair value of the Hospital's beneficial interests in trusts is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

The fair value of the Hospital's interest rate swaps liability is based on observable inputs other than quoted prices for similar instruments.

Fair Value Option

During 2009, the Hospital and FPP also adopted a new accounting principle related to the fair value option for certain of its financial assets and financial liabilities. The new standard gives entities the option at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to the entire instrument. Unrealized gains and losses on instruments for which the fair value option has been elected are reported as part of the deficiency of revenues over expenses at each subsequent reporting date. The Hospital and FPP elected the fair value option for accounting for investments. Accordingly, in 2009, unrealized gains and losses on investments are included in deficiency of revenues over expenses.

The Griffin Hospital and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investments of donor restricted funds are classified as long-term investments. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the deficiency of revenues over expenses unless the income or loss is restricted by donor or law. In 2008, the Hospital recognized certain unrealized losses in the amount of \$1,166,000 as other-than-temporary impairment losses.

Assets Limited As To Use

Assets limited as to use include assets set aside by the Board of Trustees in a depreciation fund for future capital improvements; contributions receivable, beneficial interests in trusts, and assets held by a trustee under an indenture agreement.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or in the case of donated property at the fair value at the date of gift. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method with one-half year of depreciation expense recorded in the year of acquisition. Uniform useful lives assigned to assets are based upon the American Hospital Association estimated useful lives of depreciable hospital assets guidelines and range from 5 to 50 years. Maintenance and repairs are charged to expense as incurred, and betterments and major renewals are capitalized. Upon sale or disposal of property, plant or equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the consolidated statement of operations. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense. Interest cost incurred on borrowed funds during the construction period of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital capitalized approximately \$329,000 and \$1,107,000 of interest costs related to construction projects in 2009 and 2008, respectively.

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

Asset Retirement Obligations

The Hospital accrues for asset retirement obligations, primarily asbestos related removal costs, in the period in which they are incurred if sufficient information is available to reasonably estimate the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the Hospital will recognize a gain or loss for any difference between the settlement amount and the liability recorded.

Interest in Net Assets of Affiliate

Interest in net assets of affiliate represents the Hospital's interest in the net assets of GHDF.

The Griffin Hospital and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

Cost of Borrowing

Issuance costs related to the Hospital's tax-exempt bond issuance are being amortized using the effective interest method over the life of the debt and the amortization is included in interest expense on the statement of operations. Amortization expense was \$72,167 and \$85,472 for 2009 and 2008, respectively.

The discount from face value at which debt has been issued is reflected as a reduction of the carrying value of such debt. The premium from face value at which debt has been issued is reflected as an addition to the carrying value of such debt. Discounts and premiums are amortized/accreted over the life of the debt, using the effective interest method.

Professional and General Liability Loss Reserves

The liability for claims is determined by management based on data processed by independent loss adjusters. The liability for adverse claims development and the liability for claims incurred but not reported are determined by management based on actuarial studies of related data prepared by independent actuaries.

Due to the nature of the underlying insurance risks and the general uncertainty surrounding medical malpractice claims settlement, the liability for losses is an estimate and could vary significantly from the amount ultimately paid. However, the liability for losses reflects the best estimate of ultimate loss based on historical experience and actuarial projections.

Deficiency of Revenues Over Expenses

The statement of operations includes a deficiency of revenues over expenses. Changes in unrestricted net assets which are excluded from deficiency of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments in 2008, changes in net assets of affiliate, transfers of assets to and from affiliates for other than goods and services, and pension and other post-retirement related changes other than net periodic benefit cost.

Net Patient Service Revenue

The Hospital and FPP have agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem payments, fee schedule payments and capitated fees. 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 third-party payors due to future audits, reviews and investigations.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews or investigations. Contracts, loans and regulations governing the Medicare and Medicaid programs are complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the future. During 2009 and 2008, the Hospital recorded several adjustments for amounts recognized related to prior years, including adjustments to prior year estimates. The net effect of such adjustments was an increase in net patient service revenue of approximately \$412,000 and \$2,165,000 in 2009 and 2008, respectively.

The Griffin Hospital and Subsidiary

Notes to Consolidated Financial Statements

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Free Care

The Hospital provides care to patients who meet certain criteria under its free care policy without charge or at amounts less than its established and contractual rates. Because the Hospital does not pursue collection of amounts determined to qualify as free care, they are not reported as net patient service revenue. Free care of approximately \$5,753,000 and \$1,748,000 measured at the Hospital's respective established rates was provided in fiscal 2009 and 2008, respectively.

Income Taxes

The Hospital and FPP are not-for-profit organizations, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

The Hospital and FPP adopted a new accounting principle related to subsequent events. That new accounting principle establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Accordingly, management has evaluated subsequent events for the period after September 30, 2009 through January 22, 2010, the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 financial statement presentation.

3. Net Patient Service Revenue

Net patient service revenue for the years ended September 30, 2009 and 2008 is comprised as follows:

	2008			2009		
	Hospital	FPP	Total	Hospital	FPP	Total
Patient service charges	\$ 323,695,513	\$ 2,572,981	\$ 326,268,494	\$ 353,472,922	\$ 4,529,962	\$ 358,002,884
Less: Free care	(1,748,198)	-	(1,748,198)	(5,752,621)	-	(5,752,621)
	<u>321,947,315</u>	<u>2,572,981</u>	<u>324,520,296</u>	<u>347,720,301</u>	<u>4,529,962</u>	<u>352,250,263</u>
Patient service charges, net of free care						
Contractual allowances	(206,940,557)	(854,282)	(207,794,839)	(228,408,004)	(2,252,530)	(230,660,534)
Net patient service revenue	<u>\$ 115,006,758</u>	<u>\$ 1,718,699</u>	<u>\$ 116,725,457</u>	<u>\$ 119,312,297</u>	<u>\$ 2,277,432</u>	<u>\$ 121,589,729</u>

The Hospital and FPP have agreements with the Federal Medicare Program ("Medicare"), the State of Connecticut ("State") Medicaid Program ("Medicaid"), and certain indemnity and managed care programs that determine payments for services rendered to patients covered by these programs. A summary of the payment arrangements with major third-party payors is as follows:

Medicare

The Hospital is reimbursed for services rendered to nonpsychiatric inpatients under the prospective payment system ("PPS"), under which payments are based on standard national and regional amounts depending on patient diagnosis (Diagnosis Related Group or "DRG") and without regard to the Hospital's actual costs. PPS permits additional payments, within specified limitations, to be made for atypical cases (outliers) and graduate medical education. Inpatient psychiatric services are also paid under a prospective per diem payment system established by Medicare.

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Notes to Consolidated Financial Statements

September 30, 2009 and 2008

The Hospital is reimbursed for most outpatient services under a prospective payment methodology based on ambulatory payment classifications which are paid on standard national and regional amounts for procedures rendered to the patients and without regard to the Hospital's actual costs. The remaining outpatient services (e.g., routine clinical lab, physical therapy) are reimbursed on a fee schedule.

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year the examination is substantially complete. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2008.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries, except for those beneficiaries in the State's Aid to Families with Dependent Children ("AFDC") population, are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the State. Outpatient services are reimbursed at predetermined fee schedules or percent of charges. In addition, the State also contracts with various managed care organizations to provide services to the State's AFDC population. The Hospital contracts with one or more of these managed care organizations and provides services on a per diem rate for inpatient and fee schedules or percent of charges for outpatients.

Other Payers

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, fee schedule payments and capitated fees.

Future Reimbursement

Current trends in the health care industry include mergers and other forms of affiliations among providers, increasing shifts to managed care, overall reduction in inpatient average length of stay, increasingly restrictive reimbursement policies by governmental and private payors, and the prospect of significant changes in legislation at the state and national level. The Hospital cannot assess or project the ultimate effect of these or other items that may have an impact on the future operations of the Hospital.

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4. Investments

Assets Limited As To Use

The composition of assets limited as to use (excluding beneficial interest in trusts) at September 30, 2009 and 2008 is as follows:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Board-designated				
For capital acquisition				
Cash and cash equivalents	\$ 533,227	\$ 533,227	\$ 617,035	\$ 617,035
For postretirement benefits				
Cash and cash equivalents	341,165	341,165	-	-
	<u>874,392</u>	<u>874,392</u>	<u>617,035</u>	<u>617,035</u>
Held by trustee under indenture agreement				
U.S. Treasury obligations	7,557,395	7,555,081	14,075,208	14,075,208
Accrued interest receivable	3,897	3,897	18,749	18,749
	<u>7,561,292</u>	<u>7,558,978</u>	<u>14,093,957</u>	<u>14,093,957</u>
Less current portion	<u>(617,399)</u>	<u>(617,399)</u>	<u>(450,032)</u>	<u>(450,032)</u>
	<u>6,943,893</u>	<u>6,941,579</u>	<u>13,643,925</u>	<u>13,643,925</u>
	<u>\$ 7,818,285</u>	<u>\$ 7,815,971</u>	<u>\$ 14,260,960</u>	<u>\$ 14,260,960</u>

Investments

Investments stated at fair value at September 30, 2009 and 2008 include:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Fixed income securities	5,542,002	5,825,486	7,053,138	7,117,830
Marketable equity securities	4,348,145	3,864,063	4,527,629	4,527,629
	<u>\$ 9,890,147</u>	<u>\$ 9,689,549</u>	<u>\$ 11,580,767</u>	<u>\$ 11,645,459</u>

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Investment income and unrealized gains and losses for assets limited as to use, cash equivalents and other investments are comprised of the following for 2009 and 2008:

	2009	2008
Income		
Interest and dividend income	\$ 464,313	\$ 436,289
Net realized gains (losses)	63,563	(964,997)
Change in unrealized gains and losses on investments	<u>185,730</u>	<u>-</u>
	<u>\$ 713,606</u>	<u>\$ (528,708)</u>
Other changes in unrestricted net assets		
Change in unrealized gains and losses on investments	<u>\$ -</u>	<u>\$ (382,791)</u>

In 2008, the Hospital recognized unrealized losses of approximately \$1,166,000 as other-than-temporary impairment losses related to certain marketable equity investments. As such, that amount was included in investment income (loss) in 2008.

The following table represents the Hospital's financial assets and liabilities by level as of September 30, 2009:

September 30, 2009	Fair Value	Fair Value Measurements		
		Quoted Prices in in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments</u>				
Fixed income	5,825,486	5,825,486	-	-
Equity Securities	<u>\$ 3,864,063</u>	<u>\$ 3,864,063</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments	<u>9,689,549</u>	<u>9,689,549</u>	<u>-</u>	<u>-</u>
Remainder trusts	120,852	-	-	120,852
Perpetual trusts	<u>3,397,982</u>	<u>-</u>	<u>-</u>	<u>3,397,982</u>
Total assets at fair value	<u>\$ 13,208,383</u>	<u>\$ 9,689,549</u>	<u>\$ -</u>	<u>\$ 3,518,834</u>
<u>Liabilities</u>				
Interest rate swap liability	<u>\$ 4,622,093</u>	<u>\$ -</u>	<u>\$ 4,622,093</u>	<u>\$ -</u>
Total liabilities at fair value	<u>\$ 4,622,093</u>	<u>\$ -</u>	<u>\$ 4,622,093</u>	<u>\$ -</u>

The following table sets forth a summary of changes in the fair value of the Hospital's level 3 assets for the year ended September 30, 2009:

Beginning balance at September 30, 2008	\$ 3,634,818
Net realized and unrealized loss	<u>(115,984)</u>
Balance at September 30, 2009	<u>\$ 3,518,834</u>

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5. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation as of September 30, 2009 and 2008 are summarized as follows:

	2009	2008
Land and improvements	\$ 5,061,574	\$ 5,061,574
Buildings and improvements	63,352,910	39,054,291
Fixed and movable equipment	<u>57,978,854</u>	<u>47,277,532</u>
	126,393,338	91,393,397
Less accumulated depreciation	<u>(70,966,612)</u>	<u>(65,983,728)</u>
	55,426,726	25,409,669
Construction-in-progress	<u>7,410,924</u>	<u>24,871,296</u>
	<u>\$ 62,837,650</u>	<u>\$ 50,280,965</u>

Included in property, plant and equipment as of September 30, 2009 and 2008 are capitalized leased assets for major movable equipment with a cost of \$5,707,522 and \$314,926, and related accumulated amortization of \$602,245 and \$33,492, respectively.

6. Insurance Liability Loss Reserves

HAIC insures the professional and general liabilities of the Hospital under a claims-made policy with a retroactive date of October 1, 1986. There are known claims and incidents that may result in the assertion of additional claims as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Hospital has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued malpractice reserves for professional and general liability have been discounted at 4.0% and 4.5% at September 30, 2009 and 2008, respectively. In management's opinion these reserves provide an adequate reserve for loss contingencies.

Effective January 1, 2003, the Hospital became self-insured for workers' compensation coverage. The Hospital maintains insurance coverage for claims in excess of \$250,000. Annual aggregate coverage is purchased which provides \$1 million of coverage above a maximum limit of retained losses within the per occurrence retention. Independent actuaries have been employed to estimate the ultimate cost of claims incurred. The workers' compensation reserves have been discounted at 3.5% at September 30, 2009 and 2008, and in management's opinion provide an adequate reserve for loss contingencies.

The Hospital also has recorded self-insurance reserves for its employee health plan, for the deductible portion of workers' compensation indemnity losses from January 1, 1999 and prior, and for the medical cost component of its workers' compensation losses prior to January 1, 2003, subject to certain umbrella and stop-loss coverage limits. The Hospital accrues its best estimate of retained liability for occurrences through each balance sheet date.

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7. Long-Term Debt

Long-term consists of the following at September 30, 2009 and 2008:

	2009	2008
State of Connecticut Health and Educational Facilities Authority		
Series B	\$ 20,555,000	\$ 21,590,000
Series C	23,125,000	23,125,000
Series D	10,925,000	10,925,000
Premium and discount on bonds, net of accumulated accretion and amortization of \$152,489 and \$80,322, respectively	<u>689,548</u>	<u>761,715</u>
	55,294,548	56,401,715
Less current portion	<u>(4,470,000)</u>	<u>(2,737,500)</u>
	<u><u>\$ 50,824,548</u></u>	<u><u>\$ 53,664,215</u></u>

The State of Connecticut Health and Educational Facilities Authority ("CHEFA") Revenue Bonds, The Griffin Hospital Issue, Series B, totaling \$24,800,000 were issued in February 2005. The Series B bonds bear interest at rates ranging from 2.4% to 5.0%. Interest is due semi-annually on January 1 and July 1. Bond premium of \$969,815 and bond issuance costs of \$1,196,512 are amortized over the life of the bond using the interest method. The Series B bonds are insured by Radian Asset Guaranty Corporation. The bonds mature annually each July 1 through 2015 and on July 1, 2020 and July 1, 2023 in the amounts of 7,750,000 and 5,640,000, respectively. The Series B bonds maturing after July 1, 2015 are subject to redemption prior to maturity commencing July 1, 2015.

In May 2007, CHEFA issued \$23,125,000 revenue bonds, The Griffin Hospital Issue, Series C and \$10,925,000 variable rate revenue bonds, The Griffin Hospital Issue, Series D. Bond discount of \$142,790 and issuance costs of \$1,381,836 for the Series C bonds and bond discount of \$67,459 and issuance costs of \$759,707 for the Series D bonds are amortized over the life of the bonds using the interest method. The Series C and Series D bonds are insured by Radian Asset Guaranty Corporation. The Series C and Series D bonds are Term bonds due July 1, 2037.

In May 2008, the Hospital refunded The Griffin Hospital Issue 2007 Series C and The Griffin Hospital Issue 2007 Series D bonds, which were initially issued as auction rate bonds, and issued \$23,125,000 Griffin Hospital Issue 2008 Series C Variable Rate Demand bonds and \$10,925,000 Griffin Hospital Issue 2008 Series D Variable Rate Demand Bonds (together referred to as "Series 2008 Bonds"). The Series 2008 Bonds are insured by Radian Asset Guaranty Corporation. As a result of the bond refinancing, the unamortized 2007 bond issuance costs of \$631,415 were included in the loss on extinguishment of debt and the new issuance costs associated with the issuance of the Series 2008 Bonds were capitalized and are being amortized over the life of these bonds using the interest method. The Series 2008 Bonds were issued as seven-day variable rate demand obligations and are subject to mandatory repurchase tenders.

In order to provide liquidity for the Series 2008 Bonds, the Hospital entered into a standby letter of credit with a financial institution which expires in May 2010. The Hospital has obtained an extension of this letter of credit which expires in May 2011. Should the Series 2008 Bonds be put back, and the standby letter of credit be called, the Hospital would be required to repay the principal ratably over a five-year period, beginning 180 days following the put.

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Under the terms of the CHEFA bonds, the Obligated Group (the Hospital, GHSC and GH Development Fund) are required to maintain 50 days operating cash on hand and a debt service coverage ratio of 1.2 to 1. Additionally, the Obligated Group is required to maintain a capitalization ratio of less than .75, declining to .70 for fiscal year 2009 and .65 in fiscal year 2010 through the remaining life of the debt.

The CHEFA bonds are collateralized by the gross receipts of the Obligated Group and certain real property of the Hospital.

Aggregate scheduled principal payments on all long-term debt are as follows:

2010	\$ 1,065,000
2011	1,790,000
2012	1,900,000
2013	1,935,000
2014	2,040,000
Thereafter	<u>45,875,000</u>
	<u>\$ 54,605,000</u>

To the extent the Hospital is unable to remarket the Series 2008 bonds, the Hospital would be obligated to repurchase these bonds from the proceeds of the Hospital's standby letter of credit. The above debt maturities table reflects the payment of principal on these bonds according to their scheduled maturity dates. If the Series 2008 bonds were fully tendered by the bondholders to the Hospital as of September 30, 2009, the table of annual principal payments would become:

2010	\$ 4,470,000
2011	7,925,000
2012	7,985,000
2013	8,020,000
2014	8,075,000
Thereafter	<u>18,130,000</u>
	<u>\$ 54,605,000</u>

Under the terms of the bond agreements, the Hospital is required to maintain certain funds with a trustee for specified purposes and time periods. Required payments to the trustee are made by the Hospital in amounts sufficient to provide for the payment of principal, interest and sinking fund installments as they become due, and certain other payments. Assets held by the trustees pursuant to the indentures as of September 30, 2009 and 2008 are as follows:

	2009	2008
Construction fund	\$ 2,603,765	\$ 9,169,484
Debt service reserve fund	4,290,592	4,455,692
Debt service fund	346,619	231,101
Principal fund	314,105	218,931
Accrued interest receivable	<u>3,897</u>	<u>18,749</u>
	<u>\$ 7,558,978</u>	<u>\$ 14,093,957</u>

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8. Derivative Instruments

The Hospital initially issued its Series 2007 Series C and 2007 Series D bonds bearing interest at a variable rate. In May 2007, the Hospital entered into two interest rate swap agreements to manage interest rate risk. These agreements involve the exchange of fixed rate interest payments by the Hospital for variable rate interest payments from the counterparties, based on a percentage of the London Interbank Offered Rate (LIBOR). In 2008, the Hospital refinanced the Series 2007 bonds and issued Series 2008 Bonds. These bonds also bear interest at a variable rate. The two original swap agreements continue to be utilized by the Hospital to manage its interest rate risk. At September 30, 2009, the notional amount of the derivative financial instruments was \$23,125,000 (Series 2008 Issue C nontaxable bonds) and \$10,925,000 (Series 2008 Issue D taxable bonds), respectively.

Upon the occurrence of certain events of default or termination events identified in the derivative contracts, either the Hospital or the counterparty could terminate the contract in accordance with its terms. Termination would result in the payment of a termination amount by one party to compensate the other party for its economic losses. The cost of termination would depend, in major part, on the then current interest rate levels, and if the interest rate levels were then lower than those specified in the derivative contract, the cost of termination to the Hospital could be significant.

The fair value of these derivatives was a liability of \$4,622,093 and \$2,756,941 as of September 30, 2009 and 2008, respectively, which has been reflected as part of other long-term liabilities on the consolidated balance sheet. The impact of the change in fair value was \$1,865,152 and \$2,477,285 for the years ended September 30, 2009 and 2008, respectively. This change is included in the net realized and unrealized losses on interest rate swap agreements, which also includes the net periodic settlement payments related to the swap agreements of \$906,933 and \$0 for 2009 and 2008, respectively.

9. Lease Commitments

Capital Leases

The Hospital leases certain equipment under capital leases which extend through 2014.

Future minimum rental payments, by year and in aggregate, under capital leases consists of the following as of September 30, 2009:

2010	\$ 1,390,274
2011	1,391,037
2012	1,391,037
2013	1,358,726
2014	547,795
	<u>6,078,869</u>
Less amounts representing interest	966,920
Present value of minimum lease payments	5,111,949
Less current portion	1,052,347
Capital lease obligation, net current portion	<u>\$ 4,059,602</u>

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Operating Leases

The Hospital leases various equipment and office space under operating leases, expiring at various dates through 2012. Some of these leases contain renewal options. Rent expense under such leases was \$751,084 and \$798,109 for the years ended September 30, 2009 and 2008, respectively.

Future minimum rental payments as of September 30, 2009 under noncancelable operating leases are as follows:

2010	\$ 748,190
2011	730,370
2012	<u>723,042</u>
	<u>\$ 2,201,602</u>

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of September 30, 2009 and 2008:

	2009	2008
Unspent income and appreciation on endowment funds expendable for specified healthcare services	\$ 567,402	\$ 517,391
Interest in unspent income and appreciation on GHDF endowment funds	45,615	-
Purchase of equipment	1,297,899	833,800
Specified healthcare services	<u>349,191</u>	<u>281,919</u>
	<u>\$ 2,260,107</u>	<u>\$ 1,633,110</u>

Permanently restricted net assets at September 30, 2009 and 2008 are comprised as follows:

	2009	2008
Investments to be held in perpetuity, the income of which is expendable to support health care services	\$ 417,645	\$ 417,645
Interest in permanently restricted net assets of GHDF's endowment, the income of which is expendable for specified health care services	1,742,616	1,742,616
Beneficial interest in trusts	<u>3,518,834</u>	<u>3,634,818</u>
	<u>\$ 5,679,095</u>	<u>\$ 5,795,079</u>

11. Other Debt Arrangements and Guarantees

On March 5, 2005, the Hospital entered into a \$262,500 letter of credit agreement with Wachovia Bank. On February 23, 2009, the Hospital also entered into an additional \$750,000 letter of credit agreement with Wachovia Bank. Subsequent to September 30, 2009, the letter of credit agreement for \$262,500 was reduced to \$50,000. No borrowings had been made on either letters of credit as of September 30, 2009 or 2008.

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12. Transactions with Affiliated Corporations

Due from affiliates represents amounts receivable for various monthly operating expenses and other operating purposes paid by the Hospital. The following summarizes the due from affiliates as of September 30:

	2009	2008
GHSC	\$ 1,866,900	\$ 3,193,775
Health Alliance Insurance Company, Ltd. (HAIC)	2,645,922	1,663,205
Griffin Pharmacy and Gift Shop (GP&GS)	114,801	11,518
G.H. Ventures, Inc. (GHV)	<u>320,442</u>	<u>-</u>
	<u>\$ 4,948,065</u>	<u>\$ 4,868,498</u>

The following summarizes the due to affiliates as of September 30:

	2009	2008
Planetree, Inc.	\$ 440,386	\$ 630,181
G.H. Ventures, Inc. (GHV)	<u>-</u>	<u>1,899,708</u>
	<u>\$ 440,386</u>	<u>\$ 2,529,889</u>

The Hospital initially incurs charges related to various administrative and operating expenses, including salaries and related costs for all affiliated entities. The Hospital allocates such amounts to the affiliated entities based on actual costs incurred.

GHV

The Hospital rents space from GHV under operating leases and paid approximately \$0 and \$90,000 in rent expense in 2009 and 2008, respectively.

The Hospital advanced funds to pay certain operating expenses for GHV totaling approximately \$165,000 and \$664,000 in 2009 and 2008, respectively.

In 2008, the Hospital received a distribution against its investment in NuVal of \$3,000,000 which was reduced by advances to GHV to pay related expenses of approximately \$1,200,000.

In 2009, the Hospital advanced to GHV \$1,800,000 for additional capitalization of GHV's interest in NuVal and \$255,000 in cash.

GHDF

The Hospital paid operating expenses for GHDF totaling approximately \$231,000 and \$454,000 in 2009 and 2008, respectively. Additionally, GHDF made a transfer to GHSC of approximately \$500,000 and \$650,000 in 2009 and 2008, respectively.

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GP&GS

The Hospital advanced operating expenses for GP&GS totaling approximately \$403,000 and \$429,000 in 2009 and 2008, respectively. GP&GS reimbursed the Hospital approximately \$300,000 and \$350,000 during 2009 and 2008, respectively.

HAIC

The Hospital obtains professional and general liability coverage under a policy between GHSC and HAIC (Note 6). Total premiums incurred for this insurance coverage in 2009 and 2008 were approximately \$3,134,000 and \$2,565,000, respectively. The Hospital pays claims processing expenses on behalf of HAIC and is subsequently reimbursed for these expenses. As of September 30, 2009 and 2008, the Hospital was due \$2,645,923 and \$1,663,205, respectively, from HAIC for reimbursement of claims processing expense.

GHSC

The Hospital paid operating expenses of approximately \$119,000 and \$75,000 for 2009 and 2008, respectively. GHSC transferred to the Hospital approximately \$5,544,000 and \$75,000 in 2009 and 2008, respectively. The Hospital made cash advances to GHSC of approximately \$4,217,000 and \$3,287,000 in 2009 and 2008, respectively.

Planetree, Inc.

The Hospital advanced operating expenses for Planetree totaling approximately \$2,190,000 and \$2,004,000 in 2009 and 2008, respectively. Planetree reimbursed the Hospital approximately \$2,000,000 and \$2,400,000 in 2009 and 2008, respectively.

13. Pension and Other Postretirement Benefits

Pension Benefits

The Hospital sponsors a noncontributory defined benefit pension plan that covers substantially all of its employees and provides for retirement and death benefits. The Hospital's policy is to fund actuarially determined pension costs as accrued.

The Hospital's accumulated benefit obligation was \$72,190,781 and \$52,950,837 at September 30, 2009 and 2008, respectively.

Other Postretirement Benefits

The Hospital also provides certain health care and life insurance benefits for eligible retired employees and their dependents. Substantially all of the Hospital's full-time employees may become eligible for these benefits upon retirement if certain age and service criteria are met. Effective January 1, 2004, employees will need to be at least age 62 at retirement to be eligible for coverage. Employees who are eligible for these benefits at the time of their retirement and who meet the requirements to receive an immediate pension plan benefit are provided continued health and life insurance coverage throughout their retirement. The plan is unfunded.

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Pertinent information relating to these plans is as follows, based on a September 30 measurement date:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 56,959,807	\$ 62,732,622	\$ 5,308,097	\$ 5,825,076
Service cost	1,698,039	2,009,003	165,833	186,185
Interest cost	4,160,713	3,846,116	383,415	350,163
Actuarial gain	17,371,384	(9,227,771)	882,251	(712,955)
Benefits paid	(2,574,391)	(2,400,163)	(420,769)	(340,372)
Benefit obligation at end of year	<u>\$ 77,615,552</u>	<u>\$ 56,959,807</u>	<u>\$ 6,318,827</u>	<u>\$ 5,308,097</u>
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 48,834,715	\$ 54,963,927	\$ -	\$ -
Actual return on plan assets	(1,441,968)	(6,926,905)	-	-
Employer contributions	1,320,000	3,280,000	420,769	340,372
Benefits paid	(2,574,391)	(2,400,163)	(420,769)	(340,372)
Administrative expenses	(56,332)	(82,144)	-	-
Fair value of plan assets at end of year	<u>\$ 46,082,024</u>	<u>\$ 48,834,715</u>	<u>\$ -</u>	<u>\$ -</u>
Unfunded status	<u>\$ (31,533,528)</u>	<u>\$ (8,125,092)</u>	<u>\$ (6,318,827)</u>	<u>\$ (5,308,097)</u>
Net amount recognized as a liability	<u>\$ (31,533,528)</u>	<u>\$ (8,125,092)</u>	<u>\$ (6,318,827)</u>	<u>\$ (5,308,097)</u>

Components of net periodic benefit cost are as follows:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Service cost	\$ 1,698,039	\$ 2,009,003	\$ 165,833	\$ 186,185
Interest cost	4,160,713	3,846,116	383,415	350,163
Expected return on plan assets	(4,187,066)	(4,944,468)	-	-
Amortization of unrecognized prior service cost (credit)	1,908	4,338	(770,064)	(912,185)
Amortization of transition obligation	-	-	10,104	10,104
Net loss	<u>1,111,018</u>	<u>829,257</u>	<u>290,224</u>	<u>391,765</u>
Net periodic benefit cost	<u>\$ 2,784,612</u>	<u>\$ 1,744,246</u>	<u>\$ 79,512</u>	<u>\$ 26,032</u>

Amounts recognized in the consolidated balance sheets consist of:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Current liabilities	\$ -	\$ -	\$ 434,000	\$ 430,000
Noncurrent liabilities	<u>31,533,528</u>	<u>8,125,092</u>	<u>5,884,827</u>	<u>4,878,097</u>
	<u>\$ 31,533,528</u>	<u>\$ 8,125,092</u>	<u>\$ 6,318,827</u>	<u>\$ 5,308,097</u>

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Pension Plan

Amounts in consolidated unrestricted net assets that are not yet recognized as a component of net periodic benefit cost are as follows:

	2009	2008
Net prior service cost	\$ -	\$ 1,908
Net actuarial loss	<u>37,951,964</u>	<u>16,006,232</u>
	<u>\$ 37,951,964</u>	<u>\$ 16,008,140</u>

Other changes in plan assets and benefit obligations recognized in other changes in unrestricted net assets:

	2009	2008
Net actuarial loss	\$ 23,056,750	\$ 2,725,746
Amortization of		
Prior service cost	(1,908)	(4,338)
Actuarial loss	<u>(1,111,018)</u>	<u>(829,257)</u>
	<u>\$ 21,943,824</u>	<u>\$ 1,892,151</u>

Expected amounts to be amortized from unrestricted net assets into net periodic benefit cost for the next fiscal year:

Actuarial loss (gain)	\$ 3,112,413
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Post-Retirement Plan

Amounts in consolidated unrestricted net assets that are not yet recognized as a component of net periodic benefit cost are as follows:

	2009	2008
Net transition obligation	\$ 20,207	\$ 30,311
Net prior service credit	(2,132,174)	(2,902,238)
Net actuarial loss	<u>3,803,601</u>	<u>3,211,574</u>
	<u>\$ 1,691,634</u>	<u>\$ 339,647</u>

Other changes in plan assets and benefit obligations recognized in unrestricted net assets:

	2009	2008
Net actuarial loss (gain)	\$ 882,251	\$ (712,955)
Amortization of:		
Transition obligation	(10,104)	(10,104)
Prior service cost	770,064	912,185
Actuarial gain	<u>(290,224)</u>	<u>(391,765)</u>
	<u>\$ 1,351,987</u>	<u>\$ (202,639)</u>

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Expected amounts to be amortized from unrestricted net assets into net periodic benefit cost for the next fiscal year:

Transition obligation	\$ 10,104
Prior service credit	(716,529)
Actuarial loss	343,541

Actuarial assumptions are as follows:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Weighted average assumptions used to determine benefit obligation				
Discount rate	5.50%	7.50%	5.50%	7.50%
Rate of compensation increase	4.00%	4.00%	N/A	N/A

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Weighted average assumptions used to determine net period benefit cost				
Discount rate	7.50%	6.25%	7.50%	6.25%
Expected long-term return on plan assets	8.50%	8.90%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A

	Pre-65		Post-65	
	2009	2008	2009	2008
Health care cost trend rate assumed for next year	9.50%	9.50%	9.16%	10.33%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.35%	4.50%	5.35%	4.50%
Year that the rate reaches the ultimate trend rate	2014	2014	2014	2014

A one-percentage-point change in assumed health care cost trend rates would have the following effects on:

	1-Percentage Point Increase	1-Percentage Point Decrease
Service and interest cost components	\$ 3,683	\$ (4,805)
Postretirement benefit obligation	62,836	(79,645)

Contributions

The Hospital expects to contribute approximately \$4,300,000 to its pension plan and \$434,000 to its other postretirement benefit plan in fiscal year 2010.

The Griffin Hospital and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2009 and 2008

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, are expected to be paid as of September 30, 2009:

	Pension Benefits	Other Benefits
2010	\$ 3,444,000	\$ 434,000
2011	3,787,000	487,000
2012	4,106,000	507,000
2013	4,342,000	502,000
2014	4,623,000	508,000
2015-2017	27,353,000	2,788,000

Pension plan assets are invested as follows:

	2009	2008
Asset category		
U.S. Large Cap	36 %	37 %
U.S. Small Cap	6	7
International Equity	17	18
Fixed Income	34	28
Real Estate	7	10
	<u>100 %</u>	<u>100 %</u>

	2009	2008
Target Asset Allocations		
U.S. Large Cap	36 %	36 %
U.S. Small Cap	7	7
International Equity	22	22
Fixed Income	25	25
Real Estate	10	10
	<u>100 %</u>	<u>100 %</u>

Asset Investment Strategy

Investments shall be made solely in the interest of the participants and beneficiaries of the Trust, and for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration. The Trust shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims. Investment of the Trust shall be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The long term strategy of the fund is to achieve long-term growth. In order to meet its needs, the investment strategy of the Trust is to emphasize total return; that is, the aggregate return from capital appreciation, dividends and interest income.

The Griffin Hospital and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2009 and 2008

14. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix in patient accounts receivable as of September 30, 2009 and 2008 before allowances for doubtful accounts, consisted of the following:

	2009	2008
Medicare and Medicaid	25 %	26 %
Commercial insurance	8	11
Managed care	26	28
Self-pay patients	38	32
City Welfare	3	2
	<u>100 %</u>	<u>99 %</u>

15. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses relating to providing these services at September 30, 2009 and 2008 are as follows:

	2009	2008
Patient care and clinical	\$ 106,973,837	\$ 102,829,122
General and administrative	<u>16,951,406</u>	<u>16,066,762</u>
	<u>\$ 123,925,243</u>	<u>\$ 118,895,884</u>

16. Endowments

The Hospital's endowment funds consist of donor restricted funds to be invested in perpetuity to provide a permanent source of income. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Effective October 1, 2008, the Hospital adopted a new accounting standard related to net asset classification and disclosures for endowment funds. The new standard requires enhanced disclosures for donor-restricted and internally-designated endowment funds, including information regarding endowment fund net assets, spending policies and related investment policies.

The new standard also establishes guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA). Connecticut enacted its UPMIFA statute effective October 1, 2007. The new guidance requires not-for-profit organizations subject to an enacted version of UPMIFA to classify the portion of the endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by the organization. The portion to be classified as temporarily restricted consists of accumulated unspent income and appreciation.

The Griffin Hospital and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2009 and 2008

The Hospital has interpreted the Connecticut UPMIFA statute as requiring the preservation 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 Corporation 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 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 UPMIFA. In accordance with UPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate 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 organization
- 7) The investment policies of the organization.

Prior to enactment of UPMIFA, the Hospital followed the provisions of the Uniform Management of Institutional Funds Act.

Endowment net asset composition by type of fund as of September 30 is as follows:

	2009		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 613,017	\$ 2,160,261	\$ 2,773,278
Total endowment funds	<u>\$ 613,017</u>	<u>\$ 2,160,261</u>	<u>\$ 2,773,278</u>
	2008		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 517,391	\$ 2,160,261	\$ 2,677,652
Total endowment funds	<u>\$ 517,391</u>	<u>\$ 2,160,261</u>	<u>\$ 2,677,652</u>

The Griffin Hospital and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2009 and 2008

Changes in endowment net assets for the year ended September 30 are as follows:

	2009		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 517,391	\$ 2,160,261	\$ 2,677,652
Investment income and net appreciation (realized and unrealized)	97,031	-	97,031
Appropriation of endowment assets for expenditure for healthcare services	(1,405)	-	(1,405)
Endowment net assets, end of year	<u>\$ 613,017</u>	<u>\$ 2,160,261</u>	<u>\$ 2,773,278</u>
	2008		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 581,330	\$ 2,160,261	\$ 2,741,591
Investment income and net depreciation (realized and unrealized)	(50,230)	-	(50,230)
Appropriation of endowment assets for expenditure for healthcare services	(13,709)	-	(13,709)
Endowment net assets, end of year	<u>\$ 517,391</u>	<u>\$ 2,160,261</u>	<u>\$ 2,677,652</u>

The primary long-term management objective for the Hospital's endowment funds is to maintain the permanent nature of each endowment fund, while providing a predictable, stable, and constant stream of earnings. Consistent with that objective, the primary investment goal is to earn annual interest and dividends.

17. Commitments and Contingencies

The Hospital is involved in various legal matters arising in the normal course of activities. Although the ultimate outcome is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolution of these pending matters will not have a material adverse effect, individually or in the aggregate, upon the consolidated financial statements.

In September 2007, the Hospital settled a lawsuit filed regarding an intellectual property matter for \$970,000 in a structured settlement due over five years, with final payment due in 2011. At September 30, 2009, the remaining balance of \$380,000 is recorded in the accompanying consolidated balance sheets as follows: \$190,000 in accrued expenses and \$190,000 in other long-term liabilities.

Consolidating Information

Report of Independent Auditors On Accompanying Consolidating Information

To the Board of Trustees of
The Griffin Hospital

The report on our audit of the consolidated financial statements of The Griffin Hospital and Subsidiary as of September 30, 2009 and 2008 and for the years then ended appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. Accordingly, we do not express an opinion on the financial position and results of operations of the individual companies. However, the consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

January 22, 2010

The Griffin Hospital and Subsidiary
Consolidating Balance Sheet
September 30, 2009

	The Griffin Hospital	Griffin Faculty Practice Plan	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 3,879,223	\$ 102,785	\$ -	\$ 3,982,008
Investments	8,704,501	-	-	8,704,501
Assets limited as to use	617,399	-	-	617,399
Patient accounts receivable, net	17,001,631	199,904	-	17,201,535
Estimated third party settlements	196,080	-	-	196,080
Other current assets	3,091,385	727	-	3,092,112
Total current assets	<u>33,490,219</u>	<u>303,416</u>	<u>-</u>	<u>33,793,635</u>
Assets limited as to use				
Board-designated investments	874,392	-	-	874,392
Beneficial interest in trusts	3,518,834	-	-	3,518,834
Under indenture agreement	6,941,579	-	-	6,941,579
Total assets limited as to use	<u>11,334,805</u>	<u>-</u>	<u>-</u>	<u>11,334,805</u>
Long-term investments	985,048	-	-	985,048
Property, plant and equipment, net	62,723,943	113,707	-	62,837,650
Interest in net assets of affiliate	5,571,880	-	-	5,571,880
Due from affiliates	4,948,065	-	-	4,948,065
Investment in affiliate	226,480	-	(226,480)	-
Estimated third party settlements, long-term	11,415	-	-	11,415
Other long-term assets	3,203,134	-	-	3,203,134
Total assets	<u>\$ 122,494,989</u>	<u>\$ 417,123</u>	<u>\$ (226,480)</u>	<u>\$ 122,685,632</u>

The Griffin Hospital and Subsidiary
Consolidating Balance Sheet
September 30, 2009

	The Griffin Hospital	Griffin Faculty Practice Plan	Eliminations	Total
Liabilities and Net Assets				
Current liabilities				
Current portion of long-term debt and capital lease obligations	\$ 5,522,347	\$ -	\$ -	\$ 5,522,347
Accounts payable	16,885,521	85,946	-	16,971,467
Accrued expenses	6,839,956	104,697	-	6,944,653
Accrued interest payable	594,634	-	-	594,634
Estimated third party settlements	466,105	-	-	466,105
Deferred revenue	563,771	-	-	563,771
Accrued postretirement benefit liability	434,000	-	-	434,000
Due to affiliates	440,386	-	-	440,386
Total current liabilities	<u>31,746,720</u>	<u>190,643</u>	<u>-</u>	<u>31,937,363</u>
Estimated third party settlements, long term	171,989	-	-	171,989
Professional and general liability loss reserves	733,405	-	-	733,405
Workers compensation loss reserves, net of current portion	1,223,389	-	-	1,223,389
Accrued pension liability	31,533,528	-	-	31,533,528
Accrued postretirement benefit liability, net of current portion	5,884,827	-	-	5,884,827
Conditional asset retirement obligations	321,918	-	-	321,918
Long-term debt, net of current portion	50,824,548	-	-	50,824,548
Capital leases, net of current portion	4,059,602	-	-	4,059,602
Other long-term liabilities	4,812,093	-	-	4,812,093
Total liabilities	<u>131,312,019</u>	<u>190,643</u>	<u>-</u>	<u>131,502,662</u>
Net assets				
Unrestricted operating	22,887,366	226,480	(226,480)	22,887,366
Cumulative unrecognized pension changes	(39,643,598)	-	-	(39,643,598)
Total unrestricted	(16,756,232)	226,480	(226,480)	(16,756,232)
Temporarily restricted	2,260,107	-	-	2,260,107
Permanently restricted	5,679,095	-	-	5,679,095
Total net (deficit) assets	<u>(8,817,030)</u>	<u>226,480</u>	<u>(226,480)</u>	<u>(8,817,030)</u>
Total liabilities and net (deficit) assets	<u>\$ 122,494,989</u>	<u>\$ 417,123</u>	<u>\$ (226,480)</u>	<u>\$ 122,685,632</u>

The Griffin Hospital and Subsidiary
Consolidating Balance Sheet
September 30, 2008

	The Griffin Hospital	Griffin Faculty Practice Plan	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 3,814,847	\$ 61,650	\$ -	\$ 3,876,497
Investments	10,721,108	-	-	10,721,108
Assets limited as to use	450,032	-	-	450,032
Patient accounts receivable, net	14,177,591	220,776	-	14,398,367
Estimated third party settlements	1,139,765	-	-	1,139,765
Other current assets	3,076,504	28,681	-	3,105,185
Total current assets	<u>33,379,847</u>	<u>311,107</u>	<u>-</u>	<u>33,690,954</u>
Assets limited as to use				
Board-designated investments	617,035	-	-	617,035
Beneficial interest in trusts	3,634,818	-	-	3,634,818
Under indenture agreement	13,643,925	-	-	13,643,925
Total assets limited as to use	<u>17,895,778</u>	<u>-</u>	<u>-</u>	<u>17,895,778</u>
Long-term investments	924,351	-	-	924,351
Property, plant and equipment, net	50,115,878	165,087	-	50,280,965
Interest in net assets of affiliate	4,874,018	-	-	4,874,018
Due from affiliates	4,868,498	-	-	4,868,498
Investment in affiliate	178,215	-	(178,215)	-
Estimated third party settlements, long term	528,397	-	-	528,397
Other long-term assets	3,275,749	-	-	3,275,749
Total assets	<u>\$ 116,040,731</u>	<u>\$ 476,194</u>	<u>\$ (178,215)</u>	<u>\$ 116,338,710</u>

The Griffin Hospital and Subsidiary
Consolidating Balance Sheet
September 30, 2008

	The Griffin Hospital	Griffin Faculty Practice Plan	Eliminations	Total
Liabilities and Net Assets				
Current liabilities				
Current portion of long-term debt and capital lease obligations	\$ 2,791,843	\$ -	\$ -	\$ 2,791,843
Accounts payable	16,393,053	220,657	-	16,613,710
Accrued expenses	5,833,906	77,322	-	5,911,228
Accrued interest payable	554,371	-	-	554,371
Estimated third party settlements	701,700	-	-	701,700
Deferred revenue	368,397	-	-	368,397
Accrued postretirement benefit liability	430,000	-	-	430,000
Due to affiliates	2,529,889	-	-	2,529,889
Total current liabilities	29,603,159	297,979	-	29,901,138
Estimated third party settlements, long term	65,452	-	-	65,452
Professional and general liability loss reserves	715,155	-	-	715,155
Workers compensation loss reserves, net of current portion	1,241,036	-	-	1,241,036
Accrued pension liability	8,125,092	-	-	8,125,092
Accrued postretirement benefit liability, net of current portion	4,878,097	-	-	4,878,097
Conditional asset retirement obligations	202,512	-	-	202,512
Long-term debt, net of current portion	53,664,215	-	-	53,664,215
Capital lease obligations, net of current portion	251,198	-	-	251,198
Other long term liabilities	3,136,941	-	-	3,136,941
Total liabilities	101,882,857	297,979	-	102,180,836
Net assets				
Unrestricted operating	23,077,472	178,215	(178,215)	23,077,472
Cumulative unrecognized pension changes	(16,347,787)	-	-	(16,347,787)
Total unrestricted	6,729,685	178,215	(178,215)	6,729,685
Temporarily restricted	1,633,110	-	-	1,633,110
Permanently restricted	5,795,079	-	-	5,795,079
Total net assets	14,157,874	178,215	(178,215)	14,157,874
Total liabilities and net assets	\$ 116,040,731	\$ 476,194	\$ (178,215)	\$ 116,338,710

The Griffin Hospital and Subsidiary
Consolidating Statement of Operations
Year Ended September 30, 2009

	The Griffin Hospital	Griffin Faculty Practice Plan	Eliminations	Total
Operating revenues				
Net patient service revenue	\$ 119,312,297	\$ 2,277,432	\$ -	\$ 121,589,729
Other operating revenue	3,246,928	535,215	(534,125)	3,248,018
Net assets released from restrictions for operations	9,006	-	-	9,006
Total operating revenues	<u>122,568,231</u>	<u>2,812,647</u>	<u>(534,125)</u>	<u>124,846,753</u>
Operating expenses				
Employee compensation and related expenses	67,736,790	2,297,112	(534,125)	69,499,777
Supplies and other expenses	38,271,489	2,268,652	-	40,540,141
Depreciation	4,952,492	58,870	-	5,011,362
Interest	2,492,363	-	-	2,492,363
Provision for doubtful accounts, net of recoveries	6,305,896	75,704	-	6,381,600
Total operating expenses	<u>119,759,030</u>	<u>4,700,338</u>	<u>(534,125)</u>	<u>123,925,243</u>
Gain (loss) from operations	<u>2,809,201</u>	<u>(1,887,691)</u>	<u>-</u>	<u>921,510</u>
Nonoperating gains (losses)				
Investment income	713,606	-	-	713,606
Change in fair value of interest rate swaps	(2,772,085)	-	-	(2,772,085)
Research grant revenues	1,612,552	-	-	1,612,552
Research grant expenses	(1,132,590)	-	-	(1,132,590)
	<u>(1,578,517)</u>	<u>-</u>	<u>-</u>	<u>(1,578,517)</u>
Excess (deficiency) of revenues over expenses	<u>1,230,684</u>	<u>(1,887,691)</u>	<u>-</u>	<u>(657,007)</u>
Change in investment in affiliate	48,265	-	(48,265)	-
Change in interest in net assets of affiliate	132,302	-	-	132,302
Transfers between affiliates, net	(1,580,925)	1,935,956	-	355,031
Other changes	(20,432)	-	-	(20,432)
Pension and other post-retirement related changes other than net periodic benefit cost	<u>(23,295,811)</u>	<u>-</u>	<u>-</u>	<u>(23,295,811)</u>
Increase (decrease) in unrestricted net assets	<u>\$ (23,485,917)</u>	<u>\$ 48,265</u>	<u>\$ -</u>	<u>\$ (23,485,917)</u>

The Griffin Hospital and Subsidiary
Consolidating Statement of Operations
Year Ended September 30, 2008

	The Griffin Hospital	Griffin Faculty Practice Plan	Eliminations	Total
Operating revenues				
Net patient service revenue	\$ 115,006,758	\$ 1,718,699	\$ -	\$ 116,725,457
Other operating revenue	3,077,868	650,663	(644,472)	3,084,059
Net assets released from restrictions for operations	15,924	-	-	15,924
Total operating revenues	<u>118,100,550</u>	<u>2,369,362</u>	<u>(644,472)</u>	<u>119,825,440</u>
Operating expenses				
Employee compensation and related expenses	63,873,148	2,142,816	(644,472)	65,371,492
Supplies and other expenses	38,706,687	1,049,845	-	39,756,532
Depreciation	4,213,886	40,526	-	4,254,412
Interest	1,365,385	-	-	1,365,385
Provision for doubtful accounts, net of recoveries	8,005,302	142,761	-	8,148,063
Total operating expenses	<u>116,164,408</u>	<u>3,375,948</u>	<u>(644,472)</u>	<u>118,895,884</u>
Gain (loss) from operations	<u>1,936,142</u>	<u>(1,006,586)</u>	<u>-</u>	<u>929,556</u>
Non-operating gains (losses)				
Contributions	3,000	-	-	3,000
Investment losses	(528,708)	-	-	(528,708)
Change in fair value of interest rate swaps	(2,477,285)	-	-	(2,477,285)
Loss on refinancing	(631,415)	-	-	(631,415)
Research grant revenues	1,035,809	-	-	1,035,809
Research grant expenses	(1,126,805)	-	-	(1,126,805)
	<u>(3,725,404)</u>	<u>-</u>	<u>-</u>	<u>(3,725,404)</u>
Deficiency of revenues over expenses	<u>(1,789,262)</u>	<u>(1,006,586)</u>	<u>-</u>	<u>(2,795,848)</u>
Change in unrealized losses on investments	(382,791)	-	-	(382,791)
Change in investment in affiliate	(101,406)	-	101,406	-
Change in interest in net assets of affiliate	(183,804)	-	-	(183,804)
Transfers between affiliates, net	(633,861)	905,180	-	271,319
Pension and other post-retirement related changes other than net periodic benefit cost	(1,689,512)	-	-	(1,689,512)
Increase (decrease) in unrestricted net assets	<u>\$ (4,780,636)</u>	<u>\$ (101,406)</u>	<u>\$ 101,406</u>	<u>\$ (4,780,636)</u>