AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

CCMC Corporation and Subsidiaries
Years Ended September 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

CCMC Corporation and Subsidiaries

Audited Consolidated Financial Statements and
Supplementary Information

Years Ended September 30, 2012 and 2011

Contents

Ernst & Young LLP
Goodwin Square
225 Asylum Street
Hartford, CT 06103-1506

Tel: +1 860 247 3100
Fax: +1 860 725 6040
www.ey.com

Report of Independent Auditors

Board of Directors
CCMC Corporation

We have audited the accompanying consolidated balance sheets of CCMC Corporation and Subsidiaries (the Corporation) as of September 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Children's Fund of Connecticut, Inc., a wholly owned subsidiary, whose statements reflect total assets of $33,897,082 and $29,130,818 as of September 30, 2012 and 2011, respectively, and total revenues of $5,293,523 and $5,004,631, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for The Children's Fund of Connecticut, Inc., is based solely on the report of the other auditors.

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 Corporation'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 Corporation'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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CCMC Corporation and Subsidiaries at September 30, 2012 and 2011, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the accompanying consolidated financial statements, in 2012 the Corporation changed its method of reporting estimated insurance claims receivable and estimated insurance claims liabilities with the adoption of Accounting Standards Update No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*.

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

Ernst & Young LLP

January 28, 2013

CCMC Corporation and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2012	**2011**
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,579,733**	$ 5,041,855
Short-term investments	**15,988,872**	9,572,313
Funds held by trustee under revenue bond agreement	**10,408,581**	1,710,681
Accounts receivable, less allowance of approximately $7,409,000 in 2012 and $6,644,000 in 2011	**36,132,652**	29,437,428
Inventories	**692,725**	600,832
Due from third parties	**4,899,895**	–
Other current assets	**13,672,153**	7,434,585
Total current assets	**84,374,611**	53,797,694
Assets whose use is limited:		
Investments	**105,845,516**	89,910,212
Funds held in trust by others	**75,705,081**	67,820,517
	181,550,597	157,730,729
Property, plant and equipment:		
Leasehold improvements	**1,782,862**	1,782,862
Buildings	**121,350,082**	114,990,645
Furniture and equipment	**66,814,571**	61,196,847
Construction in progress	**20,807,491**	11,139,708
	210,755,006	189,110,062
Less accumulated depreciation	**(97,861,389)**	(88,058,750)
	112,893,617	101,051,312
Other assets:		
Bond issuance costs	**730,892**	681,696
Ground lease	**2,416,682**	2,445,974
Pledges receivable, long term	**885,525**	693,271
Other	**31,026,009**	23,897,319
	35,059,108	27,718,260
Total assets	**$ 413,877,933**	$ 340,297,995

	September 30 2012	2011
Liabilities and net assets		
Current liabilities:		
Current portion of bonds payable	**$ 1,215,000**	$ 1,050,000
Current portion of notes payable	**3,902,944**	2,164,028
Accounts payable and accrued liabilities	**32,950,531**	26,979,962
Accrued wages	**17,056,733**	12,644,976
Due to third parties	**4,526,428**	2,465,943
Accrued interest payable and other current liabilities	**330,715**	478,089
Total current liabilities	**59,982,351**	45,782,998
Bonds payable, less current portion	**39,315,000**	40,530,000
Notes payable, less current portion	**16,714,138**	1,959,918
Accrued pension liability	**19,026,898**	18,776,699
Other long term liabilities	**39,289,915**	21,091,435
Total liabilities	**174,328,302**	128,141,050
Net assets:		
Unrestricted	**125,254,332**	106,736,848
Temporarily restricted	**21,955,362**	21,270,999
Permanently restricted	**92,339,937**	84,149,098
Total net assets	**239,549,631**	212,156,945
Total liabilities and net assets	**$ 413,877,933**	$ 340,297,995

See accompanying notes.

CCMC Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2012	**2011**
Revenues:		
Net patient service revenue	**$ 277,604,755**	$ 244,512,368
Provision for bad debt	**(5,875,039)**	(2,365,830)
Net patient service revenue less provision for bad debt	**271,729,716**	242,146,538
Other revenues	**22,929,236**	19,925,228
Contributions and donations, net	**3,100,947**	3,454,348
Investment income, net	**21,492,059**	11,451,790
Net assets released from restrictions	**14,391,329**	14,198,761
	333,643,287	291,176,665
Expenses:		
Salaries and wages	**159,697,064**	141,566,031
Benefits	**38,701,831**	36,836,581
Supplies and miscellaneous	**118,778,525**	91,070,575
Bad debts (non-patient)	**–**	101,818
Interest	**940,592**	1,231,424
Depreciation and amortization	**11,252,462**	11,168,772
Loss on extinguishment of debt	**–**	2,576,263
	329,370,474	284,551,464
Excess of revenues over expenses	**4,272,813**	6,625,201

Continued on next page.

CCMC Corporation and Subsidiaries

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

	Year Ended September 30 2012	2011
Unrestricted net assets:		
Excess of revenues over expenses	**$ 4,272,813**	$ 6,625,201
Unrealized gain (loss) on investments	**12,543,193**	(5,671,744)
Change in funded status of pension and post-retirement plans	**(1,377,255)**	(4,399,884)
Transfer to temporarily restricted net assets	**–**	(250,000)
Net assets released from restrictions for capital	**3,078,733**	1,066,373
Increase (decrease) in unrestricted net assets	**18,517,484**	(2,630,054)
Temporarily restricted net assets:		
Unrealized gain (loss) on investments	**781,879**	(275,798)
Income from investments	**179,321**	225,220
Net assets released from restrictions for operations	**(14,391,329)**	(14,065,378)
Net assets released from restrictions for capital	**(3,078,733)**	(1,066,373)
Transfer from temporarily restricted net assets	**–**	250,000
Bequests, gifts and grants	**17,193,225**	17,183,291
Increase in temporarily restricted net assets	**684,363**	2,250,962
Permanently restricted net assets:		
Bequests, gifts and grants	**306,275**	461,274
Assets released from restrictions by trustees	**–**	(133,384)
Change in funds held in trust by others	**7,884,564**	(2,200,911)
Increase (decrease) in permanently restricted net assets	**8,190,839**	(1,873,021)
Change in net assets	**27,392,686**	(2,252,113)
Net assets at beginning of year	**212,156,945**	214,409,058
Net assets at end of year	**$ 239,549,631**	$ 212,156,945

See accompanying notes.

CCMC Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2012	**2011**
Operating activities		
Change in net assets	**$ 27,392,686**	$ (2,252,113)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Noncash items:		
Provision for bad debt	**5,875,039**	2,365,830
Provision for depreciation and amortization	**11,252,462**	11,168,772
Change in funds held in trust by others and assets released from restrictions by trustees	**(7,884,564)**	2,334,295
Unrealized (gain) loss on investments	**(13,325,072)**	5,947,542
Change in funded status of pension and post-retirement plans	**1,377,255**	4,399,884
Other changes in net assets:		
Restricted contributions and investment income	**(17,678,821)**	(17,644,565)
Changes in operating assets and liabilities:		
Accounts receivable	**(12,762,517)**	(7,556,599)
Inventories	**(91,893)**	17,580
Due from third parties	**(4,899,895)**	–
Other current assets	**(6,237,568)**	(1,010,796)
Investment in CHS Insurance Limited	**(16,352,899)**	(6,653,659)
Other long term assets	**(17,094,214)**	(5,179)
Accounts payable and accrued liabilities	**5,970,569**	(318,032)
Accrued wages and interest payable	**4,264,383**	(319,338)
Due to third parties	**2,060,485**	811,484
Accrued pension liability	**(1,127,056)**	(1,288,105)
Other long term liabilities	**18,198,480**	638,425
Net cash provided by (used in) operating activities	**(21,063,140)**	(9,364,574)
Investing activities		
Purchases of property, plant and equipment, net	**(22,492,748)**	(16,850,914)
Distribution from CHS Insurance Limited	**25,696,500**	–
Increase in investments, net	**(9,026,791)**	(1,067,395)
(Increase) decrease in funds held by trustee under revenue bond	**(8,697,900)**	8,713,417
Net cash used in investing activities	**(14,520,939)**	(9,204,892)
Financing activities		
Restricted contributions and investment income	**17,678,821**	17,644,565
Principal payment on bonds and notes payable	**(4,556,864)**	(41,251,348)
Proceeds from new debt and notes payable issued	**20,000,000**	41,580,000
Net cash provided by financing activities	**33,121,957**	17,973,217
Decrease in cash and cash equivalents	**(2,462,122)**	(596,249)
Cash and cash equivalents at beginning of year	**5,041,855**	5,638,104
Cash and cash equivalents at end of year	**$ 2,579,733**	$ 5,041,855

See accompanying notes.

1. Organization and Accounting Policies

CCMC Corporation (the Corporation) was incorporated on June 1, 1985, as a not-for-profit organization under the Non-Stock Corporation Act of the State of Connecticut. The Corporation is organized for the purpose of benefiting, carrying out the purposes of, and upholding, promoting and furthering the welfare, programs and activities of its subsidiary Connecticut Children's Medical Center (the Medical Center). The Medical Center is the sole member of Connecticut Children's Specialty Group, Inc. (CCSG) and The Children's Fund of Connecticut, Inc. (the Children's Fund). The Corporation is also the sole member of Connecticut Children's Medical Center Foundation, Inc. (the Foundation) and CCMC Affiliates, Inc. CCMC Ventures, Inc. (presently inactive) will conduct the related for-profit activities of the Corporation, its sole shareholder.

Regulatory Matters

The Medical Center is required to file annual operating information with the State of Connecticut Office of Health Care Access (OHCA).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, such as estimated uncollectibles for accounts receivable for services to patients, and liabilities, such as professional insurance liabilities and pension and postretirement benefits liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. 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.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

1. Organization and Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market funds and certificates of deposit. Restricted cash has been restricted by the donor to a specific time frame or purpose.

Investments

Investments, including funds held by trustee under revenue bond agreements, are measured at fair value at the balance sheet dates (see Note 15). Investment income includes realized gains and losses on investments, interest and dividends and is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. The cost of securities sold is based on the specific identification method. Unrealized gains and losses on investments are excluded from excess of revenues over expenses unless the loss is considered to be other than temporary. Other than temporary losses are included in investment income which is a component of excess of revenues over expenses. Based on recently improving market conditions as well as the Corporation's ability and intent to hold impaired assets to recovery, no other than temporary losses were recorded.

Inventories

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

Funds Held in Trust by Others

The Medical Center has an irrevocable right to receive income earned on certain trust assets established for its benefit. Distributions received by the Medical Center are unrestricted and are included in investment income. The Medical Center's interest in the fair value of the trust assets is included in assets whose use is limited. Changes in the market value of beneficial trust assets are reported as increases or decreases to permanently restricted net assets.

Bond Issuance Costs

Bond issuance costs incurred to refinance outstanding debt are being amortized using the straight-line method. The difference between the straight-line method and the effective-interest method is immaterial.

1. Organization and Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment are recorded on the basis of cost. The Corporation provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives.

Pension Plan

The Medical Center has a noncontributory pension plan in effect covering all eligible employees. The Medical Center's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974.

Contributions and Donor Restricted Gifts

For financial statement purposes, the Corporation distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets.

Contributions for which donors have not stipulated restrictions are reported as unrestricted support. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Interest Rate Swap Agreements

The Medical Center utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. The Medical Center is exposed to credit loss in the event of non-performance by the counterparties to its interest rate swap agreements. The Medical Center is also exposed to the risk that the swap receipts may not offset its variable rate debt service. To the extent these variable interest swap receipts do not equal variable interest payments on the bonds, there will be a net loss or net benefit to the Medical Center.

1. Organization and Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time frame or purpose. Temporarily restricted net assets consist primarily of contributions restricted for certain health care and children's services, program support, medical education and research. Permanently restricted net assets, which are primarily assets held in trusts by others and endowment gifts, have been restricted by donors and are to be maintained in perpetuity.

Medical Malpractice Insurance

Coverage for medical malpractice insurance is provided on a claims-made basis. The primary level of coverage is $10,000,000 per claim and $39,000,000 in the aggregate. The excess indemnity coverage is layered with four different insurance companies at $15,000,000 per claim and $60,000,000 in the aggregate. There are no deductibles. A portion of the primary coverage is reinsured by the carrier with CHS Insurance Limited (CHS), a captive insurance company in which the Medical Center has a 26% ownership interest. The investment in CHS is reported using the equity method of accounting and is included in other assets in the consolidated balance sheets. See Note 16 for changes to the Medical Center's medical malpractice insurance coverage effective October 1, 2012.

Excess of Revenues over Expenses

The statement of operations includes excess of revenues over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates, net assets released from restrictions for capital expenditures and changes in the funded status of the pension and postretirement plans.

Advertising

The Corporation's policy is to expense advertising costs as incurred. Total advertising expense was $1,058,681 and $846,392 for the years ended September 30, 2012 and 2011, respectively.

1. Organization and Accounting Policies (continued)

Income Taxes

The Corporation and its subsidiaries, with the exception of CCMC Ventures, Inc., are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income under Section 501(a) of the Code. CCMC Ventures, Inc. has no federal tax liability because it has been inactive since its incorporation.

The Medical Center has net operating loss carryforwards from unrelated business activities of approximately $586,000 which begin expiring on September 30, 2029. These net operating loss carryforwards result in a potential deferred tax asset of approximately $234,400 which is offset by a valuation allowance of the same amount.

Subsequent Events

The Corporation evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended September 30, 2012, the Corporation evaluated subsequent events through January 28, 2013, which is the date the financial statements were issued. No events occurred that require disclosure in or adjustment to the consolidated financial statements except for those in Note 16.

Change in Accounting Principle

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. Under ASU 2010-24, anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities should be presented separately on the balance sheet and not presented on a net basis. ASU 2010-24 became effective for the Corporation as of October 1, 2011. The adoption of the new guidance resulted in an increase to other current assets and accounts payable and accrued expenses of $5.0 million and an increase in other assets and other long term liabilities of approximately $16.7 million as of September 30, 2012, in the accompanying consolidated balance sheets (see Note 11). The adoption did not affect the Corporation's financial condition, net results of operations or cash flows.

1. Organization and Accounting Policies (continued)

Recently Issued Accounting Standards

In August 2010, the FASB issued Accounting Standards Codification (ASC) 954-605, *Measuring Charity Care for Disclosure*. ASC 954-605 requires that the level of charity care provided be presented based on the direct and indirect costs of the charity services provided. ASC 954-605 also requires separate disclosure of the amount of any cash reimbursements received for providing charity care. ASC 954-605 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010, with retrospective application required. The new disclosure requirements became effective for the Corporation on October 1, 2011, and are included in the accompanying consolidated financial statements for all periods presented (see Note 2).

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 amended ASC 820, *Fair Value Measurement*, to converge the fair value measurement guidance in US GAAP and International Financial Reporting Standards. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Corporation is currently evaluating the effect that the provisions of ASU 2011-04 will have on its financial statements.

Reclassification

Certain 2011 amounts have been reclassified to conform with the 2012 presentation. The change in the investment in CHS has been reclassified on the accompanying statements of cash flows from investing activities to operating activities.

2. Net Revenues from Services to Patients and Charity Care

The Medical Center provides health care services primarily to residents of the region. Revenues from the Medicaid program accounted for approximately 40% of the Medical Center's net patient service revenues for both years ended September 30, 2012 and 2011. Laws and regulations governing the Medicaid program are complex and subject to interpretation. The Medical Center 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. While no such regulatory inquiries have been made, 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 Medicaid program. Changes in the Medicaid program and the reduction of funding levels could have an adverse affect on the Medical Center.

On January 1, 2012, the State of Connecticut shifted its Medicaid Managed Care population to true Medicaid through an Administrative Services Organization model (ASO). The ASO is responsible for enrolling participants, reviewing claims and approving payments under the Medicaid program. The Medical Center, as a result of this change, lost beneficial rate agreements that were in place with the Managed Care organizations. In connection with this change, the State of Connecticut agreed to provide a supplementary payment to the Medical Center to alleviate the change in payment rates. Accordingly, the Medical Center has recorded a due from third parties of approximately $4.8 million in relation to this change for both the Medical Center and CCSG.

The following table summarizes net revenues from services to patients:

	Year Ended September 30	
	2012	**2011**
Total gross revenues from patients	**$ 600,972,991**	$ 522,099,003
Less total contractual allowances	**317,878,153**	268,953,872
Less charity care	**753,946**	1,661,814
Less administrative and other allowances	**4,736,137**	6,970,949
Total allowances	**323,368,236**	277,586,635
Net patient service revenue	**277,604,755**	244,512,368
Provision for bad debts	**5,875,039**	2,365,830
Net patient service revenue less provision for bad debt	**$ 271,729,716**	$ 242,146,538

2. Net Revenues from Services to Patients and Charity Care (continued)

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from certain payors are different from established billing rates of the Medical Center, and the difference is accounted for as allowances. The Medical Center records its provision for bad debt based upon a review of all of its outstanding receivables. Write-offs of receivable balances are related to its population of underinsured patients. An underinsured patient is one who has commercial insurance which leaves a significant portion of the Medical Center's reimbursement to be paid by the patient, either through large deductibles or co-pay requirements. Self-pay patients are rare in the pediatric environment, as Medicaid is readily available to children. Self-pay net revenue approximated $4.4 million in the fiscal year.

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements and adjustments are estimated in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Medical Center has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the Medical Center receives per diem and fee-for-service payments for certain covered services based upon discounted fee schedules.

The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Medical Center. Essentially, those policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Medical Center utilizes the generally recognized poverty income levels for the state of Connecticut, but also includes certain cases where incurred charges are significant when compared to incomes.

The cost of charity care incurred was approximately $346,815 and $847,525 for the years ended September 30, 2012 and 2011, respectively. The cost of charity care is derived from both estimated and actual data. The estimated cost of charity care includes the direct and indirect cost of providing such services and is estimated utilizing the Corporation's ratio of cost to gross charges, which is then multiplied by the gross uncompensated charges associated with providing care to charity patients.

3. Contributions Receivable

Contributions receivable, reported within accounts receivable and other assets in the consolidated balance sheets, include the following unconditional promises to give:

	September 30 2012	September 30 2011
Contributions receivable in one year or less	**$ 3,288,609**	$ 3,315,277
Contributions receivable in one to five years	**1,226,623**	693,271
Less discount and provision for bad debts	**(287,979)**	(267,756)
Net pledges receivable	**$ 4,227,253**	$ 3,740,792

The discount recognizes the estimated uncollectible portion of the contributions receivable and the discount of contributions receivable to net present value.

4. Concentrations of Credit Risk

The Corporation's financial instruments that are exposed to concentrations of credit risk primarily consist of cash and cash equivalents, short-term investments and patient accounts receivable.

The Corporation's cash and cash equivalents are placed with high credit quality financial institutions. The Corporation's investment policy limits its exposure to concentrations of credit risk. In the normal course of business, the Corporation maintains cash balances in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance limit. Cash balances exceeded FDIC limits by approximately $2.4 million and $5.1 million at September 30, 2012 and 2011, respectively.

4. Concentrations of Credit Risk (continued)

The Medical Center provides health care services and grants credit without collateral to its patients, most of whom are Connecticut residents and are insured under third-party payor agreements. An estimated allowance for doubtful accounts as well as contractual allowances is maintained at levels considered adequate to reduce the account balances to net realizable value. The mix of receivables from patients and third-party payors at September 30, 2012 and 2011, was as follows:

	2012	2011
Medicaid	**33%**	6%
Medicaid Managed Care	**1**	39
Commercial/Managed Care – Contracted	**51**	44
Commercial/Managed – Non-Contracted	**2**	2
Patients and other	**13**	9
	100%	100%

5. Investments

The composition of investments, carried at fair value, is set forth in the following table:

	September 30			
	2012		2011	
	Cost	Market	Cost	Market
Short-term investment	**$ 16,023,324**	**$ 16,023,324**	$ 9,597,566	$ 9,597,566
Marketable equity securities	**284,111**	**384,452**	294,259	324,694
Fixed income securities	**107,447**	**116,625**	159,948	169,908
Equity mutual funds	**48,853,334**	**55,706,499**	47,628,144	44,697,177
Fixed income mutual funds	**25,523,964**	**27,825,594**	24,770,569	25,570,483
Multi-strategy mutual funds	**20,950,711**	**21,673,837**	20,047,544	18,751,745
Other	**87,167**	**104,057**	305,237	370,952
	$ 111,830,058	**$ 121,834,388**	$ 102,803,267	$ 99,482,525

Investments consisted of mutual funds and individual securities that comprised approximately 64% equity securities and 36% fixed income investments at September 30, 2012, and 61% equity securities and 39% fixed income investments at September 30, 2011.

5. Investments (continued)

The following table summarizes the unrealized losses on investments held at September 30, 2012:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Marketable equity securities	**$ –**	**$ –**	**$ 65,231**	**$ 17,599**	**$ 65,231**	**$ 17,599**
Institutional managed equity funds	**666,803**	**64,193**	**3,019,499**	**1,026,043**	**3,686,302**	**1,090,236**
Mutual funds and other securities	**–**	**–**	**7,219,227**	**22,665**	**7,219,227**	**22,665**
Other	**19,185**	**409**	**–**	**–**	**19,185**	**409**
Total investments	**$ 685,988**	**$ 64,602**	**$ 10,303,957**	**$ 1,066,307**	**$ 10,989,945**	**$ 1,130,909**

The following table summarizes the unrealized losses on investments held at September 30, 2011:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Marketable equity securities	$ 70,208	$ 22,244	$ 18,278	$ 10,552	$ 88,486	$ 32,796
Fixed income securities	12,568	374	–	–	12,568	374
Institutional managed equity funds	4,031,378	1,046,818	1,119,911	274,328	5,151,289	1,321,146
Mutual funds and other securities	14,779,914	531,744	35,656,701	3,908,225	50,436,615	4,439,969
Total investments	$ 18,894,068	$ 1,601,180	$ 36,794,890	$ 4,193,105	$ 50,688,958	$ 5,794,285

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the market value has been less than cost along with the Corporation's intent and ability to hold the investments. During the years ended September 30, 2012 and 2011, the Corporation has not recorded any other-than-temporary declines in the fair value of investments, as the Corporation has the ability and intent to hold the securities to recovery.

5. Investments (continued)

Investment income for the years ended September 30, 2012 and 2011, consists of the following:

	2012	2011
Interest and dividend income	**$ 2,482,332**	$ 2,845,220
Realized gain	**1,598,167**	1,988,921
Gain on interest in CHS	**16,352,899**	6,653,659
Net swap activity	**(1,455,047)**	(2,196,842)
Trust income	**2,826,208**	2,624,198
Temporarily restricted income	**(179,321)**	(225,220)
Investment fees	**(133,179)**	(238,146)
	$ 21,492,059	$ 11,451,790

6. Restricted Net Assets

Endowments

The Corporation's endowment consists of approximately seven individual donor-restricted funds established for a variety of purposes which are held and controlled by the Foundation. As required by GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. At September 30, 2012 and 2011, the Corporation had approximately $18,169,769 and $17,602,539 in endowments held at the Foundation, respectively.

Interpretation of Relevant Law

The Corporation's Board and senior management have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Corporation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) 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

6. Restricted Net Assets (continued)

net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard for expenditure prescribed by UPMIFA. In accordance with UPMIFA, the Corporation 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 organization 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.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Corporation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. Deficiencies at September 30, 2012 and 2011, were immaterial.

Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that equal or exceed relevant benchmarks. The Corporation expects its endowment funds, over time, to provide an average rate of return of at least 5% annually. Actual returns in any given year may vary from this amount.

6. Restricted Net Assets (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Corporation 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). The Corporation targets a diversified asset allocation strategy that places a greater emphasis on equity-based investments to achieve its long-term return objectives within the guidelines of its investment policy and prudent risk constraints.

Endowment Net Asset Composition by Type of Fund

All endowment net assets are donor-restricted endowment funds.

Changes in endowment net assets for the fiscal years ended September 30, 2012 and 2011, consisted of the following:

	September 30, 2012		
	Temporarily Restricted	**Permanently Restricted**	**Total**
Endowment net assets, beginning balance	**$ 1,273,958**	**$ 16,328,581**	**$ 17,602,539**
Contributions	**–**	**306,275**	**306,275**
Investment return	**474,812**	**–**	**474,812**
Net appreciation (realized and unrealized)	**157,910**	**–**	**157,910**
Appropriation of endowment assets for expenditure	**(371,767)**	**–**	**(371,767)**
Endowment net assets, ending balance	**$ 1,534,913**	**$ 16,634,856**	**$ 18,169,769**

	September 30, 2011		
	Temporarily Restricted	**Permanently Restricted**	**Total**
Endowment net assets, beginning balance	$ 684,987	$ 15,867,307	$ 16,552,294
Contributions	–	461,274	461,274
Investment return	442,531	–	442,531
Net appreciation (realized and unrealized)	338,168	–	338,168
Appropriation of endowment assets for expenditure	(191,728)	–	(191,728)
Endowment net assets, ending balance	$ 1,273,958	$ 16,328,581	$ 17,602,539

6. Restricted Net Assets (continued)

Income from endowment funds is considered temporarily restricted until it meets the original donor's time or purpose restriction of the donation. These funds are commingled with other temporarily restricted contributions for the same purposes (see tables below for discussion of the purpose of restrictions) and invested until such time that the funds are utilized. The Foundation's spending policy, which applies to the Corporation, is that any expenditure associated with the endowment is appropriated based on the donor's intention.

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes as of September 30, 2012 and 2011:

	2012	2011
Equipment purchases	**2%**	2%
Education	**7**	7
Other health care services	**91**	91
	100%	100%

Permanently Restricted

Permanently restricted net assets at September 30 are restricted to:

	2012	2011
Health care and children's services	**82%**	81%
Other health care services	**13**	14
Education	**5**	5
	100%	100%

7. Pension Plan

Effective January 1, 1993, the State of Connecticut mandated that individuals hired by the Medical Center were no longer eligible to participate in the State of Connecticut pension plan (State Plan). Employees who were participants in the State Plan as of December 31, 1992, can remain participants in the State Plan so long as they continue to remain employed by the Medical Center.

Effective January 1, 1994, the Medical Center adopted a defined benefit pension plan covering substantially all of its employees. Benefits for employees who are participants in the State Plan are reduced to reflect vested benefits provided under the State Plan.

Effective January 1, 1999, the Medical Center converted its pension plan to a Cash Balance Retirement Plan (the Plan). Plan benefits are based on years of service and the employee's compensation. Contributions to the Plan are intended to provide for benefits attributed to services rendered to date and benefits expected to be earned in the future. Future benefits are earned and credited by participants based on a percentage of compensation (ranging from 2.5% to 12.5%) associated with years of service. Plan participants earn a return based on an interest rate established annually at the beginning of the pay year. Plan participants vest in their benefits after three years of service.

On February 26, 2009, the Board of Directors of the Medical Center adopted a resolution to freeze the Plan effective May 1, 2009.

Included in unrestricted net assets at September 30, 2012 and 2011, are unrecognized actuarial losses of $26,595,053 and $25,964,020, respectively. The actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending September 30, 2013, is $2,307,651.

7. Pension Plan (continued)

The following table presents a reconciliation of the beginning and ending balances of the Plans' projected benefit obligation and the fair value of plan assets, as well as the funded status of the plan and accrued pension liability included in the consolidated balance sheets:

	Year Ended September 30 2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 75,131,688**	$ 72,044,652
Interest cost	**3,260,049**	3,318,337
Actuarial loss, including the effects of any assumption changes	**7,941,856**	2,064,570
Benefits paid	**(1,344,411)**	(2,295,871)
Benefit obligation at end of year	**$ 84,989,182**	$ 75,131,688
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 56,354,989**	$ 56,379,732
Contributions	**1,480,000**	1,516,000
Actual return on plan assets	**9,471,706**	755,128
Benefits paid	**(1,344,411)**	(2,295,871)
Fair value of plan assets at end of year	**$ 65,962,284**	$ 56,354,989
Funded status of the plan	**$ (19,026,898)**	$ (18,776,699)

The weighted-average assumptions used to develop the projected benefit obligation as of September 30 are as follows:

	2012	2011
Measurement date	**September 30**	September 30
Discount rate	**3.60%**	4.60%
Rate of compensation	**N/A**	N/A
Cash balance interest credit	**5.50**	5.50
Return on plan assets	**6.75**	6.75

7. Pension Plan (continued)

Net periodic pension costs for the years ended September 30 consist of the following:

	2012	2011
Interest cost	**$ 3,260,049**	$ 3,318,337
Expected return on plan assets	**(3,816,105)**	(3,858,278)
Net amortization:		
Net actuarial loss	**1,655,222**	1,169,554
Net periodic cost (benefit)	**$ 1,099,166**	$ 629,613

The weighted-average assumptions used to determine net periodic benefit costs are as follows for September 30, 2012 and 2011:

	2012	2011
Discount rate	**4.60%**	4.85%
Cash balance interest credit	**5.50**	5.50
Expected long-term rate of return on plan assets	**6.75**	6.75
Rate of compensation	**N/A**	N/A

The expected long-term rate of return on plan assets was developed through analysis of historical market returns, current market conditions and the fund's past experience. Estimates of future market returns by asset category are lower than actual long-term historical returns in order to reflect current market conditions.

The accumulated benefit obligation at September 30, 2012 and 2011, was $84,989,182 and $75,131,688, respectively.

Plan Assets

The Plan assets are managed by outside investment managers. The investment strategy with respect to pension assets is to maximize return while protecting principal. The investment manager has the flexibility to adjust the asset allocation and move funds to the asset class that offers the most opportunity. The investment objective for plan assets over a full market cycle time period is to generate a return in excess of the passive portfolio benchmark for each asset class.

7. Pension Plan (continued)

The asset allocations for the Plan at September 30, 2012 and 2011, by asset category, are as follows:

	Percentage of Plan Assets at Year-End	
Asset Category	**2012**	**2011**
Domestic Equities	**34%**	32%
International Equities	**16**	16
Debt securities	**48**	51
Other	**2**	1
Total	**100%**	100%

The fair values of the Plan assets at September 30, 2012 and 2011, by asset category, are as follows:

	September 30, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents	**$ 116,120**	**$ –**	**$ –**	**$ 116,120**
Money market mutual funds [a]	**414,910**	**–**	**–**	**414,910**
Fixed income securities				
U.S. government bonds [b]	**1,896,913**	**–**	**–**	**1,896,913**
Municipal bonds [c]	**629,216**	**–**	**–**	**629,216**
Corporate bonds [d]	**5,193,637**	**–**	**–**	**5,193,637**
Foreign bonds [e]	**501,138**	**–**	**–**	**501,138**
Fixed income mutual funds [f]	**45,444**	**16,417,177**	**–**	**16,462,621**
Equity mutual funds [g]	**30,620,071**	**–**	**–**	**30,620,071**
Multi-asset balanced mutual funds [h]	**5,164,985**	**4,962,673**	**–**	**10,127,658**
Total	**$ 44,582,434**	**$ 21,379,850**	**$ –**	**$ 65,962,284**

7. Pension Plan (continued)

	September 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 66,231	$ –	$ –	$ 66,231
Money market mutual funds [a]	144,284	–	–	144,284
Fixed income securities				
U.S. government bonds [b]	836,213	–	–	836,213
Municipal bonds [c]	578,747	–	–	578,747
Corporate bonds [d]	5,595,661	–	–	5,595,661
Foreign bonds [e]	374,895	–	–	374,895
Fixed income mutual funds [f]	44,457	15,254,335	–	15,298,792
Equity mutual funds [g]	24,725,060	–	–	24,725,060
Multi-asset balanced mutual funds [h]	4,442,062	4,293,044	–	8,735,106
Total	$ 36,807,610	$ 19,547,379	$ –	$ 56,354,989

(a) Includes investments in mutual funds that invest primarily in short-term debt securities including U.S. Treasury bills, commercial paper and certificates of deposits.

(b) Includes investments in publicly traded U.S. government and U.S. Agency bonds.

(c) Includes investments in publicly traded municipal bonds offered by U.S. states and cities.

(d) Includes investments in publicly offered and traded domestic corporate bonds, including both unsecured and asset-backed securities.

(e) Includes investments in publicly offered and traded unsecured foreign corporate bonds.

(f) Investment in a fixed income mutual fund that maintains a diverse portfolio of short-term high quality bonds, actively managed across the mortgage-backed security, U.S. Treasury, corporate and international fixed income sectors.

(g) Includes investments in domestic and international equity mutual funds and exchange traded funds.

(h) Investments in mutual funds that allocate assets among both fixed and equity investments, as well as other forms of investments with the intent of providing returns while diversifying assets and spreading risk over multiple asset classes.

The Medical Center expects to contribute $550,000 to its pension plan during fiscal 2013.

7. Pension Plan (continued)

The Medical Center expects to pay the following benefit payments which reflect expected future service as appropriate:

	Pension Benefits
Fiscal year:	
2013	$ 9,683,948
2014	13,291,536
2015	3,327,725
2016	2,988,152
2017	3,792,919
Years 2018 – 2022	21,362,046

8. Postretirement Benefit Plan

The Medical Center sponsors the Connecticut Children's Medical Center Postretirement Welfare Plan (the PRW Plan), an unfunded plan which provides postretirement medical benefits to retired employees who meet the specific criteria identified in the PRW Plan document. Historically, the Medical Center shared the coverage obligation for transferred employees with Hartford Hospital. At the end of 2012, this arrangement was reevaluated, and both parties agreed to end the co-obligation for transferred employees. Each organization would take responsibility for those employees it hired as a transfer from the other party. This resulted in the Medical Center recording an additional liability of $772,000 which Hartford Hospital reimbursed them for as part of the agreement. The Medical Center's contribution toward cost of medical coverage varies by years of pension credited service at retirement, ranging from 25% for employees with ten years of credited service to 100% for those employees with 25 plus years of credited service. The Medical Center's maximum fixed dollar commitment is $2,280 per year per retiree.

Included in unrestricted net assets at September 30, 2012 and 2011, respectively, are $237,872 and $984,094 of net unrecognized actuarial gains that have not yet been recognized in net periodic benefit cost. There is no actuarial gain included in unrestricted net assets that is expected to be recognized in net periodic benefit cost during the year ended September 30, 2013.

8. Postretirement Benefit Plan (continued)

The following table presents a reconciliation of the beginning and ending balances of the PRW Plan's projected benefit obligation and the fair value of plan assets, as well as the funded status of the plan and accrued postretirement obligation included in the consolidated balance sheets:

	Year Ended September 30	
	2012	**2011**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 5,752,625**	$ 4,923,050
Service cost	**316,704**	279,616
Interest cost	**295,826**	269,407
Actuarial loss (gain), including the effects of any assumption changes	**703,041**	308,486
Benefits paid	**748,045**	(27,934)
Benefit obligation at end of year	**$ 7,816,241**	$ 5,752,625
Change in plan assets		
Fair value of plan assets at beginning of year	**$ –**	$ –
Contributions	**(748,045)**	27,934
Benefits paid	**748,045**	(27,934)
Fair value of plan assets at end of year	**$ –**	$ –
Accrued postretirement obligation included in other long-term liabilities	**$ (7,816,241)**	$ (5,752,625)

Benefits paid is net of the additional liability of $772,000 recorded based on the change in obligation for employees transferring from Hartford Hospital discussed above.

8. Postretirement Benefit Plan (continued)

The weighted-average assumptions used to develop the postretirement benefit obligation as of September 30, are as follows:

	2012	2011
Measurement date	**September 30**	September 30
Discount rate	**3.85%**	4.90%
Healthcare cost trend rate:		
Current year	**8.00**	8.50
Ultimate	**5.00**	5.00
Number of years to reach ultimate	**6**	7

Net periodic benefit costs for the years ended September 30, consist of the following:

	2012	2011
Service cost	**$ 316,704**	$ 279,616
Interest cost	**295,826**	269,407
Net amortization:		
Net actuarial loss	**(43,181)**	(93,232)
Net periodic benefit costs	**$ 569,349**	$ 455,791

The weighted-average assumptions used to determine net periodic benefit costs are as follows for September 30:

	2012	2011
Discount rate	**4.90%**	5.20%
Health care cost trend rate:		
Initial rate	**8.50**	9.00
Ultimate rate	**5.00**	5.00
Years to ultimate	**7**	8

8. Postretirement Benefit Plan (continued)

A one percentage point change in assumed health care cost trend rates would have the following effect on the postretirement benefit plan:

	One-percentage Point Increase	One-percentage Point Decrease
Effect on postretirement benefit obligation	$ 318,652	$ (279,350)
Effect on total of service and interest cost	34,026	(29,727)

The Medical Center expects to contribute $199,533 to its postretirement benefit plan in fiscal 2013.

The Medical Center expects to pay the following postretirement benefit payments, which reflect expected future service as appropriate:

	Postretirement Benefits
Fiscal year:	
2013	$ 199,533
2014	215,360
2015	251,781
2016	288,716
2017	321,991
Years 2018 – 2022	2,422,466

9. Bonds Payable

A summary of long-term debt is as follows (in thousands):

	September 30 2012	2011
Hospital revenue bonds financed with the State of Connecticut Health and Educational Facilities Authority (CHEFA):		
Series D (4.19% effective interest rate)	**$ 40,530**	$ 41,580
	40,530	41,580
Less current portion	**(1,215)**	(1,050)
	$ 39,315	$ 40,530

In June 2011, the Medical Center and the Foundation (the Obligated Group) refinanced their existing State of Connecticut Health and Educational Facilities Authority (CHEFA) hospital revenue bonds with variable rate revenue bonds (Series D bonds) with a principal amount of $41,580,000. The Series D Bonds were issued at par and directly placed with one investor. The investor has committed to holding the bonds for a ten year period, at the end of which, the investor may put the bonds back to the Medical Center or extend their holding period at their discretion. The Series D bonds mature in varying amounts through 2032, with interest rates based on 65% of LIBOR plus a spread of 1.52%, ranging from 1.66% to 1.71% in the current year.

The agreements and related documents provide, among other things, that the Series D Bonds and any additional bonds will be payable from payments to be made by the Obligated Group and that it will be obligated to make such payments so long as the Series D Bonds and any additional bonds are outstanding. The Series D Bonds are collateralized by an interest in revenues of the Medical Center and a mortgage on the facilities, ground lease, easements and other certain leases that comprise the overall hospital premises owned by the Medical Center.

Pursuant to the mortgage agreement and related documents, the Obligated Group is required to meet certain covenants, including a days cash on hand, debt to capitalization and a debt service coverage ratio requirement. At September 30, 2012 and 2011, the Obligated Group was in compliance with the covenants.

9. Bonds Payable (continued)

The Obligated Group is required to make monthly interest and semi-annual principal repayments for the Series D Bonds. The next principal payment for the Series D bonds is due on January 1, 2013. Interest paid for 2012 and 2011 was $694,150 and $642,885, respectively.

Principal payments for the next five years under the CHEFA obligations are as follows:

Years Ended September 30:	
2013	$ 1,215,000
2014	1,280,000
2015	1,350,000
2016	1,415,000
2017	1,500,000
Aggregate thereafter	33,770,000
	$ 40,530,000

In November 2005, the Medical Center entered into an interest rate swap agreement (the 2005 swap) effectively converting $23,700,000 of its existing variable-rate debt (Series C) to a fixed-rate basis of 3.704% through June 2018. The fair value of the swap (a liability of $1,968,851 and $2,271,626 at September 30, 2012 and 2011, respectively) is reported in other long term liabilities. The increase in value of $302,775 and $450,369 is reported as a component of income from investments for the years ended September 30, 2012 and 2011, respectively. The swap, while serving as an economic hedge, does not qualify for hedge accounting.

Upon the refunding of the Series C debt in June 2011, the Medical Center applied the 2005 swap against the newly issued Series D debt and entered into a new swap agreement (the 2011 swap), which along with the existing swap, effectively converts all of its outstanding Series D debt to a fixed-rate basis. The interest rate on the new swap is 4.6138%. The fair value of the 2011 swap (a liability of $2,107,558 and $1,641,066 as of September 30, 2012 and 2011, respectively) is reported in other long term liabilities. The decline in value of $466,492 and $1,641,066 is reported as a component of income from investments for the years ended September 30, 2012 and 2011, respectively. The swap, while serving as an economic hedge, does not qualify for hedge accounting.

The 2011 swap has an embedded option that gives the Medical Center the right to terminate the swap beginning July 1, 2016, and on the first business day of each month thereafter. If the option is exercised by the Medical Center, the transaction will terminate and neither party will owe a termination payment amount. There is no exercise premium.

9. Bonds Payable (continued)

The following table summarizes the Medical Center's interest rate swap agreements (in thousands):

Swap Type	Expiration Date	Medical Center Receives	Medical Center Pays	Notional Amount at September 30 2012	2011
Series C – Fixed to Floating (2005 swap)	July 1, 2018	70% of LIBOR	3.704%	**$ 18,550**	$ 21,325
Series D – Fixed to Floating (2011 swap)	July 1, 2032	65% LIBOR + 1.52%	4.6138%	**20,827**	18,929
				$ 39,377	$ 40,254

The total notional amount differs from the amount outstanding on the debt as a result of the different amounts that the Medical Center receives. The notional amount of the 2011 swap is modified to adjust for the differing percentage of LIBOR received under the 2005 swap.

10. Notes Payable

Notes payable at September 30, 2012 and 2011 consists of the following:

	2012	2011
Notes payable to a healthcare financing company payable in monthly installments of $28,846 through October 2011, at 5.77% interest. Secured by certain equipment.	**$ –**	$ 28,708
Notes payable to a healthcare equipment manufacturing company in monthly installments of $18,392 through December 2015, at 4.15% interest. Secured by certain equipment.	**668,809**	858,094
Notes payable to a bank in bi-annual installments of $947,956 through October 2012 at 4.09% interest. Secured by certain equipment.	**929,067**	2,732,006
Notes payable to a bank in monthly installments of $147,233 through October 2018 at 2.85% interest. Secured by certain equipment.	**9,857,166**	–
Notes payable to a bank in monthly installments of $114,385 through September 2019 at 2.52% interest. Secured by certain equipment.	**8,800,000**	–
Note payable to landlord for leasehold improvements payable in monthly installments of $1,431 through August 2019 at 6%. Unsecured.	**97,003**	107,992
Note payable to a hospital association payable in monthly installments of $6,529, interest free.	**248,102**	326,450
Other notes	**16,935**	70,696
	20,617,082	4,054,816
Less current portion	**3,902,944**	2,164,028
	$ 16,714,138	$ 1,959,918

10. Notes Payable (continued)

The carrying value of the notes payable approximates fair value.

Interest paid on the notes was $390,009 and $494,759 for the years ended September 30, 2012 and 2011, respectively.

Principal payments on the notes for the next five years are as follows:

2013	$ 3,902,944
2014	3,039,162
2015	3,123,791
2016	2,973,756
2017	2,989,374
Aggregate thereafter	4,588,055
	$ 20,617,082

11. Contingencies

There have been malpractice claims that fall within the Medical Center's malpractice insurance which have been asserted against the Medical Center. In addition, there are known incidents that have occurred through September 30, 2012 that may result in the assertion of claims. Refer to Note 1.

The Medical Center is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on the Medical Center's financial position.

The Medical Center and CCSG, in consultation with their actuary, record as a liability the estimate for claims-made malpractice liabilities and the estimate for incurred but not reported claims. The estimate for incurred but not reported claims, discounted at 2.49%, totaled $6,031,000 and $5,726,000 at September 30, 2012 and 2011, respectively. The Medical Center has recorded related insurance recoveries receivable of approximately $21,724,242 at September 30, 2012 in consideration of the expected insurance recoveries for the total claims-made insurance.

The Medical Center, in consultation with its actuary, records as a liability an estimate of workers compensation claims. Such liability, discounted at 2.16%, totaled $2,239,000 and $1,927,000 at September 30, 2012 and 2011, respectively.

12. Commitments

Ground Lease

The Medical Center has a ground lease with Hartford Hospital to lease the site on which the Medical Center stands. The lease term is 99 years beginning November 1, 1993, with an optional extension for an additional 99-year term.

The Ground Lease was recorded as a prepaid asset in the original amount of $2,900,000 and is amortized over the term of the lease. The net asset is recorded as $2,416,682 and $2,445,974 as of September 30, 2012 and 2011, respectively. The lease includes certain covenants which restrict, among other things, the Medical Center's ability to be a party to mergers.

Parking Agreement

The Medical Center entered into a Parking Agreement with the Hartford Hospital Real Estate Corporation (HHREC) for the use of 450 parking spaces on the Hartford Hospital campus. The agreement continues in full force and effect until the earlier of a written termination of the agreement by the Medical Center and HHREC or the termination of the ground lease.

13. Operating Leases

Rental and lease expense amounted to $9,870,230 and $7,003,221 for the years ended September 30, 2012 and 2011, respectively.

The minimum lease commitments under all noncancelable operating leases with initial or remaining terms of more than one year are as follows:

Fiscal years ending September 30:	
2013	$ 8,671,255
2014	9,036,450
2015	9,057,573
2016	8,151,369
2017	7,991,571
	$ 42,908,218

14. Functional Expenses

The Medical Center provides health care services to residents within its geographic location including pediatric care and outpatient surgery. The Foundation performs fundraising services to provide support to the Medical Center and its other related 501(c)(3) companies. Expenses related to providing these services are as follows:

	Year Ended September 30 2012	2011
Health care services	**$ 268,897,835**	$ 237,081,698
Fundraising	**2,601,261**	2,623,800
General and administrative	**57,871,378**	44,845,966
	$ 329,370,474	$ 284,551,464

15. Fair Value of Financial Instruments

The Corporation calculates fair value of its financial assets and liabilities, when applicable, based on 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. Fair value measurements are applied based on a unit of account from the Corporation'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). In order to increase consistency and comparability in fair value measurements, the Corporation utilizes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described 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.

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 Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Corporation also considers counterparty credit risk in its assessment of fair value.

15. Fair Value of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of September 30, 2012 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 2,579,733	$ –	$ –	$ 2,579,733
Money market mutual funds [(a)]	16,023,325	–	–	16,023,325
Fixed income securities [(b)]	116,625	–	–	116,625
Domestic fixed	16,843,653	–	–	16,843,653
International fixed	1,113,280	–	–	1,113,280
Marketable equity securities [(c)]	384,452	–	–	384,452
Domestic equity	14,206,651	–	–	14,206,651
International equity	1,618,266	–	–	1,618,266
Mutual Funds:				
Domestic	10,219,849	–	–	10,219,849
International	5,207,625	–	–	5,207,625
Equity:				
Domestic growth [(d)]	20,945,006	–	–	20,945,006
Domestic value [(d)]	12,063,321	–	–	12,063,321
International [(d)]	14,162,050	–	–	14,162,050
Real estate, small cap and other [(d)]	210,567	–	–	210,567
Mid cap blend [(d)]	5,243,843	–	–	5,243,843
International equity common trust fund	–	2,897,088	–	2,897,088
Domestic equity common trust fund	–	8,566,520	–	8,566,520
Fixed income:				
International	681,054	–	–	681,054
Domestic	5,589,697	–	–	5,589,697
Intermediate term [(d)]	21,068,256	–	–	21,068,256
Global [(d)]	1,583,873	–	–	1,583,873
Short term and other fixed [(d)]	234,646	3,709,526	–	3,944,172
Inflation protected [(d)]	1,229,293	–	–	1,229,293
Multi-strategy funds [(e)]	15,520,003	7,244,731	–	22,764,734
Common Trust Fund [(f)]	–	3,185,770	–	3,185,770
Domestic fixed Common Trust Fund	–	4,484,440	–	4,484,440
Funds held by trustee under revenue bond agreement [(g)]	10,408,581	–	–	10,408,581
Fund of funds	–	1,182,225	–	1,182,225
Real estate investments	–	127,362	–	127,362
Foundation held funds and miscellaneous other investments [(h)]	–	1,876,472	–	1,876,472
Total	$177,253,649	$ 33,274,134	$ –	$ 210,527,783
Liabilities				
Interest rate swap agreement [(i)]	$ –	$ 4,173,109	$ –	$ 4,173,109

15. Fair Value of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of September 30, 2011, are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 5,041,855	$ –	$ –	$ 5,041,855
Money market mutual funds [a]	9,597,566	–	–	9,597,566
Fixed income securities [b]	169,908	–	–	169,908
Domestic fixed	19,084,559	–	–	19,084,559
International fixed	1,462,167	–	–	1,462,167
Marketable equity securities [c]	324,694	–	–	324,694
Domestic equity	19,105,519	–	–	19,105,519
International equity	1,614,551	–	–	1,614,551
Mutual Funds:				
Domestic	3,615,485	–	–	3,615,485
International	3,087,088	–	–	3,087,088
Equity:				
Domestic growth [d]	16,734,798	–	–	16,734,798
Domestic value [d]	9,137,913	15,618	–	9,153,531
International [d]	11,982,415	–	–	11,982,415
Real estate, small cap and other [d]	452,363	–	–	452,363
Mid cap blend [d]	4,020,536	–	–	4,020,536
International equity common trust fund	–	2,368,313	–	2,368,313
Domestic equity common trust fund	–	6,982,032	–	6,982,032
Fixed income:				
International	378,251	–	–	378,251
Domestic	2,033,785	–	–	2,033,785
Intermediate term [d]	19,368,353	–	–	19,368,353
Global [d]	1,451,760	–	–	1,451,760
Short term and other fixed [d]	102,765	3,373,795	–	3,476,560
Inflation protected [d]	1,273,810	–	–	1,273,810
Multi-strategy funds [e]	12,484,569	6,267,177	–	18,751,746
Common Trust Fund [f]	–	2,724,485	–	2,724,485
Domestic fixed Common Trust Fund	–	4,831,926	–	4,831,926
Funds held by trustee under revenue bond agreement [g]	1,710,681	–	–	1,710,681
Fund of funds	611,586	–	–	611,586
Real estate investments	427,246	–	–	427,246
Foundation held funds and miscellaneous other investments [h]	–	2,218,009	–	2,218,009
Total	$145,274,223	$ 28,781,355	$ –	$ 174,055,578
Liabilities				
Interest rate swap agreement [i]	$ –	$ 3,912,692	$ –	$ 3,912,692

15. Fair Value of Financial Instruments (continued)

(a) Includes investments in mutual funds that invest primarily in short-term debt securities including U.S. Treasury bills, commercial paper and certificates of deposits.
(b) Includes investments in publicly traded fixed income invests, which may include government, municipal or corporate bonds of varied duration.
(c) Includes investments in publicly traded stock of domestic corporations.
(d) Includes investments in domestic and international equity mutual funds and exchange traded funds. Investments are broken out into the underlying funds' asset type and investment goals.
(e) Investments in mutual funds that allocate assets among both fixed and equity investments, as well as other forms of investments with the intent of providing returns while diversifying assets and spreading risk over multiple asset classes.
(f) The common trust fund seeks to gain exposure to large cap U.S. companies by replicating the S&P 500 Tobacco Free Index, which excludes any company for which tobacco is one of its top five revenue producing industries. There are no liquidity restrictions as the redemption frequency and notice period is daily.
(g) These funds reflect proceeds from borrowings that are held in trust for the Medical Center's use. Funds are generally invested in money market mutual funds and may be drawn on by the Medical Center to purchase capital assets.
(h) These funds reflect the value of the Medical Center's interest in funds held in trust for the Medical Center's benefit. The Medical Center receives statements and records its portion of the trusts' statement value.
(i) The value of the Medical Center's swaps is determined by examining the present value of the future cash flows among other factors. The Medical Center utilizes an independent third party to calculate the value of the swaps based on all of the relevant factors.

The following is a description of the Medical Center's valuation methodologies for assets measured at fair value. The fair value methodologies are not necessarily indications of liquidity, but are description of the measures used to arrive at fair value pricing. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based upon quoted market 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. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The amounts reported in the tables above exclude assets invested in the Medical Center's defined benefit pension plan (Note 7).

16. Subsequent Events

The Corporation evaluated subsequent events through January 28, 2013, which is the date the financial statements were issued.

16. Subsequent Events (continued)

Effective October 1, 2012, the Medical Center's ownership interest in CHS was transferred to the Hartford HealthCare Corporation (HHCC) as a result of HHCC becoming the sole owners of CHS. As a result of the transaction, the Medical Center reevaluated its malpractice coverage and has enacted a new program. CHS will continue to be the primary insurer for malpractice claims.

Under the new program, the primary level of coverage is $4,000,000 per claim and $12,000,000 in the aggregate. There is an additional $6,000,000 of professional liability purchased through an external insurance company which was utilized to reduce the primary layer with CHS to the $4,000,000/$12,000,000 levels. In addition, there are four layers of excess indemnity coverage with four different insurance companies at $10,000,000 per claim on the first three layers and $15,000,000 on the fourth layer, totaling $45,000,000 in the aggregate. The reduction in overall coverage is deemed acceptable, as this coverage is solely for the Medical Center's claim activity. Historically, all of the claim activity of CHS, which includes several other hospitals, was covered by the primary and excess layers. There are no deductibles. Additionally, the Medical Center purchased a loss capping policy to limit the exposure to existing claims as of September 30, 2012. Under this policy, any existing claim that settles for greater than the amount reserved by CHS for this claim is covered and paid by the insurance company, limiting Connecticut Children's liability for increases in claims up to $10,000,000 per claim and $20,000,000 in the aggregate. Should claims settle for greater than the amount already reserved and the $20,000,000 loss capping policy, the Medical Center is fully liable for the excess.

No other events occurred that require disclosure or adjustment to the consolidated financial statements, except as noted above.

Supplementary Information

CCMC Corporation and Subsidiaries

Consolidating Balance Sheets

September 30, 2012

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ 2,360,811	$ 167,962	$ 15,597	$ 35,363	$ –	$ –	$ 2,579,733
Short-term investments	–	15,988,872	–	–	–	–	15,988,872
Funds held by trustee under revenue bond agreement	10,408,581	–	–	–	–	–	10,408,581
Accounts receivable, less allowance of approximately $7,409,000	32,905,777	1,869,314	1,357,561	–	–	–	36,132,652
Due from affiliated entities	6,701,228	218,933	680,337	500	–	(7,600,998)	–
Due from third parties	4,899,895	–	–	–	–	–	4,899,895
Inventories	692,725	–	–	–	–	–	692,725
Other current assets	13,490,330	180,323	1,500	–	–	–	13,672,153
Total current assets	71,459,347	18,425,404	2,054,995	35,863	–	(7,600,998)	84,374,611
Assets whose use is limited:							
Investments	31,294,271	74,551,245	–	–	–	–	105,845,516
Funds held in trust by others	75,705,081	–	–	–	–	–	75,705,081
Investment in Foundation	87,705,125	–	–	–	–	(87,705,125)	–
	194,704,477	74,551,245	–	–	–	(87,705,125)	181,550,597
Property, plant and equipment:							
Leasehold improvements	–	–	1,782,862	–	–	–	1,782,862
Buildings	121,350,082	–	–	–	–	–	121,350,082
Furniture and equipment	65,196,820	824,022	793,729	–	–	–	66,814,571
Construction in progress	19,750,929	–	1,056,562	–	–	–	20,807,491
	206,297,831	824,022	3,633,153	–	–	–	210,755,006
Less accumulated depreciation	(95,636,445)	(450,002)	(1,774,942)	–	–	–	(97,861,389)
	110,661,386	374,020	1,858,211	–	–	–	112,893,617
Other assets:							
Bond issuance costs	730,892	–	–	–	–	–	730,892
Ground lease	2,416,682	–	–	–	–	–	2,416,682
Pledges receivable, long term	–	885,525	–	–	–	–	885,525
Other	31,026,009	–	–	1,000	–	(1,000)	31,026,009
	34,173,583	885,525	–	1,000	–	(1,000)	35,059,108
Total assets	$ 410,998,793	$ 94,236,194	$ 3,913,206	$ 36,863	$ –	$ (95,307,123)	$ 413,877,933

CCMC Corporation and Subsidiaries

Consolidating Balance Sheets (continued)

September 30, 2012

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Liabilities and net assets							
Current liabilities:							
Current portion of bonds payable	$ 1,215,000	$ –	$ –	$ –	$ –	$ –	$ 1,215,000
Current portion of notes payable	3,902,944	–	–	–	–	–	3,902,944
Accounts payable and accrued liabilities	32,604,814	32,381	$ 313,336	–	–	–	32,950,531
Accrued wages	16,325,155	191,687	539,891	–	–	–	17,056,733
Due to third parties	4,526,428	–	–	–	–	–	4,526,428
Accrued interest payable and other current liabilities	330,715	–	–	–	–	–	330,715
Due to affiliated entities	743,431	6,264,757	268,351	306,106	18,353	(7,600,998)	–
Total current liabilities	59,648,487	6,488,825	1,121,578	306,106	18,353	(7,600,998)	59,982,351
Bonds payable, less current portion	39,315,000	–	–	–	–	–	39,315,000
Notes payable, less current portion	16,714,138	–	–	–	–	–	16,714,138
Accrued pension liability	19,026,898	–	–	–	–	–	19,026,898
Other long term liabilities	39,247,671	42,244	–	–	–	–	39,289,915
Total liabilities	173,952,194	6,531,069	1,121,578	306,106	18,353	(7,600,998)	174,328,302
Net assets:							
Unrestricted	122,786,203	–	2,756,725	(269,243)	(18,353)	(1,000)	125,254,332
Temporarily restricted	21,920,459	71,070,269	34,903	–	–	(71,070,269)	21,955,362
Permanently restricted	92,339,937	16,634,856	–	–	–	(16,634,856)	92,339,937
Total net assets	237,046,599	87,705,125	2,791,628	(269,243)	(18,353)	(87,706,125)	239,549,631
Total net assets and liabilities	$ 410,998,793	$ 94,236,194	$ 3,913,206	$ 36,863	$ –	$ (95,307,123)	$ 413,877,933

CCMC Corporation and Subsidiaries

Consolidating Balance Sheets

September 30, 2011

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ 4,688,831	$ 179,379	$ 137,264	$ 36,381	$ –	$ –	$ 5,041,855
Short-term investments	–	9,572,313	–	–	–	–	9,572,313
Funds held by trustee under revenue bond agreement	1,710,681	–	–	–	–	–	1,710,681
Accounts receivable, less allowance of approximately $6,644,000	26,304,731	1,970,789	1,161,908	–	–	–	29,437,428
Due from affiliated entities	2,268,115	2,658,923	862,243	500	–	$ (5,789,781)	–
Inventories	600,832	–	–	–	–	–	600,832
Other current assets	7,174,720	239,981	19,884	–	–	–	7,434,585
Total current assets	42,747,910	14,621,385	2,181,299	36,881	–	(5,789,781)	53,797,694
Assets whose use is limited:							
Investments	27,352,655	62,557,557	–	–	–	–	89,910,212
Funds held in trust by others	67,820,517	–	–	–	–	–	67,820,517
Investment in Foundation	75,658,862	–	–	–	–	(75,658,862)	–
	170,832,034	62,557,557	–	–	–	(75,658,862)	157,730,729
Property, plant and equipment:							
Leasehold improvements	–	–	1,782,862	–	–	–	1,782,862
Buildings	114,990,645	–	–	–	–	–	114,990,645
Furniture and equipment	59,579,096	824,022	793,729	–	–	–	61,196,847
Construction in progress	10,912,602	–	227,106	–	–	–	11,139,708
	185,482,343	824,022	2,803,697	–	–	–	189,110,062
Less accumulated depreciation	(85,992,089)	(415,760)	(1,650,901)	–	–	–	(88,058,750)
	99,490,254	408,262	1,152,796	–	–	–	101,051,312
Other assets:							
Bond issuance costs	681,696	–	–	–	–	–	681,696
Ground lease	2,445,974	–	–	–	–	–	2,445,974
Pledges receivable, long term	–	693,271	–	–	–	–	693,271
Other	23,897,319	–	–	1,000	–	(1,000)	23,897,319
	27,024,989	693,271	–	1,000	–	(1,000)	27,718,260
Total assets	$ 340,095,187	$ 78,280,475	$ 3,334,095	$ 37,881	$ –	$ (81,449,643)	$ 340,297,995

CCMC Corporation and Subsidiaries

Consolidating Balance Sheets (continued)

September 30, 2011

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Liabilities and net assets							
Current liabilities:							
Current portion of bonds payable	$ 1,050,000	$ –	$ –	$ –	$ –	$ –	$ 1,050,000
Current portion of notes payable	2,164,028	–	–	–	–	–	2,164,028
Accounts payable and accrued liabilities	26,934,488	20,343	25,132	–	–	–	26,979,962
Accrued wages	12,195,131	113,517	336,328	–	–	–	12,644,976
Due to third parties	2,465,943	–	–	–	–	–	2,465,943
Accrued interest payable and other current liabilities	478,089	–	–	–	–	–	478,089
Due to affiliated entities	3,086,844	2,437,297	–	247,564	18,075	(5,789,780)	–
Total current liabilities	48,374,523	2,571,157	361,460	247,564	18,075	(5,789,780)	45,782,998
Bonds payable, less current portion	40,530,000	–	–	–	–	–	40,530,000
Notes payable, less current portion	1,959,918	–	–	–	–	–	1,959,918
Accrued pension liability	18,776,699	–	–	–	–	–	18,776,699
Other long term liabilities	21,040,979	50,456	–	–	–	–	21,091,435
Total liabilities	130,682,119	2,621,613	361,460	247,564	18,075	(5,789,780)	128,141,050
Net assets:							
Unrestricted	104,023,361	–	2,942,245	(209,683)	(18,075)	(1,000)	106,736,848
Temporarily restricted	21,240,609	59,330,281	30,390	–	–	(59,330,281)	21,270,999
Permanently restricted	84,149,098	16,328,581	–	–	–	(16,328,581)	84,149,098
Total net assets	209,413,068	75,658,862	2,972,635	(209,683)	(18,075)	(75,659,862)	212,156,945
Total net assets and liabilities	$ 340,095,187	$ 78,280,475	$ 3,334,095	$ 37,881	$ –	$ (81,449,642)	$ 340,297,995

CCMC Corporation and Subsidiaries

Consolidating Statements of Operations and Changes in Net Assets

For the Year Ended September 30, 2012

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Revenues:							
Net patient service revenue	$ 277,604,755	$ –	$ –	$ –	$ –	$ –	$ 277,604,755
Provision for bad debt	(5,875,039)	–	–	–	–	–	(5,875,039)
Net patient service revenue less provision for bad debts	271,729,716	–	–	–	–	–	271,729,716
Other revenues	14,654,457	–	8,274,779	–	–	–	22,929,236
Contributions and donations, net	–	3,100,947	–	–	–	–	3,100,947
Investment income	19,460,937	2,031,122	–	–	–	–	21,492,059
Net assets released from restrictions	14,383,803	–	7,526	–	–	–	14,391,329
	320,228,913	5,132,069	8,282,305	–	–	–	333,643,287
Expenses:							
Salaries and wages	151,816,547	1,745,279	6,088,495	46,743	–	–	159,697,064
Benefits	36,552,982	474,126	1,661,906	12,817	–	–	38,701,831
Supplies and miscellaneous	117,229,088	955,776	593,383	–	278	–	118,778,525
Interest	940,592	–	–	–	–	–	940,592
Depreciation and amortization	11,094,179	34,242	124,041	–	–	–	11,252,462
	317,633,388	3,209,423	8,467,825	59,560	278	–	329,370,474
Operating income (loss)	2,595,525	1,922,646	(185,520)	(59,560)	(278)	–	4,272,813
Change in equity interest in net assets of the Foundation	1,922,646	–	–	–	–	(1,922,646)	–
(Deficiency) excess of revenues over expenses	4,518,171	1,922,646	(185,520)	(59,560)	(278)	(1,922,646)	4,272,813

Continued on next page.

CCMC Corporation and Subsidiaries

Consolidating Statements of Operations and Changes in Net Assets (continued)

For the Year Ended September 30, 2012

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Unrestricted net assets:							
(Deficiency) excess of revenues over expenses	$ 4,518,171	$ 1,922,646	$ (185,520)	$ (59,560)	$ (278)	$ (1,922,646)	$ 4,272,813
Net unrealized gain on investments	3,687,051	8,856,142	–	–	–	–	12,543,193
Change in funded status of pension and post-retirement plans	(1,377,255)	–	–	–	–	–	(1,377,255)
Net assets released from restrictions for purchase of equipment	3,078,733	–	–	–	–	–	3,078,733
Change in equity interest in the net asset of the Foundation	8,856,142	–	–	–	–	(8,856,142)	–
Transfers to affiliates	–	–	–	–	–	–	–
Decrease in unrestricted net assets	18,762,842	10,778,788	(185,520)	(59,560)	(278)	(10,778,788)	18,517,484
Temporarily restricted net assets:							
Net unrealized gains on investments	–	781,879	–	–	–	–	781,879
Income from investments	–	179,321	–	–	–	–	179,321
Transfer from (to) affiliates	4,251,318	(4,259,276)	7,958	–	–	–	–
Net assets released from restrictions for operations	(14,383,803)	–	(7,526)	–	–	–	(14,391,329)
Net assets released from restrictions for capital	(3,078,733)	–	–	–	–	–	(3,078,733)
Change in equity interest in the net asset of the Foundation	961,200	–	–	–	–	(961,200)	–
Bequests, gift, and grants	12,929,868	4,259,276	4,081	–	–	–	17,193,225
Increase (decrease) in temporarily restricted net assets	679,850	961,200	4,513	–	–	(961,200)	684,363
Permanently restricted net assets:							
Bequests, gifts, and grants	–	306,275	–	–	–	–	306,275
Change in equity interest in the net asset of the Foundation	306,275	–	–	–	–	(306,275)	–
Change in funds held by others	7,884,564	–	–	–	–	–	7,884,564
Decrease in permanently restricted net assets	8,190,839	306,275	–	–	–	(306,275)	8,190,839
Net assets at beginning of year	209,413,068	75,658,862	2,972,635	(209,683)	(18,075)	(75,659,862)	212,156,945
Net assets at end of year	$ 237,046,599	$ 87,705,125	$ 2,791,628	$ (269,243)	$ (18,353)	$ (87,706,125)	$ 239,549,631

CCMC Corporation and Subsidiaries

Consolidating Statements of Operations and Changes in Net Assets

For the Year Ended September 30, 2011

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Revenues:							
Net patient service revenue	$ 244,512,368	$ –	$ –	$ –	$ –	$ –	$ 244,512,368
Provision for bad debt	(2,365,830)	–	–	–	–	–	(2,365,830)
Net patient service revenue less provision for bad debts	242,146,538	–	–	–	–	–	242,146,538
Other revenues	11,414,552	–	8,510,676	–	–	–	19,925,228
Contributions and donations, net	–	3,454,348	–	–	–	–	3,454,348
Investment income	8,912,942	2,538,848	–	–	–	–	11,451,790
Net assets released from restrictions	14,188,497	–	10,264	–	–	–	14,198,761
	276,662,529	5,993,196	8,520,940	–	–	–	291,176,665
Expenses:							
Salaries and wages	133,935,648	1,735,748	5,852,197	42,438	–	–	141,566,031
Benefits	34,659,527	492,349	1,672,558	12,147	–	–	36,836,581
Supplies and miscellaneous	89,535,493	931,425	603,394	13	250	–	91,070,575
Bad debts (non-patient)	101,818	–	–	–	–	–	101,818
Interest	1,231,424	–	–	–	–	–	1,231,424
Depreciation and amortization	11,000,584	34,947	133,241	–	–	–	11,168,772
Loss on retirment of debt	2,576,263	–	–	–	–	–	2,576,263
	273,040,757	3,194,469	8,261,390	54,598	250	–	284,551,464
Operating income (loss)	3,621,772	2,798,727	259,550	(54,598)	(250)	–	6,625,201
Change in equity interest in net assets of the Foundation	2,798,727	–	–	–	–	(2,798,727)	–
(Deficiency) excess of revenues over expenses	6,420,499	2,798,727	259,550	(54,598)	(250)	(2,798,727)	6,625,201

Continued on next page.

CCMC Corporation and Subsidiaries

Consolidating Statements of Operations and Changes in Net Assets (continued)

For the Year Ended September 30, 2011

	Hospital & Subsidiaries	**Foundation**	**Affiliates**	**Corporation**	**Ventures**	**Eliminations**	**Consolidated**
Unrestricted net assets:							
(Deficiency) excess of revenues over expenses	$ 6,420,499	$ 2,798,727	$ 259,550	$ (54,598)	$ (250)	$ (2,798,727)	$ 6,625,201
Net unrealized loss on investments	(2,562,749)	(3,108,995)	–	–	–	–	(5,671,744)
Change in funded status of pension and post-retirement plans	(4,399,884)	–	–	–	–	–	(4,399,884)
Transfer to temp restricted funds	(250,000)	–	–	–	–	–	(250,000)
Net assets released from restrictions for purchase of equipment	1,064,801	–	1,572	–	–	–	1,066,373
Change in equity interest in the net asset of the Foundation	(3,108,995)	–	–	–	–	3,108,995	–
Change in market value of swap	–	–	–	–	–	–	–
Transfers to affiliates	–	–	–	–	–	–	–
Decrease in unrestricted net assets	(2,836,328)	(310,268)	261,122	(54,598)	(250)	310,268	(2,630,054)
Temporarily restricted net assets:							
Net unrealized losses on investments	–	(275,798)	–	–	–	–	(275,798)
Income from investments	–	225,220	–	–	–	–	225,220
Transfer from (to) affiliates	5,728,363	(5,732,704)	4,341	–	–	–	–
Net assets released from restrictions for operations	(14,055,113)	–	(10,265)	–	–	–	(14,065,378)
Net assets released from restrictions for capital	(1,064,801)	–	(1,572)	–	–	–	(1,066,373)
Change in equity interest in the net asset of the Foundation	(50,578)	–	–	–	–	50,578	–
Transfer from unrestricted funds	250,000	–	–	–	–	–	250,000
Bequests, gift, and grants	11,443,373	5,732,704	7,214	–	–	–	17,183,291
Increase (decrease) in temporarily restricted net assets	2,251,244	(50,578)	(282)	–	–	50,578	2,250,962
Permanently restricted net assets:							
Bequests, gifts, and grants	–	461,274	–	–	–	–	461,274
Change in equity interest in the net asset of the Foundation	461,274	–	–	–	–	(461,274)	–
Assets released from restrictions by trustees	(133,384)	–	–	–	–	–	(133,384)
Change in funds held by others	(2,200,911)	–	–	–	–	–	(2,200,911)
Decrease in permanently restricted net assets	(1,873,021)	461,274	–	–	–	(461,274)	(1,873,021)
Net assets at beginning of year	211,871,173	75,558,434	2,711,795	(155,085)	(17,825)	(75,559,434)	214,409,058
Net assets at end of year	$ 209,413,068	$ 75,658,862	$ 2,972,635	$ (209,683)	$ (18,075)	$ (75,659,862)	$ 212,156,945

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory