Audited Consolidated Financial Statements and Other Financial Information

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

Hartford Hospital

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Years Ended September 30, 2009 and 2008

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Other Financial Information

Ernst & Young LLP
Goodwin Square
225 Asylum Street
Hartford, Connecticut 06103
Main tel: 1+ 860 247 3100
www.ey.com

Report of Independent Auditors

Board of Directors
Hartford Hospital

We have audited the accompanying consolidated balance sheets of Hartford Hospital (the Hospital) as of September 30, 2009 and 2008, 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 Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Ernst & Young LLP

December 22, 2009

Hartford Hospital

Consolidated Balance Sheets

	September 30 2009	September 30 2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 26,464,866**	$ 20,816,609
Accounts receivable, less allowances for doubtful accounts of $20,784,000 in 2009 and $25,123,000 in 2008	**116,075,694**	106,919,511
Other receivables	**18,051,289**	18,522,908
Due from affiliates, net	**6,212,198**	7,509,868
Inventories of supplies	**10,595,678**	9,266,981
Prepaid expenses and other assets	**15,019,271**	11,344,296
Estimated third-party payor settlements	**6,972,476**	10,926,483
Total current assets	**199,391,472**	185,306,656
Assets whose use is limited:		
Investments and other assets	**192,722,506**	223,188,811
Investments for restricted purposes	**183,847,848**	196,389,771
	376,570,354	419,578,582
Funds held in trust by others	**114,402,495**	117,966,355
Other assets	**15,708,815**	66,613,642
Property, plant and equipment, net	**283,024,028**	272,321,570
	$ 989,097,164	$ 1,061,786,805
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 44,788,000**	$ 31,711,379
Salaries, wages, payroll taxes and amounts withheld from employees	**37,779,710**	36,126,896
Accrued expenses	**22,203,919**	22,665,550
Current portion of other liabilities	**27,020,912**	28,480,782
Total current liabilities	**131,792,541**	118,984,607
Other liabilities	**242,484,352**	78,324,437
Bonds payable	**45,940,000**	45,940,000
Net assets:		
Unrestricted	**278,536,735**	510,383,781
Temporarily restricted	**101,581,801**	115,627,781
Permanently restricted	**188,761,735**	192,526,199
	568,880,271	818,537,761
	$ 989,097,164	$ 1,061,786,805

See accompanying notes.

Hartford Hospital

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2009	**2008**
Unrestricted revenues, gains and other support:		
Net patient service revenue	**$ 707,180,334**	$ 645,561,909
Other operating revenue	**112,486,842**	98,802,984
Net assets released from restrictions for operations	**10,230,985**	29,367,146
	829,898,161	773,732,039
Operating expenses:		
Salaries	**365,409,670**	347,974,449
Employee benefits	**77,134,756**	67,042,821
Supplies and other	**164,107,090**	154,632,844
Purchased services	**152,234,280**	137,690,312
Depreciation and amortization	**41,218,540**	39,966,457
Provision for uncollectible accounts	**23,850,530**	30,682,007
Interest	**607,197**	1,552,169
	824,562,063	779,541,059
Income (loss) from operations	**5,336,098**	(5,809,020)
Loss on settlement and curtailment	**(276,237)**	(2,313,817)
Nonoperating (loss) income:		
(Loss) income from investments, gifts and bequests, net	**(9,526,928)**	14,841,134
Guarantee of swap	**1,648,141**	(1,648,141)
Other	**(7,487,145)**	(11,592,874)
	(15,365,932)	1,600,119
Deficiency of revenues over expenses before change in unrealized gains and losses on investments	**(10,306,071)**	(6,522,718)
Change in unrealized gains and losses on investments	**3,391,424**	(49,464,621)
Deficiency of revenues over expenses	**(6,914,647)**	(55,987,339)

Continued on next page.

Hartford Hospital

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

	Year Ended September 30	
	2009	**2008**
Unrestricted net assets:		
Deficiency of revenues over expenses (continued)	**$ (6,914,647)**	$ (55,987,339)
Transfer to affiliated entity	**(541,962)**	(4,758,065)
Net assets released from restrictions for the purchase of equipment	**1,315,649**	1,058,527
Change in pension and post-retirement funding obligation	**(225,706,086)**	(118,856,873)
Other	**–**	(1,794,995)
Decrease in unrestricted net assets	**(231,847,046)**	(180,338,745)
Temporarily restricted net assets:		
Restricted contributions	**4,788,159**	5,078,612
Restricted investment (loss) income	**(11,003,241)**	8,770,015
Change in unrealized gains and losses on investments	**3,715,736**	(43,663,480)
Net assets released from restrictions for operations	**(10,230,985)**	(29,367,146)
Transfer to other entity	**–**	(2,557,939)
Net assets released from restrictions for the purchase of equipment	**(1,315,649)**	(1,058,527)
Decrease in temporarily restricted net assets	**(14,045,980)**	(62,798,465)
Permanently restricted net assets:		
Restricted contributions	**175,575**	1,463,557
Restricted investment (loss) income	**(376,179)**	461,578
Transfer to other entity	**–**	(124,380)
Change in unrealized gains and losses on funds held in trust by others	**(3,563,860)**	(21,667,281)
Decrease in permanently restricted net assets	**(3,764,464)**	(19,866,526)
Decrease in net assets	**(249,657,490)**	(263,003,736)
Net assets at beginning of year	**818,537,761**	1,081,541,497
Net assets at end of year	**$ 568,880,271**	$ 818,537,761

See accompanying notes.

Hartford Hospital

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2009	**2008**
Cash flows from operating activities		
Decrease in net assets	**$ (249,657,490)**	$ (263,003,736)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash items:		
Depreciation and amortization	**41,218,540**	39,966,457
Change in unrealized gains and losses on investments	**7,107,160**	93,128,101
Change in unrealized gains and losses on funds held in trust by others	**3,563,860**	21,667,281
Provision for uncollectible accounts	**23,850,530**	30,682,007
Other	**–**	1,794,995
Change in net assets related to post-retirement and pension plans	**225,706,086**	118,856,873
Guarantee of swap	**1,648,141**	(1,648,141)
Transfer to affiliated entity	**541,962**	4,758,065
Other changes in net assets:		
Restricted contributions and investment income	**(6,415,686)**	(15,773,762)
Changes in assets and liabilities, net *(Note 14)*	**(30,120,499)**	1,740,270
Net cash provided by operating activities	**17,442,604**	32,168,410
Cash flows from investing activities		
Purchase of property, plant and equipment, net	**(51,920,998)**	(35,418,736)
Sale of investments, net	**34,252,927**	2,218,261
Net cash used in investing activities	**(17,668,071)**	(33,200,475)
Cash flows from financing activities		
Transfer to affiliated entity	**(541,962)**	(4,758,065)
Restricted contributions and investment income	**6,415,686**	15,773,762
Net cash provided by financing activities	**5,873,724**	11,015,697
Net increase in cash and cash equivalents	**5,648,257**	9,983,632
Cash and cash equivalents at beginning of year	**20,816,609**	10,832,977
Cash and cash equivalents at end of year	**$ 26,464,866**	$ 20,816,609

See accompanying notes.

1. Significant Accounting Policies

The accounting policies that affect significant elements of Hartford Hospital's (the Hospital) consolidated financial statements are summarized below and in Note 2.

Organization

The Hospital is a voluntary association incorporated under the General Statutes of the State of Connecticut, and is an affiliate of Hartford Health Care Corporation. The Board of Directors of the Hospital, appointed by Hartford Health Care Corporation, controls the operations of the Hospital. The accompanying consolidated financial statements include Hartford Hospital, Jefferson House and Cedar Mountain Commons (both of which are departments of the Hospital), and the Institute of Living. All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and 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.

Regulatory Matters

The Hospital is required to file annual operating information with the State of Connecticut Office of Health Care Access.

Fair Value of Financial Instruments

The carrying value of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments are disclosed in the respective notes and/or in Note 5.

Investments

The Hospital's investment portfolio is classified as trading, with unrealized gains and losses included in the deficiency of revenues over expenses.

1. Significant Accounting Policies (continued)

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value at the balance sheet date. Alternative investments, those assets whose market value is not readily determinable, are stated at fair value as estimated in an unquoted market. Valuations of those investments and, therefore, the Hospital's holdings may be determined by the investment manager and are primarily based on the underlying securities. Assets temporarily restricted (by donor) are recorded at fair value at the date of donation, which is then considered cost. Investment income (including realized gains and losses on investments, interest and dividends, and the change in unrealized gains and losses) is included in nonoperating income unless the income or loss is restricted by the donor or law. The cost of securities sold is based on the specific identification method.

Patient Accounts Receivable

Patient accounts receivable result from the health care services provided by the Hospital. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts.

The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 2 for additional information relative to third party payor programs.

The Hospital's primary concentration of credit risk is patient accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages the receivables by regularly reviewing its patient accounts and contracts, and by providing appropriate allowances for uncollectible amounts. Significant concentrations of gross patient accounts receivable include 27% and 12%, and 26% and 12%, for Medicare and Medicaid, respectively, for the fiscal years ending September 30, 2009 and 2008, respectively.

Inventories

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

Property, Plant and Equipment

Property, plant and equipment is stated on the basis of cost. The Hospital 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.

1. Significant Accounting Policies (continued)

Conditional asset retirement obligations recorded under the provisions of Accounting Standards Codification (ASC) 410-20, *Asset Retirement Obligations,* amounted to $5,616,645 and $5,283,061 as of September 30, 2009 and 2008, respectively. These obligations are recorded in other noncurrent liabilities in the accompanying consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2009 and 2008, retirement obligations incurred and settled were minimal. Accretion expense of $333,584 and $157,128 was recorded for the years ended September 30, 2009 and 2008, respectively.

Assets Whose Use is Limited

Assets whose use is limited includes assets that are set aside internally for future capital improvements, research and education. Restricted investment income in excess of a predetermined spending limit has also been set aside as long-term investments. Investments for restricted purposes are those restricted based on donors' intents.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those where use by the Hospital has been limited by donors, to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors and are maintained by the Hospital in perpetuity. The Hospital is a partial beneficiary to various perpetual trust agreements. Assets recorded under these agreements are recognized at fair value. The investment income generated from these funds is expendable to support healthcare services and the assets are classified as permanently restricted.

During 2009 and 2008, the Hospital released $10,230,985 and $29,367,146, respectively, of temporarily restricted net assets into operations. Of the funds released in 2008, approximately $23,100,000 was released in the last quarter of the fiscal year relating to free care ($16,800,000) and other operating programs ($6,300,000).

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Unrestricted contributions are recorded, net of expenses, within other operating revenue.

Pledges receivable to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recognized as revenue and is reflected in accordance with donor-imposed restrictions, if any, on the contributions.

1. Significant Accounting Policies (continued)

Donor-Restricted Gifts

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 consolidated 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 unrestricted contributions in the accompanying financial statements, except those relating to donations of long-lived assets.

Deficiency of Revenues over Expenses

The consolidated statements of operations and changes in net assets include the deficiency of revenues over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from the deficiency of revenues over expenses, include the changes in pension and post-retirement funding obligations, net assets released from restrictions for the purchase of equipment, and permanent transfers of assets to and from affiliates.

Nonoperating Income

Nonoperating income includes income on invested funds, realized and unrealized gains and losses on invested funds, restricted gifts, bequests, the excess of revenues over expenses of Jefferson House and Cedar Mountain Commons, and the guarantee of a swap agreement.

Other Operating Revenue

Other operating revenue includes services to other subsidiaries of Hartford Health Care Corporation and other institutions, income from professional services and research income.

1. Significant Accounting Policies (continued)

Professional Liability and Workers' Compensation 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 three different insurance companies at $15,000,000 per claim and $15,000,000 in the aggregate per layer. The primary coverage is with CHS Insurance Limited, a captive insurance company in which the Hospital has a 42.5% ownership interest. The Hospital's ownership is accounted for under the equity method in the accompanying statements of operations. The investment in CHS Insurance Limited is included in other assets in the consolidated balance sheets.

The Hospital has an established policy of self-insuring the deductible portion of its workers' compensation insurance. The deductible limits are $1,000,000 per claim for fiscal years ended September 30, 2009 and 2008. In connection with this self-insurance program, Bank of America issued an irrevocable direct pay letter of credit to the Travelers Indemnity Company, the primary insurer, for an amount not to exceed $2,200,000.

Income Taxes

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

Cash and Cash Equivalents

Cash and cash equivalents include cash, commercial paper and corporate and government bonds, which are available to be converted to liquid assets within three months. Cash and cash equivalents are maintained with domestic financial institutions with deposits that exceed federally insured limits. It is the Hospital's policy to monitor the financial strength of these institutions.

Adoption of New Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued ASC 105, *Generally Accepted Accounting Principles* (ASC 105), which establishes the FASB Accounting Standards Codification as the sole source of authoritative GAAP. Pursuant to the provisions of ASC 105, the Hospital has updated references to GAAP in its consolidated financial statements issued for the year ended September 30, 2009. The adoption of ASC 105 did not impact the Hospital's financial position or results of operations.

1. Significant Accounting Policies (continued)

Effective October 1, 2008, the Hospital adopted ASC 820-10, *Fair Value Measurements* (ASC 820-10). ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure about fair value measurements. The Hospital's adoption of ASC 820-10 did not significantly affect its consolidated financial statements (see Note 5).

Effective October 1, 2008, the Hospital adopted ASC 825-10, *The Fair Value Option for Financial Assets and Liabilities (*ASC 825-10). ASC 825-10 permits companies to choose to measure certain financial instruments and other items at fair value that currently are not required to be measured at fair value under GAAP. The Hospital chose not to elect the fair value option for its financial assets and liabilities. Consequently, the adoption of ASC 825-10 did not have any impact on its consolidated financial statements.

On October 1, 2008, the Hospital adopted ASC 958-205: *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds* (ASC 958-205), which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The adoption of ASC 958-205 did not have a material effect on the Hospital's consolidated balance sheet at September 30, 2009, or on the consolidated statement of operations and changes in net assets for the year ended September 30, 2009. See Note 3 for disclosures related to the Hospital's endowment funds.

During 2009, the Hospital adopted ASC 855-10, *Subsequent Event*s (ASC 855-10). ASC 855-10 establishes general standards of accounting and disclosure requirements for subsequent events, events that occur after the balance sheet date but before the financial statements are issued. In addition, certain events subsequent to the balance sheet date may require recognition in the financial statements as of the balance sheet date under the requirements of ASC 855-10. The Hospital adopted the provisions of ASC 855-10 as of September 30, 2009, and evaluated the impact of subsequent events through December 22, 2009, representing the date at which the consolidated financial statements were issued.

1. Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the year ended September 30, 2008 balances previously reported in the consolidated balance sheets and statements of operations and changes in net assets in order to conform with the year ended September 30, 2009 presentation. For the year ended September 30, 2008, $18,411,545 of amounts previously recorded in other liabilities and $10,069,237 of amounts previously recorded in accrued expenses have been reclassified to current portion of other liabilities. In addition, $24,700,000 of amounts previously recorded in other revenue was reclassified to employee benefits.

2. Revenue from Services to Patients and Charity Care

Revenues from the Medicare and Medicaid programs accounted for approximately 40% and 12%, and 43% and 12%, respectively, of the Hospital's net patient service revenue for the years ended September 30, 2009 and 2008, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term.

The Hospital believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Hospital.

The following table summarizes net patient service revenue:

	Year Ended September 30	
	2009	**2008**
Gross revenues from patients:		
Inpatients	**$ 1,220,439,016**	$ 1,115,172,714
Outpatients	**493,992,632**	440,699,072
	1,714,431,648	1,555,871,786
Deductions:		
Allowances	**977,008,873**	869,780,992
Charity care	**30,242,441**	40,528,885
	1,007,251,314	910,309,877
	$ 707,180,334	$ 645,561,909

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

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. The difference is accounted for as allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service, discounted charges and per diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program and is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. During 2009 and 2008, the Hospital recorded net changes in estimates of approximately $2.1 million and $3.9 million, respectively, which primarily related better than previously estimated third party payor settlements.

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

The Hospital has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the HMOs make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules. In addition, the Hospital receives monthly capitation payments from certain HMOs based on the number of each HMO's participants, regardless of services actually performed by the Hospital.

The Hospital 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 Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital 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.

3. Net Assets

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

	2009	2008
Health care services:		
Free beds	**$ 22,137,437**	$ 29,424,387
Research	**31,173,725**	34,089,341
Education	**13,017,577**	16,047,618
Capital replacement	**9,174,233**	9,316,541
Other health care services	**26,078,829**	26,749,894
	$ 101,581,801	$ 115,627,781

Permanently restricted net assets at September 30 are restricted for:

	2009	2008
Investments to be held in perpetuity, the income from which is expendable to support health care services	**$ 53,503,542**	$ 53,327,966
Endowment requiring income to be added to original gift to support health care services	**20,855,698**	21,231,878
Restricted funds held in trust by others, the income from which is expendable to support health care services	**114,402,495**	117,966,355
	$ 188,761,735	$ 192,526,199

The Hospital's endowment consists of hundreds of individuals funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

3. Net Assets (continued)

The Board of Directors of the Hospital has interpreted 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 Hospital classifies as permanently net restricted 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 of 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 organization 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 donor-restricted funds:

1) The duration and preservation of the fund
2) The purposes of the Hospital and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Hospital
7) The investment policies of the Hospital

The Hospital 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 purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 4% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that places a greater emphasis on equity-based alternative investments to achieve its long-term objective within prudent risk constraints.

3. Net Assets (continued)

The Hospital has a policy of appropriating for distribution each year 4% of its endowment fund's fair value as of October 31 of each fiscal year in which the distribution is planned. This is consistent with the Hospital's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

Changes in endowment funds for the fiscal year ended September 30, 2009 consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 59,671,269	$ 74,559,844	$ 134,231,113
Investment return:			
Investment income	1,396,178	(376,179)	1,019,999
Net depreciation (realized and unrealized)	(4,452,061)	–	(4,452,061)
Total investment return	(3,055,883)	(376,179)	(3,432,062)
Contributions	–	175,575	175,575
Appropriation of endowment assets for expenditure	(6,829,260)	–	(6,829,260)
Endowment net assets at end of year	$ 49,786,126	$ 74,359,240	$ 124,145,366

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor of UPMIFA requires the Hospital to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no significant deficiencies of this nature which are reported in unrestricted net assets as of September 30, 2009.

4. Assets Whose Use is Limited

Included in assets whose use is limited at September 30 are the following:

	2009	2008
Cash	**$ 9,252,501**	$ 12,204,182
Investments:		
United States government obligations, at market (cost of $11,733,888 in 2009 and $35,275,750 in 2008)	**12,995,152**	34,212,216
Other marketable securities, at market (cost of $78,978,028 in 2009 and $70,407,954 in 2008)	**83,519,492**	65,961,349
Marketable equity securities, at market (cost of $264,642,342 in 2009 and $297,340,638 in 2008)	**250,419,452**	285,645,236
Other notes and accounts receivable	**7,330**	2,244,613
Pledges receivable, net	**2,726,443**	2,287,703
Due from affiliated entities, net	**17,649,984**	17,023,283
	$ 376,570,354	$ 419,578,582

The Hospital advances funds to affiliates to provide capital for the expansion of certain mission-related activities. The Hospital expects these advances to be repaid, generally with interest. Periodically, amounts outstanding are reviewed for collectability and adjustments are provided where collection is doubtful.

Realized (losses) gains were ($12,904,387) and $8,646,202 for the years ended September 30, 2009 and 2008, respectively. Investment income in the consolidated statement of operations and changes in net assets were $5,917,386 and $8,899,113 for the years ended September 30, 2009 and 2008, respectively.

5. Fair Values of Financial Instruments

As described in Note 1, on October 1, 2008, the Hospital adopted the methods of calculating fair value as described in ASC 820-10 to value its financial assets and liabilities, when applicable. As defined in ASC 820-10, fair value is 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. In order to increase consistency and comparability in fair value measurements, ASC 820-10 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

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

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

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 26,464,866	$ –	$ –	$ 26,464,866
Assets limited as to use:				
Cash and cash equivalents	9,252,501	–	–	9,252,501
Government obligations	12,995,152	–	–	12,995,152
Other securities	–	83,519,492	–	83,519,492
Marketable securities	250,419,452	–	–	250,419,452
Funds held in trust	–	114,402,495	–	114,402,495

5. Fair Values of Financial Instruments (continued)

Fair value for Level 1 is based upon quoted market prices while fair value for Level 2 securities were determined primarily through prices obtained from third party pricing sources, as quoted market prices for such securities are not readily available. The amounts in the above table exclude assets invested in the Hospital's pension plan (see Note 7).

6. Property, Plant and Equipment

Property, plant and equipment consist of the following at September 30:

	September 30	
	2009	**2008**
Land and land improvements	**$ 20,193,621**	$ 19,826,502
Buildings and fixed equipment	**461,473,661**	443,514,338
Movable equipment	**324,110,982**	293,886,105
	805,778,264	757,226,945
Less accumulated depreciation	**551,585,996**	510,544,134
	254,192,268	246,682,811
Construction in process (estimated cost to complete - $25,096,000)	**28,831,760**	25,638,759
	$ 283,024,028	$ 272,321,570

7. Pensions and Other Post-retirement Benefits

The Hospital has a cash balance retirement plan, the Retirement Plan for Employees of Hartford Hospital, covering substantially all employees, and noncontributory, supplemental defined-benefit retirement plan (Supplemental Plan) for certain executive employees (collectively, the pension plans).

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of post-retirement benefits, other than pensions, as incurred.

7. Pensions and Other Post-Retirement Benefits (continued)

On September 30, 2009, the Hospital adopted the measurement date provisions of ASC 715 and 958, *Employers Accounting for Defined Benefit Pensions and Other Postretirement Plans*. ASC 715 and 958 required the Hospital to measure plan assets and benefit obligations at a date consistent with its fiscal year-end consolidated balance sheet. The amount recorded as a result of this change did not have a material effect on the accompanying 2009 consolidated statement of operations.

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

	2009	2008
Unrecognized actuarial loss	**$ 284,874,781**	$ 62,947,229
Unrecognized prior service credit	**(9,587,775)**	(13,366,309)
	$ 275,287,006	$ 49,580,920

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

Unrecognized actuarial loss	$ 4,261,575
Unrecognized prior service credit	(2,848,973)
	$ 1,412,602

The following table sets forth the plans' funded status and amounts recognized in the consolidated balance sheets:

	Pension Benefits		Other Post-Retirement Benefits	
	2009	2008	2009	2008
Change in benefit obligations				
Benefit obligations at beginning of year	**$ (617,354,133)**	$ (591,279,789)	**$ (63,731,511)**	$ (61,039,992)
Effect of eliminating early measurement	**(6,610,664)**	–	**–**	–
Service cost	**(23,748,206)**	(21,981,613)	**(1,858,548)**	(1,723,413)
Interest cost	**(38,322,965)**	(36,713,683)	**(3,978,653)**	(3,811,099)
Benefits paid	**49,932,212**	40,765,401	**3,237,124**	2,528,289
Actuarial gains and losses	**(63,451,349)**	(7,143,666)	**(8,962,946)**	314,704
Loss on curtailment	**–**	(507,299)	**–**	–
Loss on settlement	**–**	(493,484)	**–**	–
Plan amendments	**(3,094)**	–	**–**	–
Benefit obligations at year-end	**$ (699,558,199)**	$ (617,354,133)	**$ (75,294,534)**	$ (63,731,511)

7. Pensions and Other Post-Retirement Benefits (continued)

	Pension Benefits		Other Post-Retirement Benefits	
	2009	**2008**	**2009**	**2008**
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 653,472,558**	$ 745,461,000		
Effect of eliminating early measurement	**5,638,669**	–		
Actual return on plan assets	**(91,641,528)**	(53,711,858)		
Benefits paid	**(49,932,212)**	(40,765,401)	**$ (3,237,124)**	$ (2,528,289)
Other	**15,918**	–	**–**	–
Employer contributions	**22,628,531**	2,488,817	**3,237,124**	2,528,289
Fair value of plan assets at year-end	**540,181,936**	653,472,558	**–**	–
Funded status of the plans	**$ (159,376,263)**	$ 36,118,425	**$ (75,294,534)**	$ (63,731,511)
Components of net periodic benefit cost				
Service cost	**$ 23,748,206**	$ 21,981,613	**$ 1,858,548**	$ 1,723,413
Interest cost	**38,322,965**	36,713,683	**3,978,653**	3,811,099
Expected return on plan assets	**(58,183,192)**	(56,741,040)	**–**	–
Net amortization and deferral	**(3,070,683)**	(3,030,646)	**98,138**	142,599
Loss on curtailment	**–**	507,299	**–**	–
Loss on settlement	**276,237**	1,806,518	**–**	–
Benefit cost	**$ 1,093,533**	$ 1,237,427	**$ 5,935,339**	$ 5,677,111

The accumulated benefit obligation for the pension plan was $655,600,402 and $572,705,034 at September 30, 2009 and 2008, respectively. The projected benefit obligation and accumulated benefit obligation of the Supplemental Plan was $9,390,998 and $8,222,980, and $16,689,510 and $14,814,437, respectively, as of September 30, 2009 and 2008, respectively. The under-funded status of the cash balance retirement plan of $149,985,265 as of September 30, 2009 is included in other liabilities and the over-funded status of the cash balance plan of $52,807,936 as of September 30, 2008, is included in prepaid expenses and other assets in the consolidated balance sheets. The under-funded status of the Supplemental Plan of $9,390,998 and $16,689,510 as of September 30, 2009 and 2008, respectively, is included in other liabilities in the consolidated balance sheets.

7. Pensions and Other Post-Retirement Benefits (continued)

The weighted-average assumptions used to develop net periodic benefit cost and the projected benefit obligation were as follows:

	2009	2008
Discount rate for projected benefit obligation	**5.50%**	6.25%
Discount rate for net periodic benefit cost	**6.25%**	6.25%
Expected long-term rate of return on plan assets	**8.50%**	8.50%
Measurement date	**September 30**	June 30

The expected rate of return on plan assets was determined by the expected return on each asset class based on a model that considers historical and expected future performance.

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 10%. Rates are assumed to decline to 5% through 2016. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the service and interest cost and accumulated post-retirement benefit obligation by approximately $180,065 and $2,322,222 at September 30, 2009, respectively. A one percentage point decrease in the assumed health care cost trend rate would decrease the service and interest cost and accumulated post-retirement benefit obligation by approximately $190,128 and $2,346,536 at September 30, 2009, respectively.

Plan Assets

The pension plan weighted-average asset allocations at September 30, by asset category, are as follows:

	2009	2008
Equity securities	**65%**	70%
Debt securities	**31**	25
Real estate	**4**	5
Total	**100%**	100%

7. Pensions and Other Post-Retirement Benefits (continued)

The goals of the plan are to provide a secure retirement benefit for plan participants and to manage plan assets for the exclusive benefit of the participants. The Investment Committee of the Board of Directors has responsibility for the development, review and monitoring of the investment policy. The plan assets are invested in accordance with the policy.

Contributions

The Hospital expects to contribute $2,400,000 to its pension plans and $4,510,000 to its other post-retirement benefit plan in 2010.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

	Pension Benefits	Other Post-Retirement Benefits
2010	$ 53,434,000	$ 4,510,500
2011	57,591,000	4,838,300
2012	61,132,000	5,029,500
2013	56,197,000	5,189,800
2014	53,786,000	5,438,700
2015-2019	299,538,000	30,521,800

Assets invested in the defined benefit cash balance plan are carried at fair value. Securities with readily determinable values are carried at fair value as determined based on independent published sources. Alternative investments, as described in Note 1, are stated at fair value, as estimated in an unquoted market but corroborated by market data.

8. Long-Term Debt

In August 2000, $30,675,000 of $31,175,000 State of Connecticut Health and Educational Facilities Authority (CHEFA) Variable Rate Demand Revenue Bonds, Hartford Hospital Issue Series B, were issued and are secured by an irrevocable direct pay letter of credit issued by Bank of America. The letter of credit expires May 1, 2011. The Bonds were issued to finance the construction of a 78-unit, independent living and assisted living facility (Cedar Mountain Commons) and the funding of various equipment purchases, software purchases and renovation projects.

In March 2002, $15,265,000 of $36,110,000 CHEFA Variable Rate Demand Revenue Bonds, Health Care Capital Asset Program Issue, Series A-1, were issued to the Hospital and secured by an irrevocable direct pay letter of credit issued by Bank of America. The letter of credit expires on May 1, 2011. The Bonds were issued to purchase a parking garage from Hartford Hospital Real Estate Corporation.

Under the Bond Indentures, the Hospital has balloon principal payments of $30,675,000 and $15,265,000 due on July 1, 2030 and 2031, respectively. At September 30, 2009 and 2008, there were no borrowings under the letter of credit. The financing documents contain certain restrictive covenants including the maintenance of a minimum debt service coverage ratio. As of September 30, 2009, the variable interest rate approximated .32%.

The carrying amount of the variable rate demand bonds approximates fair value.

The Hospital has a $10,000,000 line of credit from Bank of America. The line expires in May 2010. As of September 30, 2009 and 2008, the Hospital drew $10,000,000, respectively, on the line of credit, which has a variable rate and is included in accrued expenses and other liabilities on the consolidated balance sheets.

Interest paid for the years ended September 30, 2009 and 2008 was $604,000 and $1,589,000, respectively.

9. Pledges Receivable

Pledges receivable, included in board-designated investments and other assets, include the following unconditional promises to give as of September 30:

	2009	2008
Due within one year	**$ 947,859**	$ 599,756
Due in one to five years	**2,107,179**	2,018,205
	3,055,038	2,617,961
Less allowance and discount to present value	**328,595**	330,258
Pledges receivable, net	**$ 2,726,443**	$ 2,287,703

The discount recognizes the present value of the pledges. The allowance recognizes the estimated uncollectible portion of the pledges.

10. Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Hospital. Such lawsuits and claims are either specifically covered by insurance as explained in Note 1 or are deemed to be immaterial. While the outcomes of the lawsuits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or changes in net assets of the Hospital.

The Hospital has several operating lease agreements for certain real estate, medical equipment and computer equipment. Certain of these leases have renewal options for periods up to five years and escalation clauses. Rent is payable in equal monthly installments. Rent expense was $14,957,500 and $15,042,800 for the years ended September 30, 2009 and 2008, respectively.

The future minimum lease payments are as follows:

2010	$ 6,441,762
2011	4,809,876
2012	4,494,935
2013	3,683,989
2014	3,280,989
Thereafter	44,105,439
	$ 66,816,990

11. Related-Party Transactions

The Hospital provides general and administrative services to certain of its affiliates and is reimbursed for the cost of these services. The Hospital also reimburses its affiliates for certain services it receives from them. Amounts due from affiliates related to these services at September 30 are as follows:

	2009	2008
Intercompany receivable	**$ 74,776**	$ 1,112,791
Notes receivable from affiliates	**6,137,422**	6,397,077
	$ 6,212,198	$ 7,509,868

12. Guarantees

The Hospital guarantees certain debt issues of related parties. The related parties would not have been able to obtain favorable financing terms and rates without the Hospital's guarantee. The term of the guarantees is equal to the term of the related debt, with maturities between 2009 and 2031. The maximum potential amount of future payments the Hospital could be required to make under its guarantees at September 30, 2009 and 2008 is approximately $65,719,000 and $61,685,000, respectively. If the related party does not make the necessary principal and interest payments required by the debt agreements, the Hospital is required to pay the monthly debt service.

During 2008, the Hospital also guaranteed the termination value of a swap agreement with an unrelated entity. The arrangement relates to an interest rate swap contract with a counterparty with an original notional amount of $19,745,000 to fix the variable rate debt at a rate of 4.15%. The Hospital would be responsible for any termination payments related to the swap in the event of either nonperformance by the counterparty or by the counterparty's election to terminate the swap agreement. This guarantee is expected to significantly reduce annual debt service payments of the unrelated entity. The swap's termination value is approximately $2,500,000 as of September 30, 2009. At September 30, 2008, the value of the swap, $1,648,141, was included in accrued expenses and other liabilities in the consolidated balance sheet. In 2009, the entity became a member of Hartford Health Care Corporation. Therefore, the original amount of the guarantee was reversed and included in nonoperating income in the accompanying statement of operations.

13. Functional Expenses

The Hospital provides health care services to residents within its geographic location. Net expenses related to providing these services are as follows:

	Year Ended September 30	
	2009	**2008**
Health care services	**$ 745,130,135**	$ 701,933,929
Research	**19,796,119**	19,341,341
Education	**59,635,809**	58,265,789
	$ 824,562,063	$ 779,541,059

14. Supplemental Cash Flow Information

The changes in assets and liabilities are as follows:

	Year Ended September 30	
	2009	**2008**
Increase in accounts receivable	**$ (33,006,713)**	$ (27,040,558)
Decrease in other receivables	**471,619**	2,548,184
Decrease in due from affiliates	**1,297,670**	6,599,424
Increase in inventories of supplies and prepaid expenses and other assets	**(5,003,672)**	(3,864,399)
Decrease (increase) in estimated third-party payor settlements	**3,954,007**	(1,378,402)
Decrease (increase) in other assets	**50,904,827**	(4,393,744)
Increase in accounts payable	**13,076,621**	7,558,678
Increase in salaries, wages, payroll taxes and amounts withheld from employees	**1,652,814**	5,955,089
Increase in accrued expenses	**579,332**	7,155,932
(Decrease) increase in other liabilities	**(64,047,004)**	8,600,066
	$ (30,120,499)	$ 1,740,270

15. Fourth Quarter Adjustments (unaudited)

The Hospital recorded adjustments in the fourth quarter of 2008 to release net assets from restrictions (Note 1), to reclassify net assets to contractual allowances, and to increase the allowance for doubtful accounts by approximately $12,500,000.

Ernst & Young LLP
Goodwin Square
225 Asylum Street
Hartford, Connecticut 06103
Main tel: 1+ 860 247 3100
www.ey.com

Report of Independent Auditors on Other Financial Information

Board of Directors
Hartford Hospital

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken 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 basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Ernst & Young LLP

December 22, 2009

Hartford Hospital

Consolidating Balance Sheet

Year Ended September 30, 2009

	Hartford Hospital	Jefferson House Combined [1]	The Institute of Living	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 13,957,075	$ 11,680,064	$ 827,727	$ 26,464,866
Accounts receivable, less allowance for doubtful accounts of $20,784,000	115,042,880	1,032,814	–	116,075,694
Other receivables	17,976,669	50,667	23,953	18,051,289
Due from affiliates, net	(4,120,386)	1,683,725	8,648,859	6,212,198
Inventories of supplies	10,595,678	–	–	10,595,678
Prepaid expenses and other assets	14,983,134	24,771	11,366	15,019,271
Estimated third-party payor settlements	6,972,476	–	–	6,972,476
Total current assets	175,407,526	14,472,041	9,511,905	199,391,472
Assets whose use is limited:				
Investments and other assets	114,443,237	54,656,305	23,622,964	192,722,506
Investments for restricted purposes	156,408,075	6,015,925	21,423,848	183,847,848
	270,851,312	60,672,230	45,046,812	376,570,354
Funds held in trust by others	91,129,918	21,489,447	1,783,130	114,402,495
Other assets	15,708,815	–	–	15,708,815
Property, plant and equipment, net	266,726,356	8,919,571	7,378,101	283,024,028
	$ 819,823,927	$ 105,553,289	$ 63,719,948	$ 989,097,164

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Balance Sheet (continued)

Year Ended September 30, 2009

	Hartford Hospital	Jefferson House Combined [1]	The Institute of Living	Total
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 44,618,325	$ 169,675		$ 44,788,000
Salaries, wages, payroll taxes and amounts withheld from employees	37,105,008	674,702		37,779,710
Accrued expenses	20,856,731	1,219,922	$ 127,266	22,203,919
Current portion of other liabilities	27,020,912	–	–	27,020,912
Total current liabilities	129,600,976	2,064,299	127,266	131,792,541
Other liabilities	240,294,553	2,189,800	(1)	242,484,352
Bonds payable	45,940,000	–	–	45,940,000
Net assets:				
Unrestricted	164,603,489	74,305,015	39,628,231	278,536,735
Temporarily restricted	85,669,294	2,966,006	12,946,501	101,581,801
Permanently restricted	153,715,615	24,028,169	11,017,951	188,761,735
	403,988,398	101,299,190	63,592,683	568,880,271
	$ 819,823,927	$ 105,553,289	$ 63,719,948	$ 989,097,164

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Statement of Operations

Year Ended September 30, 2009

	Hartford Hospital	Jefferson House Combined (1)	The Institute of Living	Eliminations	Total
Unrestricted revenues, gains and other support:					
Net patient service revenue	$ 707,180,334				$ 707,180,334
Other revenue	112,175,886		$ 582,668	$ (271,712)	112,486,842
Net assets released from restrictions for operations	10,184,161	$ 24,275	22,549	–	10,230,985
	829,540,381	24,275	605,217	(271,712)	829,898,161
Operating expenses:					
Salaries	365,409,670	–	–	–	365,409,670
Employee benefits	77,134,756	–	–	–	77,134,756
Supplies and other	164,264,758	19,260	94,784	(271,712)	164,107,090
Purchased services	152,224,169	5,015	5,096	–	152,234,280
Depreciation and amortization	40,686,788	–	531,752	–	41,218,540
Provision for uncollectible accounts	23,850,530	–	–	–	23,850,530
Interest	607,197	–	–	–	607,197
	824,177,868	24,275	631,632	(271,712)	824,562,063
Income (loss) from operations	5,362,513	–	(26,415)	–	5,336,098
Loss on settlement and curtailment	(276,237)	–	–	–	(276,237)
Nonoperating (loss) income:					
(Loss) income from investments, gifts and bequests, net	(7,579,771)	–	(1,947,157)	–	(9,526,928)
Guarantee of swap	1,648,141	–	–	–	1,648,141
Other	(5,978,857)	(1,508,288)	–	–	(7,487,145)
	(11,910,487)	(1,508,288)	(1,947,157)	–	(15,365,932)
Deficiency of revenues over expenses before change in unrealized gains and losses on investments	(6,824,211)	(1,508,288)	(1,973,572)	–	(10,306,071)
Change in unrealized gains and losses on investments	2,583,404	–	808,020	–	3,391,424
Deficiency of revenues over expenses	$ (4,240,807)	$ (1,508,288)	$ (1,165,552)	$ –	$ (6,914,647)

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Balance Sheet

Year Ended September 30, 2008

	Hartford Hospital	Jefferson House Combined (1)	The Institute of Living	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 10,244,779	$ 10,054,785	$ 517,045	$ 20,816,609
Accounts receivable, less allowance for doubtful accounts of $25,123,000	105,442,656	1,476,855	–	106,919,511
Other receivables	18,436,552	90,253	(3,897)	18,522,908
Due from affiliates, net	(2,897,629)	1,773,505	8,633,992	7,509,868
Inventories of supplies	9,266,981	–	–	9,266,981
Prepaid expenses and other assets	11,283,164	42,938	18,194	11,344,296
Estimated third-party payor settlements	10,926,483	–	–	10,926,483
Total current assets	162,702,986	13,438,336	9,165,334	185,306,656
Assets whose use is limited:				
Investments and other assets	140,200,372	57,708,944	25,279,495	223,188,811
Investments for restricted purposes	167,491,110	6,197,295	22,701,366	196,389,771
	307,691,482	63,906,239	47,980,861	419,578,582
Funds held in trust by others	93,960,992	22,188,876	1,816,487	117,966,355
Other assets	66,613,642	–	–	66,613,642
Property, plant and equipment, net	255,194,581	9,272,246	7,854,743	272,321,570
	$ 886,163,683	$ 108,805,697	$ 66,817,425	$ 1,061,786,805

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Balance Sheet (continued)

Year Ended September 30, 2008

	Hartford Hospital	Jefferson House Combined [1]	The Institute of Living	Total
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 31,559,937	$ 151,442		$ 31,711,379
Salaries, wages, payroll taxes and amounts withheld from employees	35,498,221	628,675		36,126,896
Accrued expenses	21,414,624	1,159,550	$ 91,376	22,665,550
Current portion of other liabilities	28,480,782	–	–	28,480,782
Total current liabilities	116,953,564	1,939,667	91,376	118,984,607
Other liabilities	75,134,637	3,189,800	–	78,324,437
Bonds payable	45,940,000	–	–	45,940,000
Net assets:				
Unrestricted	393,127,114	75,813,303	41,443,364	510,383,781
Temporarily restricted	98,261,075	3,135,329	14,231,377	115,627,781
Permanently restricted	156,747,293	24,727,598	11,051,308	192,526,199
	648,135,482	103,676,230	66,726,049	818,537,761
	$ 886,163,683	$ 108,805,697	$ 66,817,425	$1,061,786,805

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Statement of Operations

Year Ended September 30, 2008

	Hartford Hospital	Jefferson House Combined [1]	The Institute of Living	Eliminations	Total
Unrestricted revenues, gains and other support:					
Net patient service revenue	$ 645,561,909				$ 645,561,909
Other revenue	98,520,701		$ 676,873	$ (394,590)	98,802,984
Net assets released from restrictions for operations	29,276,120	$ 70,821	20,205	–	29,367,146
	773,358,730	70,821	697,078	(394,590)	773,732,039
Operating expenses:					
Salaries	347,974,449	–	–	–	347,974,449
Employee benefits	67,042,821	–	–	–	67,042,821
Supplies and other	154,885,330	67,952	74,152	(394,590)	154,632,844
Purchased services	137,687,443	2,869	–	–	137,690,312
Depreciation and amortization	39,305,209	–	661,248	–	39,966,457
Provision for uncollectible accounts	30,682,007	–	–	–	30,682,007
Interest	1,552,169	–	–	–	1,552,169
	779,129,428	70,821	735,400	(394,590)	779,541,059
Loss from operations	(5,770,698)	–	(38,322)	–	(5,809,020)
Loss on settlement and curtailment	(2,313,817)	–	–	–	(2,313,817)
Nonoperating income (loss):					
Income from investments, gifts and bequests, net	13,463,918	–	1,377,216	–	14,841,134
Guarantee of swap	(1,648,141)	–	–	–	(1,648,141)
Other	(1,644,821)	(9,948,053)	–	–	(11,592,874)
	10,170,956	(9,948,053)	1,377,216	–	1,600,119
(Deficiency) excess of revenues over expenses before change in unrealized gains and losses on investments	2,086,441	(9,948,053)	1,338,894	–	(6,522,718)
Change in unrealized gains and losses on investments	(42,187,060)	–	(7,277,561)	–	(49,464,621)
Deficiency of revenues over expenses	$ (40,100,619)	$ (9,948,053)	$ (5,938,667)	$ –	$ (55,987,339)

(1) Includes Cedar Mountain Commons