Audited Consolidated Financial Statements and Other Financial Information

Hartford Health Care Corporation and Subsidiaries
Years Ended September 30, 2009 and 2008
With Report of Independent Auditors

Hartford Health Care Corporation and Subsidiaries

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and Other Financial Information

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Report of Independent Auditors

Board of Directors
Hartford Health Care Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Hartford Health Care Corporation and Subsidiaries (the Corporation) 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 Corporation'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 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 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 Health Care Corporation and Subsidiaries 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.

As described in Note 1 to the financial statements, the Corporation restated its financial statements for the year ended September 30, 2008.

Ernst + Young LLP

February 22, 2010

Hartford Health Care Corporation and Subsidiaries

Consolidated Balance Sheets

	September 30 2009	September 30 2008
	(in thousands)	*(Restated)*
Assets		
Current assets:		
Cash and cash equivalents	**$ 82,561**	$ 80,257
Accounts receivable, less allowances of $37,765 in 2009 and $37,381 in 2008, respectively	**173,216**	163,557
Other receivables	**22,700**	23,013
Inventories of supplies	**14,119**	12,676
Prepaid expenses and other assets	**21,884**	17,922
Estimated third-party payor settlements	**6,060**	11,484
Notes receivable	**4,161**	6,989
Total current assets	**324,701**	315,898
Assets whose use is limited:		
Investments and other assets	**194,255**	225,246
Investments for restricted purposes	**191,312**	207,703
	385,567	432,949
Funds held in trust by others	**124,401**	129,868
Other assets	**48,280**	115,052
Property, plant and equipment, net	**500,955**	463,065
	$ 1,383,904	$ 1,456,832
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 61,651**	$ 46,885
Salaries, wages, payroll taxes and amounts withheld from employees	**54,547**	52,454
Accrued expenses	**37,394**	38,781
Current portion of other liabilities	**35,115**	34,773
Current portion of long-term debt and capital leases	**5,157**	5,018
Total current liabilities	**193,864**	177,911
Other liabilities	**363,364**	137,157
Long-term debt	**165,631**	169,436
Net assets:		
Unrestricted	**350,486**	640,110
Temporarily restricted	**107,425**	121,896
Permanently restricted	**203,134**	210,322
	661,045	972,328
	$ 1,383,904	$ 1,456,832

See accompanying notes.

Hartford Health Care Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2009	**2008**
	(in thousands)	
		(Restated)
Unrestricted revenues and other support:		
Net patient service revenue	**$ 1,124,796**	$ 1,032,068
Other operating revenue	**156,205**	149,262
Net assets released from restrictions used for operations	**10,942**	29,941
	1,291,943	1,211,271
Operating expenses:		
Salaries and wages	**593,414**	560,718
Employee benefits	**135,037**	122,042
Supplies and other	**257,178**	238,331
Purchased services	**183,850**	176,776
Depreciation and amortization	**60,718**	59,909
Provision for uncollectible accounts	**46,405**	48,643
Interest	**4,609**	5,602
	1,281,211	1,212,021
Operating income (loss) before loss on settlement and curtailment	**10,732**	(750)
Loss on settlement and curtailment	**(276)**	(2,314)
Nonoperating income:		
(Loss) income from investments, gifts and bequests, net	**(7,857)**	18,112
Other	**(11,525)**	(13,382)
	(19,382)	4,730
(Deficiency) excess of revenues over expenses before change in unrealized gains and losses on investments	**(8,926)**	1,666
Change in unrealized gains and losses on investments	**2,052**	(51,064)
Deficiency of revenues over expenses	**(6,874)**	(49,398)

Continued on next page.

Hartford Health Care Corporation and Subsidiaries

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

	Year Ended September 30	
	2009	**2008**
	(in thousands)	
		(Restated)
Unrestricted net assets:		
Deficiency of revenue over expenses	**(6,874)**	(49,398)
Net asset transfers	**3,092**	(5)
Net unrealized loss on endowments and other investments	**(707)**	(1,124)
Net assets released from restrictions used for the purchase of equipment	**1,965**	1,919
Change in pension and post retirement funding obligation	**(287,548)**	(128,078)
Other	**448**	(2,851)
Decrease in unrestricted net assets	**(289,624)**	(179,537)
Temporarily restricted net assets:		
Restricted contributions	**6,970**	7,401
Restricted investment (loss) income	**(10,917)**	8,897
Change in unrealized gains and losses on investments	**3,906**	(45,491)
Net assets released from restrictions for operations	**(10,942)**	(29,941)
Net assets released from restrictions used for the purchase of equipment	**(1,965)**	(1,919)
Net asset transfers	**(1,578)**	5
Transfer to other entity	**–**	(2,558)
Other	**55**	215
Decrease in temporarily restricted net assets	**(14,471)**	(63,391)
Permanently restricted net assets:		
Restricted contributions	**176**	1,483
Restricted investment (loss) income	**(422)**	514
Transfer to other entity	**(518)**	(124)
Net asset transfers	**(1,514)**	–
Change in unrealized gains and losses on funds held in trust by others and other investments	**(4,910)**	(23,988)
Decrease in permanently restricted net assets	**(7,188)**	(22,115)
Decrease in net assets	**(311,283)**	(265,043)
Net assets at beginning of year	**972,328**	1,237,371
Net assets at end of year	**$ 661,045**	$ 972,328

See accompanying notes.

Hartford Health Care Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2009	**2008**
		(Restated)
	(in thousands)	
Cash flows from operating activities		
Decrease in net assets	**$ (311,283)**	$ (265,043)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash items:		
Depreciation and amortization	**60,718**	59,909
Change in unrealized gains and losses on investments	**(5,212)**	98,016
Change in unrealized gains and losses on investments on funds held in trust by others	**4,949**	23,651
Provision for uncollectible accounts	**46,405**	48,643
Change in pension and postretirement funding obligation	**287,548**	128,078
Change in fair value of interest rate swap agreements	**2,426**	2,962
Restricted contributions and investment loss (income)	**4,193**	(18,295)
Transfer to other entity	**518**	2,682
Other	**(503)**	2,636
Other changes in net assets:		
Changes in assets and liabilities, net *(See Note 12)*	**(34,085)**	(52,221)
Net cash provided by operating activities	**55,674**	31,018
Cash flows from investing activities		
Net purchase of property, plant and equipment	**(98,608)**	(57,913)
Sale (purchase) of investments, net	**53,097**	(3,583)
Net cash used in investing activities	**(45,511)**	(61,496)
Cash flows from financing activities		
Proceeds of issuance of bonds and debt service funds	**1,201**	48,483
Payments on debt and capital leases	**(4,867)**	(19,725)
Restricted contributions and investment (loss) income	**(4,193)**	18,295
Net cash (used in) provided by financing activities	**(7,859)**	47,053
Net increase in cash and cash equivalents	**2,304**	16,575
Cash and cash equivalents at beginning of year	**80,257**	63,682
Cash and cash equivalents at end of year	**$ 82,561**	$ 80,257

See accompanying notes.

1. Significant Accounting Policies

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

Organization

The Corporation was incorporated on August 21, 1985 as a not-for-profit organization under the Non-Stock Corporation Act of the State of Connecticut. The Corporation is organized exclusively for public welfare, charitable, scientific, literary and educational purposes, including the furtherance of the welfare, programs and activities of Hartford Hospital, a non-stock corporation established by special act of the Connecticut Legislature.

The accompanying consolidated financial statements include the following subsidiaries of the Corporation: Hartford Hospital, Jefferson House and Cedar Mountain Commons (departments of Hartford Hospital), and the Institute of Living (collectively the Hospital), consolidated MidState Medical Center (the Medical Center), H.H.M.O.B, VNA Health Care, Inc. (VNA Health Care), Natchaug Hospital (Natchaug), Rushford Center, Inc., and Clinical Laboratory Partners, LLC. VNA Health Care and Rushford Center, Inc. have a June 30 year-end. Windham Community Memorial Hospital (Windham) joined the Corporation in March 2009. Refer to "Restatement for Acquisition of Windham Community Memorial Hospital, Inc.", following, for additional disclosures.

Effective September 30, 2008 and October 1, 2008 certain taxable subsidiaries of the Corporation reorganized. Hartford Hospital Real Estate Corporation (HHREC) merged into H.H. Management Services, Inc. (HHMSI) on September 30, 2008 and HHMSI, Hartford Medical Group and Immediate Medical Care Centers, Inc. (IMCC) and Eastern Rehabilitation Network (ERN) merged into H.H.M.O.B. on October 1, 2008. The September 30, 2009 consolidated financial statements reflect these combinations.

All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

1. Significant Accounting Policies (continued)

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

Restatement for Acquisition of Windham Community Memorial Hospital, Inc.

Pursuant to an affiliation agreement dated March 20, 2009, the Corporation became the sole corporate member of Windham. The transaction was treated in a manner similar to a pooling-of-interests. Accordingly, the accompanying consolidated financial statements for 2009 are based on the assumption that the companies were combined for the full year, and the consolidated financial statements of the prior year have been restated to give effect to the combination. For the periods preceding the transaction, there were no intercompany transactions which required elimination from the consolidated results of operations and there were no adjustments necessary to conform to accounting practices of the combining companies.

1. Significant Accounting Policies (continued)

Selected financial information for the combining entities included in the consolidated financial statements for the six months ended ended March 31, 2009 and for the year ended September 30, 2008, is as follows:

	For the Six Months Ended March 31, 2009	For the Year Ended September 30, 2008
	(in thousands)	
Total unrestricted revenues and other support:		
Corporation	$ 693,044	$ 1,126,002
Windham	42,343	85,269
Combined	$ 735,387	$ 1,211,271
Operating income (loss):		
Corporation	$ 2,193	$ (2,532)
Windham	654	1,782
Combined	$ 2,847	$ (750)
(Deficiency) excess of revenues over expenses:		
Corporation	$ (63,495)	$ (51,490)
Windham	692	2,092
Combined	$ (62,803)	$ (49,398)

The retroactive restatement of the consolidated balance sheet as of September 30, 2007 reflects Corporation net assets of $1,222,946,000 and Windham net assets of $14,425,000.

Fair Value of Financial Instruments

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

Investments

The Corporation's investment portfolio is classified as trading, with unrealized gains and losses included in the deficiency of revenue over expense.

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 Corporation'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) 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.

Interest Rate Swap Agreements

The Corporation utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. The Corporation does not hold or issue derivative financial instruments for trading purposes. The Corporation is exposed to credit loss in the event of nonperformance by the counterparties to its interest rate swap agreements. Interest rate swap agreements are reported at fair value. Changes in fair value are recognized in the performance indicator in the statements of operations and changes in net assets.

Patient Accounts Receivable

Patient accounts receivable result from the health care services provided by the Corporation. 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 Corporation'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 Corporation 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 33% and 13%, for Medicare and Medicaid, respectively, for the fiscal years ended September 30, 2009 and 2008, respectively.

1. Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost or market. The Corporation 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 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.

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 sheet. 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 during the years ended September 30, 2009 and 2008, respectively.

Assets Whose Use is Limited

Assets whose use is limited includes internally designated assets that are assets set aside for future capital improvements, research and education. 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 Corporation 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 Corporation in perpetuity. The Corporation is a partial beneficiary to various perpetual trust agreements. Assets recorded under these agreements are recognized at fair value and the net assets are classified as permanently restricted. The investment income generated from these funds is expendable to support healthcare services.

During 2009 and 2008, the Corporation released $10,942,000 and $29,941,000, respectively, of temporarily restricted net assets into operations. Of the funds released in 2008, approximately $23,000,000 was released in the fourth quarter of the fiscal year relating to free care ($16,800,000) and other operating programs ($6,300,000).

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. 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. The pledges 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 postretirement funding obligations, net assets released from restrictions for the purchase of equipment, net asset transfers, changes in unrealized gains and losses on investments and endowments, and permanent transfers to and from affiliates.

Nonoperating Income

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

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 and the Medical Center have an ownership interest. The ownership is accounted for under the equity method in the accompanying consolidated statements of operations. The investment in CHS Insurance Limited is included in other assets in the consolidated balance sheets.

The Corporation 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 Corporation and all of its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code except for Clinical Laboratory Partners, LLC, and H.H.M.O.B., including one of its subsidiaries Eastern Rehabilitation Network, which are taxable entities of which income taxes are immaterial.

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 Corporation's policy to monitor the financial strength of those institutions.

1. Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB 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 Corporation 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 Corporation's financial position or results of operations.

Effective October 1, 2008, the Corporation adopted FASB 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 Corporation's adoption of ASC 820-10 did not significantly affect its consolidated financial statements (see Note 5).

Effective October 1, 2008, the Corporation adopted FASB 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 Corporation chose not to elect the fair value option for its financial assets and liabilities. Consequently, the adoption of ASC 825-10 did not have any effect on its consolidated financial statements.

On October 1, 2008, the Corporation adopted ASC 958-205: *Net Asset Classification of* 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 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 Corporation'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 Corporation's endowment funds.

1. Significant Accounting Policies (continued)

During 2009, FASB issued FASB 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 Corporation adopted the provisions of ASC 855-10 as of September 30, 2009, and evaluated the impact of subsequent events through February 22, 2010, representing the date at which the consolidated financial statements were issued. See Note 14 for subsequent event disclosures.

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, $23,684,000 of amounts previously recorded in other liabilities and $10,069,000 in accrued expenses have been reclassified to current portion of other liabilities and $24,700,000 was reclassified from other operating revenue to employee benefits expense.

2. Net Patient Service Revenue and Charity Care

Revenues from the Medicare and Medicaid programs accounted for approximately 40% and 12%, and 38% and 12%, respectively, of the Corporation'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 Corporation 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 Corporation.

2. Net Patient Service Revenue and Charity Care (continued)

The following table summarizes net patient service revenue:

	Year Ended September 30	
	2009	**2008**
	(in thousands)	
Gross patient service revenue	**$ 2,533,111**	$ 2,314,121
Less:		
Allowances	**1,370,018**	1,233,408
Charity care	**38,297**	48,645
	$ 1,124,796	$ 1,032,068

The Corporation has agreements with third-party payors that provide for payments to the Corporation 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 Corporation recorded net changes in estimates of approximately $3,800,000 and $5,600,000, respectively which primarily related to better than previously estimated third-party payor settlements.

The Corporation 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 Corporation-specific data. Such amounts are included in the accompanying balance sheets. Additionally, certain payors' payment rates for various years have been appealed by the Corporation. If the appeals are successful, additional income applicable to those years might be realized.

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

2. Net Patient Service Revenue and Charity Care (continued)

The Corporation 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 Corporation. Essentially, these policies define charity care as those services for which no payment is anticipated. In accessing 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:

	September 30	
	2009	**2008**
	(in thousands)	
Free beds	**$ 22,138**	$ 29,443
Research	**31,174**	34,089
Education	**13,034**	16,068
Capital replacement	**10,625**	10,052
Other health care services	**30,454**	32,244
	$ 107,425	$ 121,896

Permanently restricted net assets are restricted for:

	September 30	
	2009	**2008**
	(in thousands)	
Investments to be held in perpetuity, the income from which is expendable to support health care services	**$ 57,877**	$ 59,223
Endowment requiring income to be added to original gift to support health care services	**20,856**	21,231
Restricted funds held in trust by others, the income from which is expendable to support health care services	**124,401**	129,868
	$ 203,134	$ 210,322

3. Net Assets (continued)

The Corporation's endowment consists of hundreds of individuals funds established for a variety of purposes. Those funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Corporation has 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 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 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 Corporation 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 Corporation 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 Corporation
7) The investment policies of the Corporation

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 purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are primarily 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.

3. Net Assets (continued)

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 that places a greater emphasis on equity-based alternative investments to achieve its long-term objective within prudent risk constraints.

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 Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity of for a specified term as well as to provide additional real growth through new gifts and investment returns. The Medical Center, Windham, VNA Health Care and Rushford evaluated endowment spending based on need and current market conditions as well as long term investment goals.

Endowment net asset composition (excluding funds held in trust by others) by type of fund as of September 30, 2009, consisted of the following:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ (549,810)	$ 53,340,065	$ 78,732,943	$ 131,523,198
Board-designated endowment funds	13,229,510	–	–	13,229,510
	$ 12,679,700	$ 53,340,065	$ 78,732,943	$ 144,752,708

3. Net Assets (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of the year	$ 11,020,677	$ 64,586,909	$ 80,655,121	$ 156,262,707
Reclassifications	3,121,908	(1,386,710)	(1,714,845)	20,353
Endowment net assets after reclassification	14,142,585	63,200,199	78,940,276	156,283,060
Investment return:				
Investment income	406,212	1,493,784	(380,368)	1,519,628
Net depreciation (realized and unrealized)	(1,203,435)	(5,203,366)	(2,540)	(6,409,341)
Net asset reclassification – net unrealized loss on endowments	(549,810)	549,810	–	–
Total investment return	(1,347,033)	(3,159,772)	(382,908)	(4,889,713)
Contributions	–	36,085	175,575	211,660
Appropriation of endowment assets for expenditure	(115,852)	(6,736,447)	–	(6,852,299)
Endowment net assets, end of year	$ 12,679,700	$ 53,340,065	$ 78,732,943	$ 144,752,708

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 Corporation 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 deficiencies of $549,810 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 are the following amounts:

	September 30 2009	September 30 2008
	(in thousands)	
Cash	**$ 9,258**	$ 12,458
Investments:		
United States government obligations	**13,221**	34,212
Other marketable securities	**93,336**	76,284
Marketable equity securities	**267,019**	305,460
Other notes and accounts receivable	**7**	2,248
Pledges	**2,726**	2,287
	$ 385,567	$ 432,949

Included in (loss) income from investments, gifts and bequests, net in the consolidated statement of operations and changes in net assets are realized (losses) gains of ($13,420,000) and $9,738,000 and investment income of $6,646,000 and $10,727,000 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 Corporation 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.

5. Fair Values of Financial Instruments (continued)

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 as well as 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 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 82,561	$ –	$ –	$ 82,561
Assets limited as to use:				
Cash and cash equivalents	9,258	–	–	9,258
United States government obligations	13,221	–	–	13,221
Other marketable securities	9,816	83,520	–	93,336
Marketable equity securities	256,071	10,948	–	267,019
Funds held in trust	–	124,401	–	124,401
Other assets:				
Escrow funds for long-term debt	11,842	–	–	11,842
Liabilities				
Interest rate swap agreements	–	7,212	–	7,212

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 Corporation's pension plan (see Note 7).

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	September 30	
	2009	**2008**
	(in thousands)	
Land and land improvement	**$ 33,455**	$ 37,069
Buildings and fixed equipment	**673,675**	647,144
Equipment	**495,221**	445,121
	1,202,351	1,129,334
Less accumulated depreciation	**(765,929)**	(706,242)
	436,422	423,092
Construction in process (estimated cost to complete — $48,546)	**64,533**	39,973
	$ 500,955	$ 463,065

7. Pensions and Other Postretirement Benefits

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

The Medical Center has a defined benefit pension plan covering substantially all of its employees. Plan benefits are based on years of service and the employee's compensation during the last five years of employment. The Medical Center makes contributions in amounts sufficient to fund the pension plan's current service cost and to fund the past service costs plus interest thereon over a period of approximately 30 years. The Medical Center also has a defined contribution plan for all new employees. The defined benefit plan is frozen to all new members which was effective during fiscal year 2006.

Windham has a pension plan that provides for both a contributory and noncontributory defined benefit plan for eligible employees providing for retirement and certain death benefits. The benefits are based on years of service and the employee's compensation during the last five years of employment.

Natchaug has a defined benefit pension plan. This plan covers all employees of Natchaug represented by the New England Healthcare Employees Union. Plan benefits are based on years of service and the employee's compensation as defined by the plan.

7. Pensions and Other Postretirement Benefits (continued)

VNA Health Care has a defined benefit cash balance pension plan which was frozen, effective June 30, 2000. The plan's 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 participant based on a percentage of compensation (ranging from 5% to 8%) associated with years of service. This plan's participants earn a return based on an interest rate established annually at the beginning of this plan's year. This plan's participants will vest in their benefits on a percentage basis with years of service.

H.H.M.O.B. sponsors a defined benefit pension plan which covers substantially all of its employees. The benefit formula is based on a covered employee's final average compensation and credited service, as defined by the plan. H.H.M.O.B.'s funding policy is to contribute amounts to this plan sufficient to meet the minimum funding requirements set forth by federal government regulations.

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

On September 30, 2009, the Corporation 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 Corporation 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 and changes in net assets.

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	**$ 397,918,000**	$ 114,243,000
Unrecognized transition obligation	**747,000**	872,000
Unrecognized prior service credit	**(10,738,000)**	(14,623,000)
	$ 387,927,000	$ 100,492,000

7. Pensions and Other Postretirement Benefits (continued)

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	$ 7,464,000
Unrecognized prior service credit	(2,748,000)
	$ 4,716,000

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**
	(in thousands)			
Change in benefit obligation				
Benefit obligation at beginning of year	**$ (799,894)**	$ (788,619)	**$ (81,511)**	$ (80,610)
Early effect of measurement date	**(6,631)**	–	**–**	–
Service cost	**(27,941)**	(27,175)	**(2,002)**	(1,921)
Interest cost	**(51,360)**	(49,270)	**(5,295)**	(5,060)
Employer contributions	**(86)**	–	**–**	–
Employee contributions	**–**	(89)	**(98)**	(85)
Benefits paid	**56,939**	47,277	**4,301**	3,588
Liabilities gains (losses)	**(89,194)**	14,422	**(6,449)**	4,428
Settlement/Termination	**(20,959)**	(1,000)	**–**	–
Assumption changes	**–**	4,560	**(10,335)**	(1,851)
Plan amendments	**(3)**	–	**–**	–
Benefit obligation at year-end	**$ (939,129)**	$ (799,894)	**$ (101,389)**	$ (81,511)
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 799,511**	$ 912,755		
Early effect of measurement date	**5,673**	–		
Actual return on plan assets	**(86,519)**	(79,269)		
Benefits paid	**(56,939)**	(47,277)	**$ (4,301)**	$ (3,588)
Settlement	**–**	–	**–**	–
Employer contributions	**31,742**	13,213	**4,203**	3,503
Employee contributions	**86**	89	**98**	85
Other	**15**	–	**–**	–
Fair value of plan assets at year-end	**693,569**	799,511	**–**	–
Funded status of the plan	**(245,560)**	(383)	**(101,389)**	(81,511)
Employer contributions after measurement date	**–**	45	**–**	–
Accrued benefit cost recognized in the balance sheets	**$ (245,560)**	$ (338)	**$ (101,389)**	$ (81,511)

7. Pensions and Other Postretirement Benefits (continued)

	Pension Benefits		Other Post Retirement Benefits	
	2009	**2008**	**2009**	**2008**
	(in thousands)			
Components of net periodic benefit cost				
Service cost	**$ 27,941**	$ 27,175	**$ 2,002**	$ 1,921
Interest cost	**51,360**	49,270	**5,295**	5,060
Expected return on plan assets	**(66,959)**	(56,577)	**–**	–
Settlement loss	**276**	1,806	**–**	–
Curtailment loss	**–**	507	**–**	–
Net amortization and deferral	**(6,752)**	(15,523)	**223**	396
Benefit cost included in the statements of operations and changes in net assets	**$ 5,866**	$ 6,658	**$ 7,520**	$ 7,377

The accumulated benefit obligation for the Corporation's pension plans was approximately $908,285,000 and $734,197,000 at September 30, 2009 and 2008, respectively.

The under funded status of the pension plans of $245,560,000 and $53,146,000 as of September 30, 2009 and 2008, respectively, is included in other liabilities. The over funded status of the cash balance plan of $52,808,000 as of September 30, 2008, is included in other assets in the consolidated balance sheets.

Weighted average assumptions used to determine benefit obligations at September 30:

	Pension Benefits		Other Post-Retirement Benefits	
	2009	**2008**	**2009**	**2008**
Discount rate for determining benefit obligations at year-end	**5.50-6.10%**	6.25-7.55%	**5.55%**	6.25%
Rate of compensation increase	**3.50-4.00%**	3.50-4.00%		

7. Pensions and Other Postretirement Benefits (continued)

Weighted average assumptions used to determine net periodic benefit cost for the years ended September 30:

	Pension Benefits		Other Post-Retirement Benefits	
	2009	**2008**	**2009**	**2008**
Discount rate	**6.25-7.55%**	6.25%-6.53%	**6.25%**	6.25%
Expected rate of return on plan assets	**7.00-9.00%**	7.00-9.00%		
Rate of compensation increase	**3.50-4.00%**	3.50-4.00%		

The measurement date for determining plan assets and obligations is June 30 for VNA Health Care. The measurement date for the Hospital, H.H.M.O.B., Natchaug, Windham and the Medical Center is September 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 Hospital's 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.

Windham's 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 8%. Rates are assumed to decline to 4% through 2017. 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 $3,435,064 and $160,260 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 $2,866,335 and $(135,728) at September 30, 2009, respectively.

7. Pensions and Other Postretirement Benefits (continued)

Plan Assets

The weighted-average asset allocations for plan assets, by asset category are as follows:

	September 30	
	2009	**2008**
Equity securities	**65%**	70%
Debt securities	**31%**	25%
Other	**4%**	5%
Total	**100%**	100%

The pension plan asset portfolios have target allocations similar to the allocations noted in the previous table. The goals of the pension plans are to provide a secure retirement benefit for pension plan participants and to manage pension plan assets for the exclusive benefit of the participants. The Investment Committee of the Board of Directors of each organization has responsibility for the development, review and monitoring of the investment policy. The pension plan assets are invested in accordance with the policy.

Cash Flows:

Contributions

The Corporation expects to make contributions of approximately $10,426,000 in 2010 to its pension plans and approximately $5,644,000 to its other postretirement benefit plan in 2010.

7. Pensions and Other Postretirement Benefits (continued)

Estimated Future Benefit Payments

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

	Pension Benefits	Other Post-Retirement Benefits
2010	$ 61,445,000	$ 5,644,000
2011	65,565,000	6,053,000
2012	70,065,000	6,340,000
2013	66,146,000	6,595,000
2014	64,749,000	6,947,000
2015-2019	370,539,000	39,410,000

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

Details of long-term debt are as follows:

	September 30 2009	September 30 2008
	(in thousands)	
Medical Center revenue bonds financed with the State of Connecticut Health and Educational Facilities Authority (CHEFA):		
Series A, B, A-1, and B-1	**$ 85,305**	$ 87,765
Hospital revenue bonds financed with CHEFA:		
Series B, A-1 Bonds	**45,940**	45,940
Windham Hospital revenue bonds financed with CHEFA:		
Series D	**19,555**	19,745
Windham notes payable and capital lease obligation	**2,076**	1,798
H.H.M.O.B. note payable	**10,729**	11,536
VNA Health Care term loan	**3,500**	4,100
Natchaug commercial note	**3,367**	3,342
Other loans and notes	**316**	228
	170,788	174,454
Less current portion	**5,157**	5,018
	$ 165,631	$ 169,436

The Medical Center issued Series A revenue bonds totaling $69,785,000, consisting of $43,010,000 of serial bonds and $26,775,000 of term bonds, to finance the Medical Center's construction of a new hospital. The Series A revenue bonds bear interest at rates ranging from 4.10% to 6.25%. Principal amounts related to the serial bonds mature annually each July 1 through 2016 and the term bonds mature on July 1, 2026. During 2000, additional $500,000 in Series B bonds was issued in conjunction with a related entity. The fair value of the bonds, as determined by the Medical Center's investment advisor, was approximately $46,652,000 at September 30, 2009.

During 2002, an additional $13,935,000 in Series A-1 bonds was issued to fund an expansion of the Medical Center. The Series A-1 bonds are variable rate demand bonds secured by an irrevocable direct pay letter of credit issued by Bank of America. The letter of credit expires May 1, 2011. Under the $13,935,000 bond indenture, the Medical Center has one balloon principal payment of $13,935,000 due on July 1, 2031. As of September 30, 2009 and 2008, the variable interest rate approximated 0.7% and 5.2%, respectively.

8. Long-Term Debt (continued)

Under the terms of the revenue bond indentures, the Medical Center is required to maintain certain deposits with a trustee. The terms provide for the establishment of various funds, a pledge of gross receipts, as defined, restrictions on incurrence of certain indebtedness, and financial covenants.

During 2006, the Medical Center entered into a synthetic refinancing of its existing Series A Fixed Rate Bonds (Fixed Rate Bonds), whereby the Medical Center called the Fixed Rate Bonds on July 1, 2006 from the current bondholders through a tender offer paying a call premium of 103. Bonds that were not tendered, $6,046,000, were redeemed at a premium of 102. The Medical Center simultaneously resold the Fixed Rate Bonds to an unrelated third-party financial institution. The Medical Center entered into a Total Return Distribution Agreement with the financial institution whereby the Medical Center receives the fixed rate, ranging from 5.1% to 5.5%, and pays a variable rate equal to the BMA Index plus 26.5 basis points. This agreement had an effective date of July 1, 2006 and includes a total return payment at termination equal to any gain, paid by the financial institution, or loss, paid by the Medical Center, in the value of the Fixed Rate Bonds. The Total Return Distribution Agreement has termination dates based on the serial maturity dates of the Fixed Rate Bonds.

The Total Return Distribution was amended on May 1, 2009. Whereby, the agreement cannot be terminated prior to April 1, 2010 and the Medical Center is also required to post collateral for the fair value of the agreement that exceeds $5.0 million.

In connection with the synthetic refinancing, the Medical Center also entered in to an interest rate swap agreement (LIBOR Swap), effective July 1, 2006, whereby the Medical Center receives a variable rate equal to 67% of one month LIBOR and pays a fixed rate of 3.777%. This agreement terminates July 1, 2026.

The fair market value of the Medical Center's swap agreements were $(4,625,870) and $(3,130,325) at September 30, 2009 and 2008, respectively, and are recorded in the current portion of other liabilities in the accompany balance sheets. Although the Total Return Distribution Agreement and LIBOR Swap represent economic hedges of the interest rate on the bonds, they do not qualify for hedge accounting. The changes in the fair market value of these agreements are reported in the accompanying statements of operations and changes in net assets as a component of other nonoperating income along with the net cash receipts on the swap agreements.

8. Long-Term Debt (continued)

During 2008, an additional $30,000,000 in Series B-1 bonds was issued to fund an expansion of the Medical Center. The Series B-1 bonds are variable rate demand bonds secured by an irrevocable direct pay letter of credit issued by Bank of America. The letter of credit expires June 18, 2011. Under the $30,000,000 bond indenture, the Medical Center has one balloon principal payment of $30,000,000 due on July 1, 2038. As of September 30, 2009 and 2008, the variable interest rate approximated 0.3% and 5.2%, respectively.

In August 2000, $30,675,000 of a $31,175,000 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 a $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 terms of 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 and a pledge of gross receipts, as defined. As of September 30, 2009, the variable interest rate approximated .32%. The carrying amount of the Hospital’s 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 on the consolidated balance sheets.

Windham issued CHEFA 2007 Series D Revenue bonds in the amount of $19,745,000. Proceeds from the issuance were used to redeem Series C CHEFA Bonds, payoff various capital leases, and fund equipment and facility improvements.

8. Long-Term Debt (continued)

In conjunction with the issuance of the Series D CHEFA Bonds, Windham entered into two interest rate swap agreements with a financial institution, with an original notional amount of $19,745,000, to fix the debt at a rate of 4.15%. The fair value of the swap agreements were $(2,585,845) and $(1,655,190) at September 30, 2009 and 2008, respectively, and are recorded in the accompanying balance sheets. Although the swap agreements represent economic hedges of the interest rate on the bonds, they do not qualify for hedge accounting. The changes in fair value of these agreements are reported in the accompanying statements of operations and changes in net assets as a component of other nonoperating income along with the net cash receipts on the swap agreements.

The Series D CHEFA Bonds contain a covenant which includes the maintenance of a minimum debt service coverage ratio and a pledge of gross receipts, as defined. As of September 30, 2009, Windham was in compliance with the covenant. In addition, Windham is required to set aside certain funds for the purposes of future debt payments. The carrying value of the Series D CHEFA Bonds approximates fair value.

Windham has an outstanding line of credit with a financial institution for $5,000,000 which expires on June 1, 2010. Interest is set at prime, and there have been no drawings under this under the line of credit as of September 30, 2009 and 2008.

VNA Health Care has a revolving line of credit (Revolving Line), term loan and security agreement with a bank. The Revolving Line with the bank provides for borrowings up to the lesser of $2,500,000, or 75% of “Eligible Accounts” (as defined by the security agreement) at the time of borrowing. In accordance with the Revolving Line, the amounts outstanding bear interest at the LIBOR rate (.32% at June 30, 2009) plus 1.26%, the bank’s prime rate or a combination thereof. The Revolving Line expires on June 9, 2010. There was no outstanding balance at June 30, 2009 or 2008.

The term loan bears interest at the LIBOR rate plus 1.75%. Interest on the term loan is payable monthly. Monthly installments of $58,333 are required from July 1, 2009 until June 1, 2014, at which time all unpaid principal and interest is due.

Borrowings under the Revolving Line are secured by all of the VNA Health Care’s personal property and fixtures, accounts receivable, and inventory. The Revolving Line and the term loan contain various covenants, including among other things, minimum financial ratios, restrictions relating to investments, loans, dividends, and sale of assets held for collateral.

8. Long-Term Debt (continued)

In May 2006, H.H.M.O.B. converted its debt to a $13,751,960 amended and restated term loan note. The note is payable in equal principal installments of $76,400 through April 1, 2011, when a balloon payment of $9,244,373 is due. Interest is computed using the one-month LIBOR rate plus 65 basis points. The term loan note is secured by a first priority leasehold mortgage on the real property and has collateral assignment of rental income generated by this property.

Principal payments due on long-term debt are as follows (in thousands):

Fiscal Year Ending September 30:	
2010	$ 5,157
2011	4,989
2012	12,817
2013	3,052
2014	3,914
Thereafter	140,859
	$ 170,788

Interest paid for the year ended September 30, 2009 and 2008 was $3,711,000 and $6,238,000, respectively.

9. Pledges Receivable

Pledges receivable, included in assets whose use is limited, and prepaid and deferred expenses, include the following unconditional promises to give:

	September 30	
	2009	**2008**
	(in thousands)	
Due within one year	**$ 2,164**	$ 1,728
Due in one to five years	**2,316**	2,468
	4,480	4,196
Less allowance and discount to present value	**715**	935
Net pledge receivable	**$ 3,765**	$ 3,261

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 Corporation. 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 Corporation.

The Corporation 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 $17,897,000 and $17,661,000 for the years ended September 30, 2009 and 2008, respectively.

The future minimum lease payments are as follows:

2010	$ 10,016,000
2011	8,153,000
2012	7,581,000
2013	6,582,000
2014	6,048,000
Thereafter	64,635,000
	$ 103,015,000

11. Functional Expenses

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

	September 30	
	2009	**2008**
	(in thousands)	
Health care services	**$ 982,860**	$ 931,259
Support services	**220,408**	203,155
Research	**19,796**	19,341
Education	**58,147**	58,266
	$ 1,281,211	$ 1,212,021

12. Supplemental Cash Flow Information

The changes in assets and liabilities are as follows:

	September 30	
	2009	**2008**
	(in thousands)	
Increase in accounts receivable	**$ (56,064)**	$ (42,223)
Decrease in other receivables	**313**	1,808
Decrease in notes receivable	**2,828**	457
Increase in supplies and prepaid and deferred expenses	**(5,405)**	(5,314)
(Decrease) increase in other assets	**66,772**	(51,822)
Increase in accounts payable	**14,766**	10,185
Increase (decrease) in estimated third-party payor settlements	**5,424**	(1,952)
Increase in salaries, wages, payroll taxes and amounts withheld from employees	**2,093**	7,272
(Decrease) increase in accrued expenses and other liabilities	**(64,812)**	29,368
	$ (34,085)	$ (52,221)

13. Fourth Quarter Adjustments (unaudited)

The Corporation 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 approximately $12,500,000.

14. Subsequent Event

On November 18, 2009, a Certificate of Need (CON) was filed between the Corporation and Central Connecticut Health Systems (CCHA). The CON was filed to document potential merger activity of CCHA into the Corporation. On February 19, 2010, the CON was deemed complete.

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Report of Independent Auditors on Other Financial Information

Board of Directors
Hartford Health Care Corporation and Subsidiaries

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

Ernst & Young LLP

February 22, 2010

Hartford Health Care Corporation and Subsidiaries

Consolidating Balance Sheet

September 30, 2009
(In Thousands)

	Hartford Health Care Corporation	Consolidated Hartford Hospital	Consolidated MidState Medical Center	Windham Hospital	Consolidated H.H.M.O.B.
Assets					
Current assets:					
Cash and cash equivalents	$ 142	$ 26,465	$ 42,247	$ 4,157	$ 4,273
Accounts receivable, less allowances	–	116,076	22,801	13,116	4,413
Other receivables	1,956	18,051	808	2,707	668
Inventories of supplies	–	10,596	1,420	1,175	179
Prepaid expenses and other assets	–	14,968	2,653	1,485	892
Estimated third-party payor settlements	–	6,972	(885)	1,259	–
Notes receivable	3,631	530	–	–	–
Due from affiliates, net	–	5,733	–	105	–
Total current assets	5,729	199,391	69,044	24,004	10,425
Assets whose use is limited:					
Investments and other assets	–	188,812	–	322	–
Investments for restricted purposes	–	170,110	11,876	2,749	–
Funds held in trust by others	–	114,402	4,011	1,752	–
Notes receivable from affiliates, net	–	17,649	–	–	–
Investment in subsidiaries	13,907	–	–	–	–
Other assets	8,118	15,709	18,884	3,972	1,367
Property, plant and equipment, net	2,655	283,024	118,350	36,909	32,217
	$ 30,409	$ 989,097	$ 222,165	$ 69,708	$ 44,009
Liabilities and net assets					
Current liabilities:					
Accounts payable	$ 912	$ 44,788	$ 7,623	$ 3,370	$ 857
Salaries, wages, payroll taxes and amounts withheld from employees	–	37,780	9,289	2,735	1,084
Accrued expenses	2,810	22,203	1,063	1,034	3,244
Current portion of other liabilities	–	27,021	6,956	1,133	–
Current portion of long-term debt and capital leases	–	–	2,390	856	937
Notes payable to affiliates, net	11,177	–	–	–	5,789
Due to affiliates, net	(56)	–	(9)	–	1,399
Total current liabilities	14,843	131,792	27,312	9,128	13,310
Other liabilities	–	242,484	54,570	59,976	1,931
Long-term debt	–	45,940	82,915	20,775	9,792
Net assets:					
Unrestricted	15,566	278,537	50,951	(25,502)	18,976
Temporarily restricted	–	101,582	1,631	2,104	–
Permanently restricted	–	188,762	4,786	3,227	–
	15,566	568,881	57,368	(20,171)	18,976
	$ 30,409	$ 989,097	$ 222,165	$ 69,708	$ 44,009

Hartford Health Care Corporation and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2009
(In Thousands)

	Consolidated VNA Health Care, Inc.	Natchaug Hospital	Rushford Center, Inc.	Clinical Laboratory Partners	Elimination	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 2,428	$ 594	$ 763	$ 1,492		$ 82,561
Accounts receivable, less allowances	4,088	4,443	3,653	4,626		173,216
Other receivables	–	259	–	–	$ (1,749)	22,700
Inventories of supplies	–	–	–	749	–	14,119
Prepaid expenses and other assets	493	237	461	695	–	21,884
Estimated third-party payor settlements	(1,179)	77	(59)	(125)	–	6,060
Notes receivable	–	–	–	–	–	4,161
Due from affiliates, net	–	–	–	–	(5,838)	–
Total current assets	5,830	5,610	4,818	7,437	(7,587)	324,701
Assets whose use is limited:						
Investments and other assets	4,102	–	1,019	–	–	194,255
Investments for restricted purposes	6,577	–	–	–	–	191,312
Funds held in trust by others	4,236	–	–			124,401
Notes receivable from affiliates, net	–	–	–	–	(17,649)	–
Investment in subsidiaries	–	–	–	–	(13,907)	–
Other assets	–	135	13	82	–	48,280
Property, plant and equipment, net	3,205	11,469	6,091	7,035	–	500,955
	$ 23,950	$ 17,214	$ 11,941	$ 14,554	$ (39,143)	$ 1,383,904
Liabilities and net assets						
Current liabilities:						
Accounts payable	$ 1,366	$ 526	$ 631	$ 2,277	$ (699)	$ 61,651
Salaries, wages, payroll taxes and amounts withheld from employees	2,044	1,615	–	–	–	54,547
Accrued expenses	1,687	–	1,917	4,482	(1,046)	37,394
Current portion of other liabilities	–	–	5	–	–	35,115
Current portion of long-term debt and capital leases	700	181	93	–	–	5,157
Notes payable to affiliates, net	723	848	20	15,971	(34,528)	–
Due to affiliates, net	–	–	–	102	(1,436)	–
Total current liabilities	6,520	3,170	2,666	22,832	(37,709)	193,864
Other liabilities	2,113	2,290	–	–	–	363,364
Long-term debt	2,800	3,186	223	–	–	165,631
Net assets:						
Unrestricted	5,940	8,387	7,343	(8,278)	(1,434)	350,486
Temporarily restricted	218	181	1,709	–	–	107,425
Permanently restricted	6,359	–	–	–	–	203,134
	12,517	8,568	9,052	(8,278)	(1,434)	661,045
	$ 23,950	$ 17,214	$ 11,941	$ 14,554	$ (39,143)	$ 1,383,904

Hartford Health Care Corporation and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2008
(In Thousands)

	Hartford Health Care Corporation	**Consolidated Hartford Hospital**	**Consolidated MidState Medical Center**	**Windham Hospital**	**Hartford Hospital Real Estate Corporation**	**HH Management Service, Inc.**	**H.H.M.O.B.**	**Immediate Medical Care Center, Inc.**
Assets								
Current assets:								
Cash and cash equivalents	$ 1,067	$ 20,817	$ 45,477	$ 3,412	$ 291	$ 520	$ 67	$ 18
Accounts receivable, less allowances	–	106,920	21,803	11,997	–	120	–	1,610
Other receivables	2,481	18,523	537	2,253	216	–	547	–
Inventories of supplies	–	9,267	1,335	1,190	–	–	–	124
Prepaid expenses and other assets	1	11,175	2,243	3,253	49	–	–	176
Estimated third-party payor settlements	–	10,926	(492)	2,167	–	–	–	–
Notes receivable from affiliates, net	–	–	–	–	–	1,104	–	–
Notes receivable	5,741	434	–	–	749	–	–	–
Due from affiliates, net	–	7,245	–	–	–	831	59	–
Total current assets	9,290	185,307	70,903	24,272	1,305	2,575	673	1,928
Assets whose use is limited:								
Investments and other assets	–	206,165	8,564	240	–	–	–	–
Investments for restricted purposes	–	196,391	3,228	4,508	–	–	–	–
							–	–
Funds held in trust by others	–	117,966	4,824	1,792	–	–	–	–
Notes receivable from affiliates, net	–	17,023	–	–	–	–	–	–
Investment in subsidiaries	13,907	–	–	–	–	7,288	–	–
Other assets	8,402	66,614	37,559	1,997	(815)	–	27	32
Property, plant and equipment, net	2,770	272,321	92,947	37,119	12,369	1,913	16,020	1,241
	$ 34,369	$ 1,061,787	$ 218,025	$ 69,928	$ 12,859	$ 11,776	$16,720	$ 3,201
Liabilities and net assets								
Current liabilities:								
Accounts payable	$ 220	$ 31,711	$ 6,076	$ 3,284	$ 162		$ 33	$ 521
Salaries, wages, payroll taxes and amounts withheld from employees	–	36,127	8,539	2,841	–		–	937
Accrued expenses	4,571	22,666	1,310	1,524	446	$ 41	694	416
Current portion of other liabilities	–	28,481	5,274	1,018	–	–	–	–
Current portion of long-term debt and capital leases	–	–	2,460	774	–	–	917	–
Notes payable to affiliates, net	8,990	–	–	–	1,277	–	4,466	1,104
Due to affiliates, net	(1,057)	–	(75)	–	522	–	–	2,297
Total current liabilities	12,724	118,985	23,584	9,441	2,407	41	6,110	5,275
Other liabilities	–	78,324	31,973	24,985	–	–	546	–
Long-term debt	–	45,940	85,305	20,769	–	–	10,619	–
Net assets:								
Unrestricted	21,645	510,384	68,408	9,484	10,452	11,735	(555)	(2,074)
Temporarily restricted	–	115,628	2,747	1,975	–	–	–	–
Permanently restricted	–	192,526	6,008	3,274	–	–	–	–
	21,645	818,538	77,163	14,733	10,452	11,735	(555)	(2,074)
	$ 34,369	$ 1,061,787	$ 218,025	$ 69,928	$ 12,859	$ 11,776	$16,720	$ 3,201

Hartford Health Care Corporation and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2008
(In Thousands)

	Consolidated VNA Health Care, Inc.	Eastern Rehabilitation Network	Natchaug Hospital	Rushford Center, Inc.	Clinical Laboratory Partners	Elimination	Total
Assets							***(Restated)***
Current assets:							
Cash and cash equivalents	$ 1,975	$ 4,023	$ 484	$ 1,381	$ 725		$ 80,257
Accounts receivable, less allowances	3,946	3,265	5,729	3,148	5,019		163,557
Other receivables	–	–	570	–	–	$ (2,114)	23,013
Inventories of supplies	–	–	–	–	760	–	12,676
Prepaid expenses and other assets	249	150	197	148	281	–	17,922
Estimated third-party payor settlements	(1,073)	–	94	–	(138)	–	11,484
Notes receivable from affiliates, net	–	–	–	–	–	(1,104)	–
Notes receivable	–	–	–	65	–	–	6,989
Due from affiliates, net	–	–	–	–	–	(8,135)	–
Total current assets	5,097	7,438	7,074	4,742	6,647	(11,353)	315,898
Assets whose use is limited:							
Investments and other assets	10,277	–	–	–	–	–	225,246
Investments for restricted purposes	3,576	–	–	–	–	–	207,703
Funds held in trust by others	5,286	–	–	–	–	–	129,868
Notes receivable from affiliates, net	–	–	–	–	–	(17,023)	–
Investment in subsidiaries	–	–	–	–	–	(21,195)	–
Other assets	–	932	216	22	66	–	115,052
Property, plant and equipment, net	2,482	491	11,623	4,874	6,895	–	463,065
	$ 26,718	$ 8,861	$ 18,913	$ 9,638	$ 13,608	$ (49,571)	$ 1,456,832
Liabilities and net assets							
Current liabilities:							
Accounts payable	$ 912	$ 40	$ 1,838	$ 457	$ 2,870	$ (1,239)	$ 46,885
Salaries, wages, payroll taxes and amounts withheld from employees	1,682	–	2,328	–	–	–	52,454
Accrued expenses	1,666	1,411	–	1,761	3,146	(871)	38,781
Current portion of other liabilities	–	–	–	–	–	–	34,773
Current portion of long-term debt and capital leases	600	–	181	86	–	–	5,018
Notes payable to affiliates, net	722	1,194	953	–	16,542	(35,248)	–
Due to affiliates, net	–	(319)	–	–	2,123	(3,491)	–
Total current liabilities	5,582	2,326	5,300	2,304	24,681	(40,849)	177,911
Other liabilities	619	–	710	–	–	–	137,157
Long-term debt	3,500	–	3,160	143	–	–	169,436
Net assets:							
Unrestricted	8,209	6,535	9,482	6,200	(11,073)	(8,722)	640,110
Temporarily restricted	294	–	261	991	–	–	121,896
Permanently restricted	8,514	–	–	–	–	–	210,322
	17,017	6,535	9,743	7,191	(11,073)	(8,722)	972,328
	$ 26,718	$ 8,861	$ 18,913	$ 9,638	$ 13,608	$ (49,571)	$ 1,456,832

Hartford Health Care Corporation and Subsidiaries

Consolidating Statement of Operations

For the Year Ended September 30, 2009
(In Thousands)

	Hartford Health Care Corporation	Consolidated Hartford Hospital	Consolidated MidState Medical Center	Windham Hospital	Consolidated H.H.M.O.B.
Unrestricted revenues and other support:					
Net patient service revenue		$ 707,180	$ 172,470	$ 83,605	$ 28,805
Other operating revenue	$ 13,944	112,487	18,474	2,309	27,231
Net assets released from restrictions used for operations	–	10,231	248	93	–
	13,944	829,898	191,192	86,007	56,036
Operating expenses:					
Salaries and wages	3,776	365,410	65,452	37,099	31,293
Employee benefits	977	77,135	17,452	12,647	6,127
Supplies and other	61	164,107	43,681	18,980	7,691
Purchased services	8,041	152,234	37,314	6,178	8,874
Depreciation and amortization	389	41,219	9,179	4,419	2,403
Provision for uncollectible accounts	3,528	23,851	9,718	4,595	809
Interest	700	607	2,457	1,483	402
	17,472	824,563	185,253	85,401	57,599
Operating before loss on settlement and curtailment (loss) income	(3,528)	5,335	5,939	606	(1,563)
Loss on settlement and curtailment	–	(276)	–	–	–
Nonoperating income:					
(Loss) income from investments, gifts & bequests, net	–	(9,527)	703	307	–
Other	–	(5,839)	(2,527)	(2,098)	(60)
	–	(15,366)	(1,824)	(1,791)	(60)
(Deficiency) excess of revenues over expenses before change in unrealized gains and losses on investments	(3,528)	(10,307)	4,115	(1,185)	(1,623)
Change in unrealized gains and losses on investments	–	3,391	580	–	–
(Deficiency) excess of revenues over expenses	$ (3,528)	$ (6,916)	$ 4,695	$ (1,185)	$ (1,623)

Continued on next page.

Hartford Health Care Corporation and Subsidiaries

Consolidating Statement of Operations (continued)

For the Year Ended September 30, 2009
(In Thousands)

	Consolidated VNA Health Care, Inc.	Natchaug Hospital	Rushford Center, Inc.	Clinical Laboratory Partners	Elimination	Total
Unrestricted revenues and other support:						
Net patient service revenue	$ 36,428	$ 40,229	$ 11,441	$ 57,044	$ (12,406)	$ 1,124,796
Other operating revenue	1,791	37	15,359	18,170	(53,597)	156,205
Net assets released from restrictions used for operations	75	33	262	–	–	10,942
	38,294	40,299	27,062	75,214	(66,003)	1,291,943
Operating expenses:						
Salaries and wages	20,610	23,590	14,921	35,537	(4,274)	593,414
Employee benefits	4,403	7,047	2,369	8,141	(1,261)	135,037
Supplies and other	3,889	4,512	4,791	12,943	(3,477)	257,178
Purchased services	7,495	2,876	4,715	11,524	(55,401)	183,850
Depreciation and amortization	537	906	521	1,145	–	60,718
Provision for uncollectible accounts	215	669	–	3,020	–	46,405
Interest	150	297	99	4	(1,590)	4,609
	37,299	39,897	27,416	72,314	(66,003)	1,281,211
Operating before loss on settlement and curtailment (loss) income	995	402	(354)	2,900	–	10,732
Loss on settlement and curtailment	–	–	–	–	–	(276)
Nonoperating income:						
(Loss) income from investments, gifts & bequests, net	421	–	239	–	–	(7,857)
Other	(896)	–	–	(105)	–	(11,525)
	(475)	–	239	(105)	–	(19,382)
(Deficiency) excess of revenues over expenses before change in unrealized gains and losses on investments	520	402	(115)	2,795	–	(8,926)
Change in unrealized gains and losses on investments	(1,919)	–	–	–	–	2,052
(Deficiency) excess of revenues over expenses	$ (1,399)	$ 402	$ (115)	$ 2,795	$ –	$ (6,874)

Hartford Health Care Corporation and Subsidiaries

Consolidating Statement of Operations (continued)

For the Year Ended September 30, 2008
(In Thousands)

	Hartford Health Care Corporation	Consolidated Hartford Hospital	Consolidated MidState Medical Center	Windham Hospital	Hartford Hospital Real Estate Corporation	HH Management Service, Inc.	H.H.M.O.B.	Immediate Medical Care Center, Inc.
Unrestricted revenues and other support:								
Net patient service revenue		$ 645,562	$ 166,467	$ 81,011				$ 20,046
Other operating revenue	$ 7,464	98,803	15,357	3,959	$ 4,029	$ 359	$ 5,610	355
Net assets released from restrictions used for operations	–	29,367	253	299	–	–	–	–
	7,464	773,732	182,077	85,269	4,029	359	5,610	20,401
Operating expenses:								
Salaries and wages	4,023	347,975	60,694	36,808	723	21	739	12,924
Employee benefits	720	67,043	17,365	12,642	180	5	376	2,372
Supplies and other	9	154,633	35,695	18,821	1,041	49	1,322	3,124
Purchased services	2,272	137,690	41,649	5,241	1,481	230	1,432	3,412
Depreciation and amortization	426	39,966	9,370	4,034	556	35	1,215	370
Provision for uncollectible accounts	–	30,682	9,879	4,723	–	(1)	–	239
Interest	783	1,552	2,795	1,218	35	–	672	–
	8,233	779,541	177,447	83,487	4,016	339	5,756	22,441
Operating before loss on settlement and curtailment (loss) income	(769)	(5,809)	4,630	1,782	13	20	(146)	(2,040)
Loss on settlement and curtailment	–	(2,314)	–	–	–	–	–	–
Nonoperating income:								
Income from investments, gifts & bequests, net	–	14,841	2,211	440	–	–	–	–
Other	–	(13,241)	(1,244)	(130)	(60)	13	(16)	199
	–	(1,600)	967	310	(60)	13	(16)	199
(Deficiency) excess of revenues over expenses before change in unrealized gains and losses on investments	(769)	(6,523)	5,597	2,092	(47)	33	(162)	(1,841)
Change in unrealized gains and losses on investments	–	(49,464)	(1,600)	–	–	–	–	–
(Deficiency) excess of revenues over expenses	$ (769)	$ (55,987)	$ 3,997	$ 2,092	$ (47)	$ 33	$ (162)	$ (1,841)

Hartford Health Care Corporation and Subsidiaries

Consolidating Statement of Operations (continued)

For the Year Ended September 30, 2008
(In Thousands)

	Consolidated VNA Health Care, Inc.	Eastern Rehabilitation Network	Natchaug Hospital	Rushford Center, Inc.	Clinical Laboratory Partners	Elimination	Total
							(Restated)
Unrestricted revenues and other support:							
Net patient service revenue	$ 33,766	$ 6,326	$ 37,897	$ 10,336	$ 43,058	$ (12,401)	$ 1,032,068
Other operating revenue	1,698	15,786	45	15,947	16,902	(37,052)	149,262
Net assets released from restrictions used for operations	–	–	22	–	–	–	29,941
	35,464	22,112	37,964	26,283	59,960	(49,453)	1,211,271
Operating expenses:							
Salaries and wages	19,720	14,837	21,591	13,680	30,228	(3,245)	560,718
Employee benefits	4,062	2,930	6,449	1,974	6,907	(983)	122,042
Supplies and other	3,871	1,827	4,119	4,888	10,002	(1,070)	238,331
Purchased services	6,875	1,614	3,138	5,193	8,648	(42,099)	176,776
Depreciation and amortization	561	271	843	550	1,712	–	59,909
Provision for uncollectible accounts	84	583	877	–	1,577	–	48,643
Interest	266	–	273	94	16	(2,102)	5,602
	35,439	22,062	37,290	26,379	59,090	(49,499)	1,212,021
Operating before loss on settlement and curtailment (loss) income	25	50	674	(96)	870	46	(750)
Loss on settlement and curtailment	–	–	–	–	–	–	(2,314)
Nonoperating income:							
Income from investments, gifts & bequests, net	488	–	–	132	–	–	18,112
Other	997	98	–	–	2	–	(13,382)
	1,485	98	–	132	2	–	4,730
(Deficiency) excess of revenues over expenses before change in unrealized gains and losses on investments	1,510	148	674	36	872	46	1,666
Change in unrealized gains and losses on investments	–	–	–	–	–	–	(51,064)
(Deficiency) excess of revenues over expenses	$ 1,510	$ 148	$ 674	$ 36	$ 872	$ 46	$ (49,398)