Central Connecticut Health Alliance, Inc.
and Subsidiaries

Independent Auditors' Report,
Consolidated Financial Statements and
Other Financial Information

As of and for the Years Ended
September 30, 2009 and 2008

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Saslow Lufkin & Buggy, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

To Board of Directors of
Central Connecticut Health Alliance, Inc.:

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes 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 Alliance's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of Central Connecticut Health Alliance, Inc. and Subsidiaries as of September 30, 2009 and 2008, and the results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and changes in net assets of the individual entities. The consolidating information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Saslow Lufkin & Buggy, LLP

December 15, 2009

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Central Connecticut Health Alliance, Inc. and Subsidiaries
Consolidated Balance Sheets
September 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 36,164,805**	$ 38,406,737
Accounts receivable (less allowance for doubtful accounts of $13,369,966 in 2009 and $14,146,630 in 2008)	**40,346,696**	39,953,225
Premiums receivable	**317,861**	-
Reinsurance recoverable	**5,551,841**	-
Other receivables	**1,823,391**	2,437,425
Current portion of pledges receivable, net	**16,773**	231,411
Due from affiliates	**159,847**	379,796
Inventories and prepaid expenses	**7,796,774**	8,336,777
Other current assets	**395,572**	242,593
Assets whose use is limited - cash and cash equivalents related to GIC	**3,228,000**	-
Assets whose use is limited - required for current liabilities	**244,058**	285,252
Total current assets	**96,045,618**	90,273,216
Assets whose use is limited:		
Cash and cash equivalents related to GIC	**19,352,734**	-
Assets held in trust under bond indenture	**1,403,892**	1,473,185
Other assets whose use is limited	**2,647,278**	3,941,297
Assets held in trust under lease agreements	**-**	4,107,542
Assets held in trust by others	**13,240,758**	13,679,684
Board restricted endowment	**80,516,608**	75,844,041
Temporarily and permanently donor restricted investments	**21,890,649**	21,091,990
	139,051,919	120,137,739
Long-term investments	**7,793,578**	8,856,479
Pledges receivable, net	**57,320**	69,161
Notes receivable	**-**	48,083
Investments in affiliates	**1,694,979**	7,824,286
Other assets	**5,252,804**	5,015,028
Property, plant and equipment, net	**150,222,380**	152,916,661
Total assets	**$ 400,118,598**	$ 385,140,653
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 24,304,738**	$ 30,022,719
Accrued compensation	**16,475,784**	15,293,551
Unearned premiums	**224,227**	-
Reserve for losses and loss adjustment expenses	**3,228,000**	-
Due to third-party reimbursement agencies	**15,301,884**	13,377,219
Deferred revenue	**2,085,920**	1,561,696
Due to affiliates	**-**	57,907
Lines of credit, current portion of long-term debt and capital leases	**4,383,372**	4,892,634
Current portion of pension, self-insurance and other long-term liabilities	**21,455,763**	5,151,208
Total current liabilities	**87,459,688**	70,356,934
Reserve for losses and loss adjustment expenses	**18,869,933**	-
Long-term debt and capital leases	**56,958,603**	61,325,677
Pension, self-insurance and other long-term liabilities	**92,073,353**	42,387,494
Minority interest in net assets of consolidated subsidiaries	**2,252,498**	2,090,167
Deferred tax liability	**127,873**	-
Other long-term liabilities	**2,322,551**	1,343,185
Total liabilities	**260,064,499**	177,503,457
Net assets:		
Unrestricted	**104,848,599**	172,468,493
Temporarily restricted	**15,281,161**	14,801,015
Permanently restricted	**19,924,339**	20,367,688
Total net assets	**140,054,099**	207,637,196
Total liabilities and net assets	**$ 400,118,598**	$ 385,140,653

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

Central Connecticut Health Alliance, Inc. and Subsidiaries
Consolidated Statements of Operations
For the Years Ended September 30, 2009 and 2008

	2009	2008
Operating revenues:		
Net revenues from services to patients	**$ 406,289,808**	$ 383,953,917
Other operating revenues	**39,035,774**	38,070,808
Net premiums earned	**18,217,976**	-
Net assets released from restrictions	**808,135**	637,504
Total operating revenues	**464,351,693**	422,662,229
Operating expenses:		
Salaries and benefits	**251,324,074**	250,314,388
Supplies and other expenses	**140,816,732**	129,091,064
Depreciation and amortization	**20,112,507**	17,897,188
Provision for bad debts	**19,258,817**	17,311,752
Losses and loss adjustment expenses	**16,874,515**	-
Interest	**2,870,283**	3,581,958
Total operating expenses	**451,256,928**	418,196,350
Income from operations before minority interest	**13,094,765**	4,465,879
Minority interest in income of consolidated subsidiaries	**(893,760)**	(973,259)
Income from operations	**12,201,005**	3,492,620
Non-operating gains (losses):		
Unrestricted gifts and bequests	**1,177,281**	1,862,557
Investment income	**5,445,489**	3,970,133
(Losses) gains on sales of securities	**(1,526,664)**	705,394
Change in fair value of interest rate swap agreements	**(3,130,355)**	(754,093)
Cost of debt defeasance	**-**	(1,562,310)
Other	**47,004**	(18,976)
Total non-operating gains (losses)	**2,012,755**	4,202,705
Excess of revenues over expenses	**$ 14,213,760**	$ 7,695,325

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

Central Connecticut Health Alliance, Inc. and Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended September 30, 2009 and 2008

	2009	2008
Unrestricted net assets:		
Excess of revenues over expenses	**$ 14,213,760**	$ 7,695,325
Net unrealized losses on investments	**(2,580,314)**	(17,095,173)
Net assets released from restrictions used for capital	**988,153**	2,012,442
Pension changes other than net periodic benefit cost	**(80,311,182)**	(508,156)
Other changes related to CMHA mergers	**-**	225,814
Other changes in net assets	**69,689**	38,714
Change in unrestricted net assets	**(67,619,894)**	(7,631,034)
Temporarily restricted net assets:		
Net realized and unrealized gains (losses) on investments	**100,101**	(2,034,548)
Income from investments	**718,175**	490,434
Contributions	**1,458,158**	1,930,411
Net assets released from restrictions used for operations	**(808,135)**	(666,844)
Net assets released from restrictions used for capital	**(988,153)**	(2,012,442)
Change in temporarily restricted net assets	**480,146**	(2,292,989)
Permanently restricted net assets:		
Contributions	**27,069**	28,412
Other changes in permanently restricted net assets related to CMHA mergers	**-**	86,213
Other changes	**(28,415)**	-
Change in assets held in trust by others	**(442,003)**	(2,820,396)
Change in permanently restricted net assets	**(443,349)**	(2,705,771)
Change in net assets	**(67,583,097)**	(12,629,794)
Net assets at beginning of year	**207,637,196**	220,266,990
Net assets at end of year	**$ 140,054,099**	$ 207,637,196

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

Central Connecticut Health Alliance, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2009 and 2008

	2009	2008
Operating activities and non-operating gains and losses:		
Change in net assets	**$ (67,583,097)**	$ (12,629,794)
Adjustments to reconcile change in net assets to net cash provided by operating activities and non-operating gains and losses:		
Depreciation and amortization	**20,112,507**	17,897,188
Provision for bad debts	**19,258,817**	17,311,752
Net realized and unrealized losses on investments and assets whose use is limited	**3,650,221**	21,130,098
Deferred tax liability	**127,873**	-
Restricted contributions and investment income	**(7,689,854)**	(6,507,641)
Changes in assets and liabilities:		
Accounts receivable	**(19,652,288)**	(16,656,248)
Premiums receivable	**(317,861)**	-
Reinsurance recoverable	**(5,551,841)**	-
Other receivables	**614,034**	85,689
Due from affiliates	**219,949**	(354,813)
Inventories and prepaid expenses	**540,003**	(71,252)
Pledges receivable	**226,479**	343,593
Other assets	**(390,755)**	462,706
Accounts payable and accrued expenses	**(5,717,981)**	3,297,220
Accrued compensation	**1,182,233**	1,612,934
Unearned premiums	**224,227**	-
Reserve for losses and loss adjustment expenses	**22,097,933**	-
Due to third-party reimbursement agencies	**1,924,665**	1,007,302
Deferred revenue	**524,224**	326,310
Due to affiliates	**(57,907)**	57,907
Pension, self-insurance and other long-term liabilities	**66,969,780**	(3,316,133)
Minority interest in net assets of consolidated subsidiaries	**162,331**	241,832
Net cash provided by operating activities and non-operating gains and losses	**30,873,692**	24,238,650
Investing activities:		
Change in board designated and donor restricted investments	**(7,616,543)**	(6,235,826)
Change in cash and cash equivalents related to GIC	**(22,580,734)**	-
Change in assets held under bond indenture	**69,293**	3,599,924
Change in assets held in trust under lease agreements	**4,107,542**	(4,107,542)
Change in assets held in trusts by others and other assets whose use is limited	**1,332,136**	126,798
Additions to property, plant and equipment	**(17,418,226)**	(32,209,963)
Change in investments in affiliates	**6,129,307**	786,980
Net cash used in investing activities	**(35,977,225)**	(38,039,629)
Financing activities:		
Principal payments on long-term debt, capital leases and line of credit	**(8,019,570)**	(42,260,151)
Proceeds from long-term debt and line of credit	**3,143,234**	42,370,872
Principal payments received on notes receivable	**48,083**	70,882
Restricted contributions and investment income	**7,689,854**	6,507,641
Net cash provided by financing activities	**2,861,601**	6,689,244
Change in cash and cash equivalents	**(2,241,932)**	(7,111,735)
Cash and cash equivalents at beginning of year	**38,406,737**	45,518,472
Cash and cash equivalents at end of year	**$ 36,164,805**	$ 38,406,737

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

Note 1 - General

Organization **-** Central Connecticut Health Alliance, Inc. and Subsidiaries (the Alliance or CCHA) is comprised of The Hospital of Central Connecticut (the Hospital), VNA of Central Connecticut, Inc. (VNACC), Central Connecticut Senior Health Services, Inc. (CCSHS), (d/b/a Southington Care Center), which includes Mulberry Gardens of Southington, LLC (Mulberry Gardens) and The Orchards at Southington (the Orchards), Community Mental Health Affiliates, Inc. (CMHA), CenConn Services, Inc (CSI), New Britain MRI Limited Partnership (NBMRI) (consolidated with CSI), and various other smaller affiliated entities.

During the year ended September 30, 2009, Grand Indemnity Company, Ltd. (GIC) was established and became a wholly owned subsidiary of the Hospital. GIC which was incorporated under the laws of Bermuda, as a Class 2 insurer, on January 6, 2009.

In August 2009, CCHA signed a Memorandum of Understanding and Summary of Terms (MOU) with Hartford Health Care Corporation to document the intentions of entering into a full corporate affiliation. The MOU had no effect on the consolidated financial statements as of September 30, 2009.

During the year ended June 30, 2008, Alliance Treatment Center, Inc. (ATC), Family Services of Central Connecticut, Inc. (Family Services), Substance Abuse Action Council of Central Connecticut, Inc. (SAAC), and Northwest Center for Family Service and Mental Health, Inc. (Northwest Center) all merged into CMHA.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation **-** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the Alliance and its wholly or majority owned subsidiaries and affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation.

Recent Accounting Pronouncements **-** In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, *"FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles (GAAP) - A Replacement of FASB Statement No. 162"*. This guidance establishes the FASB Accounting Standards Codification (the Codification) as the source of authoritative GAAP. The Codification supersedes all existing non-SEC accounting and reporting standards. Rules and interpretive releases of the SEC under authority of federal securities laws will remain authoritative GAAP for SEC registrants. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As the Codification will not change existing GAAP, the adoption of this guidance did not have an impact on the Alliances' consolidated financial condition or results of operations.

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates **-** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents **-** The Alliance considers all highly liquid investments with remaining maturities of three months or less at date of purchase to be cash equivalents. Cash balances maintained at banks are insured by the Federal Deposit Insurance Corporation (FDIC). At times the Alliance maintains cash balances that are in excess of the $250,000 insured FDIC limits. In addition, FDIC coverage for balances in non-interest bearing transaction deposit accounts is unlimited if the bank elects to participate. The Alliance maintains its cash at national and local banks, and it is the Alliance's policy to monitor the banks' financial strength on an ongoing basis.

Temporarily and Permanently Restricted Net Assets **-** Temporarily restricted net assets are those assets whose use by the Alliance that has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Alliance in perpetuity or in funds held in trust by others.

Investments in Affiliates **-** The Alliance has investments accounted for on the equity method of accounting for the years ended September 30, 2009 and 2008. The Alliance owns a 20% interest in MedConn Collection Agency, LLC. The Alliance owns a 25% interest in Vein Center of Central CT, LLC, which provides nonsurgical treatment for veracious veins. As of September 30, 2008, the Alliance owned an interest in Partners Interinsurance Exchange (PIE), a licensed Vermont reciprocal captive insurance company, which was a joint venture among four entities, including the Alliance. Under the equity method of accounting, undistributed earnings of the applicable entity increases the investment in affiliates within the consolidated balance sheets and are reflected as other operating revenues in the consolidated statements of operations.

Investments **-** Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value, based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the losses are deemed to be other than temporary.

Note 2 - Summary of Significant Accounting Policies (continued)

Effective October 1, 2008, the Alliance adopted provisions of FASB ASC 820-10, *"Fair Value Measurements and Disclosures"*, (ASC 820-10). For financial statement elements currently required to be measured at fair value, ASC 820-10 redefines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosures about fair value measurements. The new definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability, which is referred to as the exit price.

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels (Level 1, 2 and 3).

> Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Alliance has the ability to access at the measurement date.
>
> Level 2 - Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities.
>
> Level 3 - Unobservable inputs reflecting the Alliance's estimates of the assumptions that market participants could use in pricing the asset or liability (including assumptions about risk).

Other Than Temporary Impairments on Investments - When a decline in fair market value is deemed to be other than temporary, a provision for impairment is charged to earnings, included in net realized investment gains (losses), and the cost basis of that investment is reduced.

For equity securities, the Alliance's management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in a unrealized loss position, extent to which the fair value is less than cost, the financial condition and near term prospects of the issuer and the Alliance's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. There were no impairments related to equity securities, which were recorded in 2009 and 2008.

The Alliance adopted FASB ASC 320-10, *"Investments - Debt and Equity Securities"* (which encompassed Financial Staff Position (FSP) Financial Accounting Standard (FAS) 115-2 and FAS 124-2, *"Recognition and Presentation of Other Than Temporary Impairments"* (FSP FAS 115-2/124-2), which relates to fixed income securities.

This guidance requires the Alliance to evaluate whether it intends to sell an impaired fixed income security or whether it is more likely than not that it will be required to sell an impaired fixed income security before recovery of the amortized cost basis. If either of these criteria are met, an impairment equal to the difference between the fixed income securities amortized cost and its fair value is recognized in earnings.

Note 2 - Summary of Significant Accounting Policies (continued)

For impaired fixed income securities that do not meet these criteria, the Alliance determines if a credit loss exists with respect to the impaired security. If a credit loss exists, the credit loss component of the impairment (i.e., the difference between the security's amortized cost and its projected net present value) is recognized in earnings and the remaining portion of the impairment is recognized as a component of unrestricted net assets. There were no impairments related to fixed income securities, which were recorded in 2009 or 2008.

Donor Restricted Gifts and Net Assets **-** Contributions and unconditional promises to give cash and other assets to the Alliance are reported at fair value at the date received or the promise is made. 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 to unrestricted net assets and reported in the consolidated statements of changes in net assets, as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Alliance in perpetuity or in funds held in trust by others.

Board Restricted Endowment **-** At September 30, 2009 and 2008, the Alliance has $80,516,608 and $75,844,041, respectively, of unrestricted investments, which have been restricted by the Board of Directors and are unavailable for use without the approval of the Board of Directors.

Inventories **-** Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower cost or market value utilizing the first-in, first-out method.

Property, Plant and Equipment **-** Property, plant and equipment are stated at cost. Improvements and major renewals are capitalized and maintenance and repairs are charged to expense as incurred. The Alliance provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives. Amortization of intangible assets is included in depreciation expense. The Alliance leases various equipment under capital leases with terms of 5 years.

Excess of Revenues over Expenses **-** The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, except for investment losses that are deemed to be other than temporary, certain pension charges and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Note 2 - Summary of Significant Accounting Policies (continued)

Derivative Instruments **-** The Alliance accounts for its interest rate swap agreements in accordance with FASB ASC 815-20, *"Derivatives and Hedging"*, (ASC 815-20). The objective of the cash flow hedges is to protect cash flows paid for interest from adverse, extreme market interest rate changes. The fair value of the swaps are recorded in the accompanying consolidated balance sheets. The fair value of the agreements is based on the quoted cost to terminate the agreement considering current interest rates. Changes in fair value for those derivatives considered effective are recorded as changes in net assets.

When the derivative is considered ineffective (including those not measured), the change in fair value is reflected as a non-operating item in the consolidated statements of operations. The Alliance and their counterparties that have entered into derivative instruments are exposed to credit risk in the event of nonperformance or early termination of the agreement.

Non-Operating Gains and Losses **-** Activities not related to providing health care services are considered to be non-operating. Non-operating gains and losses consist primarily of income on invested funds, unrestricted gifts and bequests, gains and losses on sales of securities and property and equipment, and other than temporary losses on marketable securities.

Income Taxes **-** The Alliance, with the exception of CSI, 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. Tax provisions and related liabilities for CSI are not material to the consolidated financial statements, however, have been recorded within the expenses and liabilities of CSI for presentation purposes.

Effective October 1, 2007, the Alliance adopted certain provisions of FASB ASC 740-10, *"Income Taxes"* (ASC 740-10), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a company's tax position taken or expected to be taken in a tax return. ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of ASC 740-10 did not have any impact on the accompanying consolidated financial statements as the Alliance does not believe they have any uncertain tax positions.

Losses and Loss Adjustment Expenses **-** The reserve for losses and loss adjustment expenses and the related reinsurance recoverable includes case basis estimates of reported losses, plus supplemental amounts calculated based upon loss projections utilizing actuarial studies, the Alliance's own historical data and industry data. In establishing this reserve and the related reinsurance recoverable, GIC utilizes the findings of an independent consulting actuary.

Note 2 - Summary of Significant Accounting Policies (continued)

Management believes that its aggregate reserve for losses and loss adjustment expenses and the related reinsurance recoverable at year end represents its best estimate, based on the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the nature of the insured risks and limited historical experience, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such asset and liability at the consolidated balance sheet date. Accordingly, the ultimate asset and liability could be significantly in excess of or less than the amount indicated in these consolidated financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Recognition of Premium Revenues - Premiums written are earned on a pro-rata basis over the related policy period. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums.

Reinsurance - In the normal course of business, GIC seeks to reduce its loss exposure by reinsuring certain levels of risk with reinsurers. Reinsurance is accounted for in accordance with FASB ASC 944-20, *"Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts"*. Premiums ceded are expensed over the term of their related policies.

Subsequent Events - Subsequent events have been evaluated through December 15, 2009, the date through which procedures were performed to prepare the consolidated financial statements for issuance.

Reclassifications - Certain reclassifications to the 2008 consolidated financial statements have been made in order to conform to the 2009 presentation. Such reclassifications did not have a material effect on the consolidated financial statements.

Note 3 - Net Revenues from Services to Patients and Charity Care

The following table summarizes net revenues from services to patients:

	2009	2008
Gross revenues from patients	**$ 872,997,957**	$ 876,040,034
Deductions (additions):		
Allowances	**464,208,015**	486,901,580
State of Connecticut uncompensated care pool	**(4,575,350)**	(3,912,421)
Charity care	**7,075,484**	9,126,298
Net assets released for free care	**-**	(29,340)
	466,708,149	492,086,117
	$ 406,289,808	$ 383,953,917

Note 3 - Net Revenue from Services to Patients and Charity Care (continued)

Patient revenues and accounts receivable are recorded when services are performed. Payments received from certain payers are different from established billing rates of certain subsidiaries, and these differences are accounted for as allowances.

During 2009 and 2008, approximately 37% of net patient revenue was received under the Medicare program, 13% and 12%, under the Medicaid program, and 50% and 51% from contracts with other third-parties and self-pay patients, respectively.

Certain subsidiaries accept all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the subsidiaries. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the subsidiaries utilize the generally recognized federal poverty income levels. These charges are not included in net patient service revenues for financial reporting purposes. In addition, temporarily restricted net assets were released from restrictions to provide free care during 2008.

Consolidated net revenues from services to patients is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Alliance management believes that it is in compliance with all applicable laws and regulations and is not aware of any significant 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 reductions of funding levels could have an adverse impact on the Alliance.

Certain subsidiaries have 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 subsidiaries for certain covered services based upon discounted fee schedules.

Note 4 - Transactions with Affiliated Entities

All significant intercompany accounts and transactions have been eliminated in consolidation and are summarized below for the years ending September 30, 2009 and 2008.

		2009		**2008**
Management fees charged by the Alliance are as follows:				
The Hospital of Central Connecticut	**$**	**2,013,451**	$	1,547,346
Other affiliates	**$**	**1,006,456**	$	1,000,261
Services were sold / purchased as follows:				
The Hospital of Central Connecticut / VNACC	**$**	**12,418**	$	19,871
VNACC / The Hospital of Central Connecticut	**$**	**23,120**	$	26,105
CT Sports Med / The Hospital of Central Connecticut	**$**	**1,742,044**	$	1,573,825
The Hospital of Central Connecticut / CSI	**$**	**146,865**	$	146,225
The Hospital of Central Connecticut / NBMRI	**$**	**398,809**	$	396,778
Notes recievable/loans payable are as follows:				
CCHA / CMHA	**$**	**2,653,750**	$	2,750,000

CCHA provides administrative and management services to the Hospital, there is no formal agreement and the monthly fee is agreed to during the budget process of CCHA. During 2009, the Hospital forgave $5,967,242 due from CCHA, which has been included within the consolidated statement of changes in net assets as of September 30, 2009.

CMHA bills the Hospital for employees and rent that the Hospital utilizes in running certain programs. There is no formal agreement and the monthly fee is agreed to during the budget process of CMHA.

CCHA billed CMHA a management fee of $114,338 and $68,967 for the years ended September 30, 2009 and 2008, respectively. In addition, the Hospital bills CMHA for properties rented and allocates a portion of salaries for employees' time spent assisting CMHA's programs. There is no formal agreement and the monthly fees are agreed to during the budget process of CMHA.

CMHA subcontracts with the Hospital for the management of two behavioral health programs. At June 30, 2009 and 2008, CMHA owed the Hospital $77,522 and $204,484, respectively for the subcontracts.

During the fiscal year ending June 30, 2008, CMHA entered into three loan agreements with CCHA. The loan agreements contain various reporting covenants. CMHA was not in compliance with these reporting covenants during fiscal year 2008 and received a waiver from CCHA for the covenant violations.

Note 4 - Transactions with Affiliated Entities (continued)

The first loan agreement was entered into on July 3, 2007 in the amount of $350,000. The loan is a non-interest bearing loan requiring a balloon payment of the entire outstanding principle balance at the end of five years. During 2009, CCHA forgave $105,000 of this amount. The remaining $245,000 is expected to be forgiven.

The second loan agreement was entered into on March 25, 2008 in the amount of $1,500,000. The loan is a non-interest bearing loan requiring a balloon payment of the entire outstanding principle balance at the end of three years.

The third loan agreement was entered into on April 8, 2008 in the amount of $900,000. The loan bears interest at the prime rate less 0.5% adjusted monthly requiring a balloon payment of the entire outstanding principle balance at the end of three years.

In 2008, Southington Care Center entered into a lease agreement with the Hospital for the Hospital's diagnostic center, and the agreement became effective July 1, 2008. The lease is for a term of five-years and the Hospital shall have two five-year options to renew the lease. The basic annual rent is $22,800, payable to Southington Care Center in monthly installments of $1,900, with payments due in advance on the first day of every month.

VNACC has a land lease with the Hospital. The term is for fifty years with a renewal option for forty more years. The lease began April 7, 1986. Rent expense charged to operations for fiscal years 2009 and 2008 was $5,000. Minimum rental commitments required under this lease for the next five years are approximately $25,000 with approximately $110,000 for future fiscal years.

During 2009 and 2008, VNACC purchased $104,125 and $72,166, respectively, of contracted services from the Alliance for administrative and computer support.

NBMRI rents space from the Hospital on a month-to-month basis. The monthly rental payment is $9,831 and rent expense amounted to $117,976 for each of the years ended September 30, 2009 and 2008.

CCHA and its affiliates have a number of due from/due to accounts established, whereby, certain affiliates have financed intercompany activities and/or have borrowed funds. These balances have been eliminated in consolidation.

Note 5 - Investments

The composition of long-term investments is set forth in the following table.

	2009	2008
Money market funds	**$ 887,212**	$ 878,961
Collective investment funds	**4,038,976**	5,188,144
Equities	**698,729**	599,181
Fixed income securities	**2,168,661**	2,190,193
	$ 7,793,578	$ 8,856,479

The Alliance has investments whose use is limited, which are carried on the consolidated balance sheets within cash and cash equivalents related to GIC, assets held by trustees under bond indenture agreements related to financing activities with the State of Connecticut Health and Educational Facilities Authority (CHEFA), other assets whose use is limited, assets held in trust under lease agreements, assets held in trust by others, board restricted endowment and temporary and permanently donor restricted investments. The portion of these amounts required for funding current liabilities is included in current assets.

The composition of assets whose use is limited is set forth in the following table.

	2009	2008
Cash and cash equivalents	**$ 25,183,012**	$ 2,800,359
Mutual funds	**50,613,172**	47,885,640
Collective investment funds	**50,524,403**	52,035,061
Equities	**8,941,533**	9,816,991
Fixed income securities	**6,299,647**	6,846,965
Alternative investments	**599,902**	671,510
United States treasury notes	**102,128**	97,144
Other investments	**260,180**	269,321
	$ 142,523,977	$ 120,422,991

The composition of the mutual funds are 49% bonds, 44% equities, and 7% foreign securities as of September 30, 2009 and 44% bonds, 49% equities, and 7% foreign securities as of September 30, 2008.

Note 5 - Investments (continued)

Investments are recorded at fair value in accordance with ASC 820-10 as described in Note 2. The Alliance measures the fair value of these securities at September 30, 2009 as follows.

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 50,613,172	$ -	$ -
Collective investment funds	-	50,524,403	-
Fixed income securities	6,299,647	-	-
Equities	8,941,533	-	-
Alternative investments	-	-	599,902
United States treasury notes	102,128	-	-
Other investments	260,180	-	-
	$ 66,216,660	$ 50,524,403	$ 599,902

The alternative investments include hedge funds and real estate securities and are classified as level 3 in accordance with ASC 820-10. These securities are included in assets held in trust by others and are under the control of the trustee as of September 30, 2009.

The following tables show the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2009 and 2008.

2009	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds	$ 8,490,394	$ (9,234)	$ 8,796,057	$ (219,079)	$ 17,286,451	$ (228,313)
Equities	4,929,073	(684,095)	-	-	4,929,073	(684,095)
Alternative investments	6,831	(3,050)	-	-	6,831	(3,050)
Total	$ 13,426,298	$ (696,379)	$ 8,796,057	$ (219,079)	$ 22,222,355	$ (915,458)

Note 5 - Investments (continued)

2008	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds	$ -	$ -	$ 43,589,117	$ (1,559,181)	$ 43,589,117	$ (1,559,181)
Fixed income	343,761	(20,349)	-	-	343,761	(20,349)
Total	$ 343,761	$ (20,349)	$ 43,589,117	$ (1,559,181)	$ 43,932,878	$ (1,579,530)

No impairment loss was recognized during 2009 and 2008, as no investments were less than twenty percent of cost and in an unrealized loss position for more than one year. Management believes that they have the ability and intent to hold such investments until recovery.

Interest and dividend income on the unrestricted investments totaled $5,404,526 and $4,058,384 for the years ended September 30, 2009 and 2008, respectively. Of these amounts, $40,963 and $88,251, respectively, are reported in other operating revenues in 2009 and 2008. Realized (losses) gains, net, on the unrestricted investments totaled ($1,526,664) and $705,394 for the years ended September 30, 2009 and 2008, respectively.

Note 6 - Endowments (Board Designated, Temporary and Permanent)

The Alliance’s endowments and other restricted funds consist of multiple funds established for a variety of purposes. The endowments and other restricted funds include both donor-restricted endowment funds, funds designated by the Board of Directors to function as endowments and assets held in trust by others. As required by accounting principles generally accepted in the United States of America, endowments, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

The Alliance has interpreted the relevant laws 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. 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 Alliance during its annual budgeting process.

The Alliance considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Alliance 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 Alliance; and (7) the investment policies of the Alliance.

Note 6 - Endowments (Board Designated, Temporary and Permanent) (continued)

The net asset composition of the Alliance's endowments and restricted funds, including board designated investments, as of September 30, 2009 are as follows.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	$ 80,516,608	$ -	$ -	$ 80,516,608
Beneficial trusts	-	-	13,240,758	13,240,758
Donor restricted	-	15,207,068	6,683,581	21,890,649
	$ 80,516,608	$ 15,207,068	$ 19,924,339	$ 115,648,015

The net asset composition of the Alliance's endowments and restricted funds as of September 30, 2008 are as follows.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	$ 75,844,041	$ -	$ -	$ 75,844,041
Beneficial trusts	-	-	13,679,684	13,679,684
Donor restricted	-	14,500,443	6,688,004	21,188,447
	$ 75,844,041	$ 14,500,443	$ 20,367,688	$ 110,712,172

Changes in endowments and restricted funds for the year ended September 30, 2009 are as follows.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at October 1, 2008	$ 75,844,041	$ 14,500,443	$ 20,367,688	$ 110,712,172
Investment return:				
Investment income	3,665,582	718,175	-	4,383,757
Net change in market value	166,178	100,101	(442,003)	(175,724)
Other changes	28,415	-	(28,415)	-
Contributions	812,392	1,458,158	27,069	2,297,619
Expenditures	-	(1,569,809)	-	(1,569,809)
Balance at September 30, 2009	$ 80,516,608	$ 15,207,068	$ 19,924,339	$ 115,648,015

Note 6 - Endowments (Board Designated, Temporary and Permanent) (continued)

Endowments and pledges receivable that are temporarily restricted are available for the following purposes as of September 30, 2009 and 2008.

	2009	2008
Indigent care	**$ 662,293**	$ 643,297
Other healthcare services	**14,544,775**	13,857,146
Capital campaign	**74,093**	300,572
	$ 15,281,161	$ 14,801,015

Endowments and beneficial trusts that are permanently restricted are available for the following purposes as of September 30, 2009 and 2008.

	2009	2008
Held in perpetuity with income restricted for operations	**$ 6,683,581**	$ 6,688,004
Beneficial trusts	**13,240,758**	13,679,684
	$ 19,924,339	$ 20,367,688

***Funds with Deficiencies* -** From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or relevant law requires the Alliance to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of September 30, 2009 and 2008, there were no funds that were below the level required by donor or law.

***Return Objectives and Risk Parameters* -** The Alliance's investment and spending policies for endowment assets attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

***Strategies Employed for Achieving Objectives* -** To satisfy its long-term rate-of-return objectives, the Alliance 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 Alliance targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 6 - Endowments (Board Designated, Temporary and Permanent) (continued)

***Spending Policy* -** During its annual budgeting process, the Alliance appropriates donor restricted endowment funds for expenditure in accordance with donor purpose and time restrictions. The Alliance has appropriated $1,796,288 and $2,679,286 of funds for expenditure from its temporarily restricted endowment funds for the year ending September 30, 2009 and 2008, respectively. The Alliance has not appropriated funds for expenditure from its board restricted endowment funds for the years ending September 30, 2009 and 2008. The board restricted endowment funds are being held for long-term growth and to maintain capital reserves for the Alliance.

Note 7 - Pledges Receivable

The Alliance has received unconditional promises to give and estimates the year of receipt to the extent possible. The anticipated present value of the pledges to be received as of September 30, 2009 is as follows.

Year	Pledges
2010	$ 18,637
2011	63,689
Less: allowance for uncollectible pledges	(8,233)
	$ 74,093

Unconditional promises to give have been discounted at a rate commensurate with the risks involved. As of September 30, 2009 and 2008, the unamortized discount deducted from pledges was $3,259 and $15,586, respectively.

Note 8 - Long-Term Debt, Capital Leases and Lines of Credit

In July 2008, the Hospital advance refunded its CHEFA Series B revenue bonds by issuing CHEFA Series A, variable rate, demand revenue bonds, under a Trust Indenture with U.S. Bank National Association (the Trustee) in the amount of $33,690,000, of which $32,115,000 and $33,690,000 is outstanding as of September 30, 2009 and 2008, respectively. The Series A bonds mature on July 1, 2024 and are subject to redemption provisions prior to their maturity. The redemptions begin on July 1, 2009 and continue annually thereafter by operation of a sinking fund. Interest on the bonds is based on a variable rate, which has been converted to a 3.75% fixed rate debt instrument through an interest rate swap agreement with Bank of America, N.A.

The CHEFA Series B bonds were defeased in 2008, and the Hospital recorded a $1,562,310 defeasance cost within non-operating gains (losses) in the consolidated statement of operations for the year ended September 30, 2008.

Note 8 - Long-Term Debt, Capital Leases and Lines of Credit (continued)

Pursuant to the CHEFA loan agreement, the Hospital is obligated to pay amounts sufficient to enable CHEFA to pay the principal and interest due on the Series A bonds. The debt is secured by a separate irrevocable, direct-pay letter of credit issued by Bank of America, N.A., which expires on August 8, 2011, subject to extension or earlier termination upon the occurrence of certain events. The bonds are secured by a pledge of gross receipts of the Hospital.

The loan agreement and letter of credit agreement place certain limits on the incurrence of additional borrowings of the Hospital and require that the Hospital satisfy certain measures of financial performance while the bonds are outstanding, including a debt service coverage ratio of 1.25 to 1 and other covenants similar in financings of this type. As of September 30, 2009 and 2008, the Hospital is in compliance with these covenants.

The Hospital’s interest rate swap agreement expires on July 1, 2024. The Hospital is required to pay interest on the notional amount, which is equal to the outstanding balance on the CHEFA Series A tax-exempt demand bonds, at a fixed rate of 3.75%. The objective of this cash flow hedge is to protect cash flows paid for interest from adverse extreme market interest rate changes. The counterparty to the swap agreement will pay interest at a rate equal to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index, formerly the Bond Market Association Municipal Swap Index. The difference between the actual variable rate on the debt and the rate of the SIFMA Municipal Swap Index paid by the counterparty will be recorded by the Hospital as an increase or decrease of interest expense depending on the relationship of the index to the actual variable rate on the debt.

The interest rate swap agreement met the definition of a derivative instrument under ASC 815-20. Consequently, the fair value of the interest rate swap (a liability of $2,476,572 and $505,537 as of September 30, 2009 and 2008, respectively) has been recorded in the accompanying consolidated balance sheets within other long-term liabilities. The Hospital measures the fair value of this derivative instrument as Level 3, as defined in Note 2, in accordance with ASC 820-10.

The change in fair value of the interest rate swap of $1,971,035 and $505,537 for the years ended September 30, 2009 and 2008, respectively, is recorded in the consolidated statements of operations as a component of non-operating income due to the fact that the effectiveness of the interest rate swap was not measured. The Hospital and its counterparty in the interest rate swap agreement are exposed to credit risk in the event of nonperformance or early termination of the agreement.

Note 8 - Long-Term Debt, Capital Leases and Lines of Credit (continued)

Expenses associated with the issuance of the Hospital's CHEFA debt were deferred and are being amortized over the life of the related debt. These costs, of approximately $428,657 and $479,194 as of September 30, 2009 and 2008, net of amortization, are included in other assets in the accompanying consolidated balance sheets, respectively.

In 2006, the Hospital entered into a deferred payment arrangement with a vendor for the enhancement of certain information systems and previously deferred system maintenance costs. The principal and interest were due in 74 monthly installments of $54,366 which began in 2007. In 2008, the Hospital amended its master agreement and the vendor forgave this obligation. During 2008, the Hospital recognized forgiveness income of $2,597,072, which was included within supplies and other expenses, as a reduction to information systems expenses.

In October 1996, the Hospital entered into a financing agreement with a bank for a twenty-year mortgage note of $450,000 with a five-year interest rate of 9.1%. On the fifth-year and for each subsequent fifth-year anniversary, the interest rate will be adjusted to the Federal Home Loan Bank's five-year advance rate to its member banks plus 2.5%. The bank has a lien on the Hospital's Bradley campus buildings. During 2009 the Hospital paid the note in full. The outstanding balance on this loan at September 30, 2008 was $214,293. The interest rate on the mortgage note was 7.23% as of September 30, 2008.

In October 2005, the Hospital entered into a ten-year non-interest bearing loan agreement for $2,400,000 from the Barnes Memorial Trust. The Hospital is required to make annual payments of $240,000 toward the loan. The outstanding balance on this loan as of September 30, 2009 and 2008 was $1,504,422 and $1,744,422, respectively.

In October 2004, the Hospital entered into a five-year, $1,800,000 capital lease agreement with CHEFA for MRI equipment. This lease has an interest rate of 4.07%. The bank has a lien on the MRI equipment. The outstanding balance on this lease at September 30, 2009 and 2008 was $32,982 and $420,182, and the net book value of the leased equipment was $540,170 and $943,074, respectively.

In May 2008, the Hospital entered into a five-year, $4,950,000 capital lease agreement with CHEFA for novalis medical equipment. This lease has an interest rate of 3.75%. The bank has a lien on the novalis medical equipment. The outstanding balance on this lease as of September 30, 2009 and 2008 was $3,718,249 and $4,648,046, and the net book value of the leased equipment was $4,376,999 and $5,005,570, respectively.

In August 2008, the Hospital entered into a five-year, $3,690,000 capital lease agreement with CHEFA for pet scan equipment. This lease has an interest rate of 4.27%. The bank has a lien on the pet scan equipment. The outstanding balance on this lease as of September 30, 2009 and 2008 was $2,955,852 and $3,634,723 and the net book value of the leased equipment was $3,272,918 and $3,742,845, respectively.

Note 8 - Long-Term Debt, Capital Leases and Lines of Credit (continued)

The Hospital has an available line of credit with a director-related bank for credit availability of up to $2,000,000. There were no outstanding balances under this line of credit as of September 30, 2009 and 2008. The line of credit was at customary terms and carried a variable rate of interest equal to the prevailing prime rate of a large New York-based bank (2.25% and 3.00% as of September 30, 2009 and 2008, respectively). The line of credit is reviewed annually each February.

In December 1997, CCSHS advance refunded its CHEFA Series A revenue bonds in the amount of $6,810,000 by issuing CHEFA Series B variable rate demand revenue bonds under a Trust Indenture with State Street Bank and Trust Company in the amount of $19,630,000. The Series B bonds were split between Southington Care Center and the Orchards. Southington Care Center refinanced its Series A bonds and also received additional funds for the construction of a rehabilitation facility and other capital projects for a total of $8,637,200. The portion attributable to the Orchards was $10,992,800.

The CCSHS Series B bonds mature on July 1, 2029 and are subject to redemption procedures prior to their maturity. The redemptions began on July 1, 2000 and continue annually thereafter by operation of a sinking fund. Interest on the bonds is based on a variable rate, which has been converted to a fixed rate under an interest rate swap agreement described below.

Pursuant to the Loan and Guaranty Agreement, CCSHS is obligated to pay amounts sufficient to enable CHEFA to pay the principal and interest due on the Series B bonds. The debt is secured by CCSHS through mortgages of the real property, buildings, equipment, furnishings, personal property and fixtures included within the Series B project and a security interest in the gross receipts. The Series B bonds are also secured by a separate irrevocable letter of credit issued by a bank which expires on December 22, 2012, subject to the extension or earlier termination upon the occurrence of certain events.

The loan agreement and letter of credit agreement provide for covenants regarding the debt service coverage ratio of Southington Care Center and the Orchards on a combined basis and other covenants similar in financings of this type. As of September 30, 2009 and 2008, compliance with these covenants had been met.

Effective December 3, 2007, CCSHS entered into an interest rate swap agreement which expires December 1, 2017. CCSHS is required to pay interest on the notional amount, which is equal to the outstanding balance on the CHEFA Series B tax-exempt demand bonds, at a fixed rate of 3.52%. The objective of this cash flow hedge is to protect cash flows paid for interest from adverse extreme market interest rate changes. The counterparty to the interest rate swap agreements will pay interest at a rate equal to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index, formerly the Bond Market Association Municipal Swap Index.

Note 8 - Long-Term Debt, Capital Leases and Lines of Credit (continued)

The difference between the actual variable rate on the debt and the rate of the SIFMA Municipal Swap Index paid by the counterparty will be recorded by CCSHS as an increase or decrease of interest expense depending on the relationship of the index to the actual variable rate on the debt.

The interest rate swap agreement met the definition of a derivative instrument under ASC 815-20. Consequently, the fair value of the swap (a liability of $1,028,371 and $69,955 as of September 30, 2009 and 2008, respectively) is recorded in the accompanying consolidated balance sheets within other liabilities as of September 30, 2009 and 2008. CCSHS measures the fair value of this derivative instrument as Level 3, as defined in Note 2, in accordance with ASC 820-10.

The change in the fair value of the interest rate swap of $958,416 and $139,573 for the years ended September 30, 2009 and 2008, respectively, is recorded in the consolidated statements of operations as a component of non-operating income due to the fact that the effectiveness of the interest rate swap was not measured. CCSHS and its counterparty in the interest rate swap agreement are exposed to credit risk in the event of nonperformance or early termination of the agreement.

Effective March 1, 2007, Mulberry Gardens refinanced its existing bank debt by issuing CHEFA Series E variable rate demand revenue bonds under a Trust Indenture with State Street Bank and Trust Company in the amount of $4,155,000. The Series E bonds mature on July 1, 2036 and are subject to redemption procedures prior to their maturity. The redemptions began on July 1, 2007 and continue annually thereafter by operation of a sinking fund. Interest on the bonds is based on a variable rate, which has been converted to a fixed rate under a swap agreement described below.

Pursuant to the Loan and Guaranty Agreement, Mulberry Gardens is obligated to pay amounts sufficient to enable CHEFA to pay the principal and interest due on the Series E bonds. The debt is secured by Mulberry Gardens through mortgages of the real property, buildings, equipment, furnishings, personal property and fixtures included within the Series E project and a security interest in the gross receipts. The Series E bonds are also secured by a separate irrevocable letter of credit issued by a bank which expires on March 29, 2012, subject to the extension or earlier termination upon the occurrence of certain events.

The loan agreement and letter of credit agreement provide for covenants regarding the debt service coverage ratio of Mulberry Gardens and other covenants similar in financings of this type. As of September 30, 2009 and 2008, compliance with these covenants had been met.

Mulberry Gardens entered into an interest rate swap agreement on August 25, 2006, effective April 1, 2007 expiring on April 1, 2017. Mulberry Gardens is required to pay interest on the notional amount, which is equal to the outstanding balance on the CHEFA Series E tax-exempt demand bonds, at a fixed rate of 3.75%. The objective of this interest rate swap is to protect cash flows paid for interest from adverse extreme market interest rate changes.

Note 8 - Long-Term Debt, Capital Leases and Lines of Credit (continued)

The counterparty to the interest rate swap agreement will pay interest at a rate equal to a percentage of the U.S. LIBOR rate.

The interest rate swap agreement met the definition of a derivative instrument under ASC 815-20. Consequently, the fair value of the swap (a liability of $440,993 and $240,089 as of September 30, 2009 and 2008, respectively) is recorded in the accompanying consolidated balance sheets within other liabilities. Mulberry Gardens measures the fair value of this derivative instrument as Level 3, as defined in Note 2, in accordance with ASC 820-10.

The change in the fair value of the interest rate swap of $200,904 and $140,862 for the years ended September 30, 2009 and 2008, respectively, is recorded in the consolidated statements of operations as a component of non-operating income due to the fact that the effectiveness of the interest rate swap was not measured. Mulberry Gardens and its counterparty in the interest rate swap agreement are exposed to credit risk in the event of nonperformance or early termination of the agreement.

CMHA has a $500,000 line of credit with Salisbury Bank and Trust Company, which bears interest at the prime rate (3.25% and 5.0% at June 30, 2009 and 2008, respectively) with an interest rate floor of 6% and was collateralized by property in Salisbury, Connecticut. This line of credit agreement was renewed for a period of five years during 2008. The outstanding balance as of June 30, 2009 and 2008 was $0 and $218,738, respectively.

CMHA also has various bank loans that expire on various dates through June 2017. The balance outstanding on these loans was $1,006,772 and $1,134,206 as of June 30, 2009 and 2008, respectively. The bank loans and the line of credit agreements held by CMHA contain various covenants primarily related to the debt service coverage ratio and a minimum tangible net worth. CMHA was not in compliance with these covenants as of June 30, 2009 and 2008, but has received a waiver from the bank for the covenant violations.

In addition, CCHA had entered into three promissory notes with CMHA, see Note 4 for further discussion of the notes.

Note 8 - Long-Term Debt, Capital Leases and Lines of Credit (continued)

Long-term debt and capital leases consist of the following as of September 30, 2009 and 2008:

	2009	**2008**
The Hospital CHEFA, Series A, due in varying amounts through 2024, with interest payable monthly at a variable interest rate	**$ 32,115,000**	$ 33,690,000
The Hospital ten-year non-interest bearing note, due in annual installments of $240,000	**1,504,422**	1,744,422
The Hospital five-year capital lease with an interest rate of 4.07%	**32,982**	420,182
The Hospital five-year capital lease with an interest rate of 3.75%	**3,718,249**	4,648,046
The Hospital five-year capital lease with an interest rate of 4.27%	**2,955,852**	3,634,723
The Hospital mortgage note due 2016 with a five-year adjustable rate (7.23% at September 30, 2008)	**-**	214,293
CCSHS CHEFA, Series B, net of discount of $60,948 and $64,114 at September 30, 2009 and 2008, respectively, due in varying amounts through 2029, with interest payable monthly at a variable interest rate	**16,079,052**	16,515,886
CCSHS CHEFA, Series E, net of discount of $50,354 and $52,185 at September 30, 2009 and 2008, respectively, due in varying amounts through 2036, with interest at a variable interest rate payable monthly	**3,929,646**	3,997,815
CMHA promissory notes to bank due through June 2017 in monthly installments of $13,325, (interest rates from 3.3% to 8.92%)	**929,292**	1,015,826
CMHA other various promissory notes	**77,480**	118,380
	61,341,975	65,999,573
Less: current portion	**(4,383,372)**	(4,673,896)
	$ 56,958,603	$ 61,325,677

Note 8 - Long-Term Debt, Capital Leases and Lines of Credit (continued)

The following is a schedule of future principal payments by fiscal year on long-term debt and capital leases as of September 30, 2009.

	Long-Term Debt	Capital Leases	Total
Fiscal year:			
2010	$ 2,678,704	$ 1,941,126	$ 4,619,830
2011	2,602,443	1,908,143	4,510,586
2012	2,728,123	1,908,143	4,636,266
2013	2,697,268	1,477,318	4,174,586
2014	2,805,142	-	2,805,142
Thereafter	41,234,514	-	41,234,514
	54,746,194	7,234,730	61,980,924
Less: interest	-	527,647	527,647
Less: bond discount	111,302	-	111,302
Less: current portion	2,678,704	1,704,668	4,383,372
Long-term portion	$ 51,956,188	$ 5,002,415	$ 56,958,603

During the years ended September 30, 2009 and 2008, the Alliance paid interest of $2,782,570, and $2,353,856, respectively.

The fair value of the Alliance debt and capital leases, using discounted cash flow analyses, was approximately $64,879,441 and $70,816,051 as of September 30, 2009 and 2008, respectively.

Note 9 - Retirement Plans

The Alliance sponsors several retirement plans. The Hospital has two noncontributory, defined benefit pension plans covering substantially all of its employees hired before January 1, 2006. Benefits are based on years of service and the employee's compensation during the last five years of employment. Employees hired after January 1, 2006 are eligible to participate in a defined contribution plans, as the defined benefit plans are closed to employees hired after January 1, 2006. Employees may contribute a percentage of their annual contribution subject to IRS limitations and the Hospital contributes up to 4% of annual compensation for employees that work greater than 20 hours a week and 3% of annual compensation for employees that work less than 20 hours a week. The Hospital incurred expenses of $1,974,091 and $1,592,367 related to the defined contribution plan for the years ending September 30, 2009 and 2008, respectively.

In addition, the Hospital has a Supplemental Executive Retirement Plan (SERP) under section 457(b) of the Internal Revenue Code of 1986, as amended. The SERP has been established to supplement the retirement benefits of eligible employees designated by the Hospital's Board of Directors.

Note 9 - Retirement Plans (continued)

The accrued liability relating to the SERP, which is funded annually, amounted to $2,279,243 and $1,733,145 as of September 30, 2009 and 2008, respectively. The expenses incurred related to the SERP amounted to $324,996 and $399,999 for the years ended September 30, 2009 and 2008, respectively.

The Alliance also has a SERP with certain senior executives. The obligations related to these agreements are included within the table below.

Significant disclosures relating to the retirement benefit plans, which are measured as of September 30, 2009 and 2008, of the Alliance are as follows.

	2009	2008
Change in benefit obligation:		
Benefit obligation, beginning of year	**$ (204,550,848)**	$ (227,207,042)
Service cost	**(6,844,956)**	(8,141,971)
Interest cost	**(15,158,281)**	(14,025,198)
Actuarial (loss) gain	**(69,485,399)**	38,030,233
Benefits paid	**8,565,787**	6,090,811
Administrative expenses paid	**558,193**	702,319
Benefit obligation, end of year	**$ (286,915,504)**	$ (204,550,848)
Change in plan assets:		
Fair value of plan assets, beginning	**$ 166,794,502**	$ 185,462,088
Actual return on plan assets	**5,206,271**	(25,910,456)
Employer contributions	**25,948,349**	14,036,000
Benefits paid	**(8,565,787)**	(6,090,811)
Administrative expenses paid	**(558,193)**	(702,319)
Fair value of plan assets, end of year	**$ 188,825,142**	$ 166,794,502
Accrued pension liability:		
Unfunded status	**$ (98,090,362)**	$ (37,756,346)
Components of net periodic benefit cost:		
Service cost	**$ 6,844,956**	$ 8,141,971
Interest cost	**15,158,281**	14,025,198
Expected return on plan assets	**(15,953,257)**	(14,466,016)
Net amortization and deferral	**(78,803)**	1,838,082
Net periodic benefit cost	**$ 5,971,177**	$ 9,539,235

Note 9 - Retirement Plans (continued)

The unfunded status of the accrued pension liability is included within the current and long-term portion of the pension, self-insurance and other long-term liabilities on the accompanying consolidated balance sheets. The accumulated benefit obligation for the plans was $241,158,144 and $173,401,654 as of September 30, 2009 and 2008, respectively.

	2009	2008
Assumptions:		
Weighted average assumption used to determine benefit obligations were:		
Discount rate	**5.60%**	7.50%
Rate of compensation increase	**4.00%**	4.13%
Weighted average assumption used to determine periodic benefit cost were:		
Discount rate	**7.50%**	6.25%
Rate of compensation increase	**4.13%**	4.25%
Expected return on plan assets	**8.40%**	8.25%

Pension changes other than net periodic benefit costs for the years ended September 30, 2009 and 2008 resulted in a decrease to unrestricted net assets of $80,311,182 and $508,156, respectively. These changes have been reflected in the consolidated statements of changes in net assets. The reason for the increase in 2009 is attributable to the decrease in the discount rate.

The Alliance's expected long-term rate of return on plan assets is updated periodically, taking into consideration asset allocation, historical return on the type of assets held and the current economic environment.

The Alliance's investment objective is to meet the outgoing payout requirements of the plans' and to offset future inflation and minimize future contributions. The target allocation percentages are 65% in equities, 32% in fixed income securities and 3% in cash. The performance goal is to have a minimum total return of the CPI plus 3% over a rolling ten-year period.

Accumulated amounts recorded in unrestricted net assets as of September 30, 2009 and 2008, not yet amortized as components of net periodic benefit costs are as follows.

	2009	2008
Unamortized prior service credits	**$ (1,946,806)**	$ (2,352,064)
Unamortized actuarial loss	**111,618,576**	31,712,652
Amount recognized as a reduction in unrestricted net assts	**$ 109,671,770**	$ 29,360,588

Note 9 - Retirement Plans (continued)

The amortization of the above items expected to be recognized in net periodic benefit costs for the year ended September 30, 2010 is $5,895,284.

The Alliance expects to make contributions of $21,192,320 to the plans during fiscal year 2010. The following benefit payments, which reflect expected future service, are expected to be paid during fiscal years indicated.

Year	Benefit Payments	
2010	$	10,051,489
2011	$	7,869,562
2012	$	8,856,272
2013	$	9,735,709
2014	$	10,654,085
2015-2019	$	75,353,244

The Hospital measures the fair value of the Plans' securities in accordance with ASC 820-10 as of September 30, 2009 as follows.

	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
Mutual funds	$	63,622,205	$	-	$	-
Money market funds		-		1,266,072		-
Collective investment funds		-		118,403,907		-
Alternative investments		-		-		5,532,958
	$	63,622,205	$	119,669,979	$	5,532,958

As of October 1, 2008, the value of the alternative investment was $0. During the year ending September 30, 2009, the value increased for contributions in the amount of $5,044,174, investment income of $120,341, net unrealized and realized gains of $445,988 and decreased for expenses of $77,545.

All employees of CMHA with 1,000 hours of service are eligible to participate after one year of employment in CMHA's retirement plan (the Plan). The Plan consists of a tax-deferred annuity issued through Prudential Retirement. CMHA will match 50% of all employee deferrals up to a maximum of 3% of the employees compensation. In addition, CMHA at its discretion, may contribute additional contributions.

Note 9 - Retirement Plans (continued)

During 2009 and 2008, CMHA made discretionary contributions of 2% and 4% of all eligible employee's compensation, respectively. The employer contribution is reviewed and approved annually by the Board of Directors. Employees may contribute the lesser of $49,000 or 100% of includable compensation up to maximum allowed by Internal Revenue Code Sections 403(b), 402(g) and 415. The Plan is fully funded and employees' benefits are vested at a rate of 20% per year and are fully vested at five years. The cost of such contributions totaled approximately $277,000 in 2009 and $520,000 in 2008, respectively.

Southington Care Center has a defined contribution pension plan. The plan was effective July 1, 1990, and all employees who have completed one year of service are eligible for the plan. Employees must work a minimum 1,000 hours per year to remain eligible. There is no minimum age eligibility requirement for the plan. The employer's contribution is 3.5% of the annual compensation paid to employees. Southington Care Center also has a tax sheltered annuity plan. The plan was effective July 1, 1990, and all employees who are employed during the plan year are eligible for the plan. There is no minimum waiting period or age requirement. Southington Care Center employees are not required to contribute to the plan to be eligible. Southington Care Center incurred $275,693 and $297,768 in expense for these plans during the years ended September 30, 2009 and 2008, respectively.

Mulberry Gardens and the Orchards have a 401(k) plan and 403(b) plan, respectively. These plans require that employees work a minimum 1,000 hours per year to remain eligible. Employees are eligible to participate at their hire date. The minimum age for eligibility is twenty-one. As of September 30, 2009 and 2008 it is the employer's intent to contribute a discretionary matching contribution up to 3% for all eligible employees. Mulberry Gardens incurred $42,869 and $31,253 of expense related to its 401(k) plan for the years ended September 30, 2009 and 2008, respectively. The Orchards incurred $42,065 and $28,075 of expense related to its 403(b) for the years ended September 30, 2009 and 2008, respectively.

Effective October 1, 1996, VNACC established the Visiting Nurse Association of Central Connecticut Thrift Plan (the Thrift Plan), a defined contribution pension plan for its employees. Employees are eligible following attainment of age twenty-one and completion of one year of employment which includes a minimum of 1,000 hours paid.

Under the provisions of the Thrift Plan, VNACC contributes 3% of an eligible employee's salary and eligible employees can contribute up to 15% of their annual salary subject to federally established limits with a matching contribution by the VNACC equal to 50% of the first 4% of salary deferred. The Thrift Plan expense was $248,640 and $239,955 for the year ended June 30, 2009 and 2008, respectively.

Note 10 - Medical Malpractice Insurance

As of September 30, 2008, the Hospital purchased limits of professional and general liability insurance from PIE to cover risks up to specified limits under a claims-made policy. PIE was a licensed Vermont reciprocal captive insurance company and a joint venture among four entities, including the Hospital. Professional liability limits through PIE covered the first $2,000,000 per claim and $8,000,000 in aggregate annually under a claims-made policy. The Hospital also purchased excess liability coverage through PIE for claims in excess of $2,000,000 and $8,000,000 annually, up to an annual aggregate limit of $35,000,000.

Effective January 6, 2009, the Hospital transferred all assets and liabilities from PIE to GIC through a loss portfolio transfer. GIC, which is a wholly owned subsidiary of the Hospital, provides professional and general liability coverage on a claims-made basis to the Hospital, as further discussed in Note 15.

The Hospital no longer self-insures any malpractice risks other than exposures greater than its excess coverage, however, as of September 30, 2009 and 2008, the Hospital has recorded a liability for estimated incurred but not reported claims, as it currently has a claims-made policies with GIC.

CCSHS, VNACC, CMHA, Alliance Occupational Health, and CCSMC have medical malpractice coverage provided under claims-made policies. There are also known incidents that have occurred through September 30, 2009 and 2008, that may result in the assertion of additional claims. Other claims may be asserted arising from services provided to patients in the past.

Note 11 - Self-Insurance of Workers' Compensation

The Hospital self-insures workers' compensation claims with retention on the first $350,000 per claim. The Hospital has also purchased excess liability insurance, which provides coverage for workers' compensation claims in excess of $350,000, and up to aggregate limits of $1,000,000 per employers' liability claim. The self-insurance plan is unfunded.

During the year, potential losses from asserted and unasserted claims identified by the Hospital's risk management system are accrued based upon estimates that incorporate the Hospital's past experience, as well as the nature of each claim or incident and relevant trend factors.

The Hospital's year-end workers' compensation reserve, as estimated by Hospital management in conjunction with its independent actuaries, is included in pension, self-insurance and other long-term liabilities on the consolidated balance sheets and is discounted at 2.0% and 2.5% in 2009 and 2008, respectively. The balances as of September 30, 2009 and 2008 are $1,977,591 and $1,666,000, respectively.

VNACC, CCSHS, CCHA and CCSMC are also self-insured with respect to workers' compensation claims. These entities have recorded reserves representing management's best estimate of the exposure for such claims.

Note 12 - Operating Leases

The Alliance has leases for various equipment and office space, which are accounted for as operating leases. Operating lease expense in 2009 and 2008 was approximately $4,466,281 and $4,663,520, respectively. As of September 30, 2009, future lease commitments on noncancelable leases with remaining terms of one year or more consisted of the following.

Year	Operating Leases
2010	$ 2,951,766
2011	2,417,369
2011	1,535,963
2012	805,732
2013	807,437
Thereafter	1,255,633
	$ 9,773,900

Note 13 - Contingencies

The Alliance is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on consolidated financial position of the Alliance.

The Alliance's defined benefit pension plans invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

FASB ASC 410, *"Asset Retirement and Environmental Obligations"* addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets such as asbestos-containing facilities, when the amount of the liability can be reasonably estimated. Management is currently evaluating the fair market value of its Asset Retirement Obligation (ARO), relating to its various facilities. An ARO liability of $1,782,962 and $1,887,577 has been established as of September 30, 2009 and 2008, respectively. During 2009, the Alliance incurred asbestos abatement expenses of $104,615. Management will continue to evaluate its exposure to asbestos removal and adjust the ARO for the fair value of the associated costs.

The Alliance currently utilizes an external information systems vendor for all information technology services, including personnel and hardware. During 2009, the Alliance provided the information systems vendor with a notice to terminate the contract. The Alliance has accrued $1,000,000 for the termination fee, which has been included within accounts payable and accrued expenses on the consolidated balance sheet.

Note 13 - Contingencies (continued)

The termination is expected to occur during 2010, and as a result, the Alliance is anticipating that it will incur increased information technology expenses in future years due to the transition.

Note 14 - Functional Expenses

The Alliance provides general health care services to residents within its geographic location including acute inpatient and outpatient services. Expenses related to providing these services are as follows.

	2009	2008
Health care services	**$ 392,100,529**	$ 368,499,863
General and administrative	**58,562,985**	49,014,061
Fundraising	**593,414**	682,426
	$ 451,256,928	$ 418,196,350

Note 15 - Captive Insurance Activities

Effective January 6, 2009, GIC provides professional and general liability coverage on a claims-made basis to the Hospital. The coverage limits for the Hospital were $2 million per claim with an annual aggregate of $4 million for the years 1986 to 2005. The aggregate limit increased to $5 million in 2006 and $8 million for 2007 and subsequent years.

Coverage provided in the attending physician program is on a claims-made basis and is based on each physician's retroactive coverage date. The limits of coverage per physician are $1 million per claim and $4 million in aggregate.

In 2009, the Hospital purchased excess insurance limits of $35 million, above the insured retention noted above.

Effective January 31, 2009, GIC entered into a novation agreement to assume all rights, obligations and liabilities as insurer under insurance contracts with the Hospital, which were previously held with PIE.

Note 15 - Captive Insurance Activities (continued)

A reconciliation of direct to net premiums, on a written and earned basis, is summarized as follows for year ended September 30, 2009.

	Written	Earned
Direct	$ 20,281,191	$ 20,056,964
Ceded	(1,838,988)	(1,838,988)
	$ 18,442,203	$ 18,217,976

Activity in the reserve for losses and loss adjustment expenses is summarized as follows for the year ended September 30, 2009.

Balance at beginning of the year	$ -
Loss portfolio transfer	13,834,423
Incurred related to:	
Current year	2,954,213
Prior years	85,880
Total incurred	3,040,093
Paid related to:	
Current year	8,966
Prior years	319,458
Total paid	328,424
Net balance at the end of the year	16,546,092
Plus: reinsurance recoverable	5,551,841
Balance, end of year	$ 22,097,933

As a result of changes in estimates of insured events in prior years, the reserve for losses and loss adjustment expenses increased by approximately $86,000 in 2009.

Note 15 - Captive Insurance Activities (continued)

The ultimate settlement of losses may vary significantly from the reserves recorded. In particular, ultimate settlements on medical malpractice claims depend, among other things, on the resolution of litigation, the outcome of which is difficult to predict. Also, since the reserves have been discounted, there is the possibility that the timing of loss payments and income earned on invested assets will be significantly different than anticipated.

Note 16 - Fair Value of Financial Instruments

Management determines the appropriate classification of its investments in all securities at the time of purchase and re-evaluates such determination at each consolidated balance sheet date, in accordance with ASC 820-10 as described in Note 2.

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

> *Cash and cash equivalents:* The carrying amounts reported in the consolidated balance sheets approximate the fair value.
>
> *Interest rate swap agreement:* The fair value of the interest rate swap liability is based on information provided by Bank of America, NA. The fair value estimate considers the underlying notional debt principal amounts and the current interest rates paid by the Hospital and Bank of America, NA under the swap contract.
>
> *Supplemental executive retirement plan assets:* For marketable equity securities and other investments, fair values are based on quoted market prices or dealer quotes (Level 1).
>
> *Due to third-party agencies:* The carrying amounts reported in the consolidated balance sheets approximate the fair value.
>
> *Long-term debt and capital lease obligations:* The carrying amounts reported in the consolidated balance sheets approximate the fair values. The fair value of the Hospital's long-term debt is estimated using a discounted cash flow analysis, based on the Hospital's current incremental borrowing rates for similar types of borrowing (Level 3).
>
> *Receivables and payables:* The fair value of receivables and payables approximates the carrying amount reported in the consolidated balance sheets as of September 30, 2009 and 2008.

Central Connecticut Health Alliance, Inc. and Subsidiaries
Consolidating Balance Sheet
September 30, 2009

	Central Connecticut Health Alliance, Inc.	The Hospital of Central Connecticut	CenConn Services, Inc.	Community Mental Health Affiliates, Inc.	Visiting Nurse Association of Central CT, Inc.	Central CT Senior Health Services, Inc.	New Britain Occupational Health Ctr., LLC	Central CT Sports Medicine Center, LLC	Eliminations	Total
Assets										
Current assets:										
Cash and cash equivalents	$ 188,747	$ 22,241,282	$ 4,862,335	$ 1,662,231	$ 1,435,690	$ 5,306,463	$ 313,495	$ 154,562	$ -	$ 36,164,805
Accounts receivable, net	-	36,493,910	-	953,325	1,031,611	1,507,764	227,688	147,338	(14,940)	40,346,696
Premiums receivable	-	317,861	-	-	-	-	-	-	-	317,861
Reinsurance recoverable	-	5,551,841	-	-	-	-	-	-	-	5,551,841
Other receivables	-	1,523,761	362,230	281,290	57,917	-	-	109,091	(510,898)	1,823,391
Current portion of pledges receivable, net	-	16,773	-	-	-	-	-	-	-	16,773
Due from affiliates	131,814	103,936	100,701	-	-	159,456	-	81,367	(417,427)	159,847
Inventories and prepaid expenses	33,940	7,160,817	-	104,177	43,541	454,299	-	-	-	7,796,774
Other current assets	-	-	324,462	52,712	-	-	18,398	-	-	395,572
Assets whose use is limited - cash and cash equivalents related to GIC	-	3,228,000	-	-	-	-	-	-	-	3,228,000
Assets whose use is limited - required for current liabilities	-	69,761	-	-	-	174,297	-	-	-	244,058
Total current assets	354,501	76,707,942	5,649,728	3,053,735	2,568,759	7,602,279	559,581	492,358	(943,265)	96,045,618
Assets whose use is limited:										
Cash and cash equivalents related to GIC	-	19,352,734	-	-	-	-	-	-	-	19,352,734
Assets held in trust under bond indenture	-	-	-	-	-	1,403,892	-	-	-	1,403,892
Other assets whose use is limited	2,470,235	-	-	177,043	-	-	-	-	-	2,647,278
Assets held in trust by others	-	13,240,758	-	-	-	-	-	-	-	13,240,758
Board restricted endowment	-	80,516,608	-	-	-	-	-	-	-	80,516,608
Temporarily and permanently donor restricted investments	-	21,726,622	-	83,137	-	80,890	-	-	-	21,890,649
	2,470,235	134,836,722	-	260,180	-	1,484,782	-	-	-	139,051,919
Long-term investments	-	-	-	-	5,679,276	2,114,302	-	-	-	7,793,578
Pledges receivable, net	-	57,320	-	-	-	-	-	-	-	57,320
Investments in affiliates	3,161,997	4,035,350	583,892	-	-	-	-	-	(6,086,260)	1,694,979
Other assets	1,794,940	2,993,162	-	-	-	464,702	-	-	-	5,252,804
Due from affiliates	2,680,758	1,427,271	-	-	-	-	-	-	(4,108,029)	-
Property, plant and equipment:										
Land	162,625	2,572,259	33,600	395,532	100,657	1,225,138	-	-	-	4,489,811
Building and improvements	-	189,498,383	2,048,921	6,646,139	1,312,046	22,800,104	18,284	86,949	-	222,410,826
Equipment	210,164	157,667,774	5,659,864	1,927,942	1,295,509	5,642,702	308,804	244,661	-	172,957,420
Construction in progress	-	3,463,048	760,532	-	-	2,200	-	-	-	4,225,780
	372,789	353,201,464	8,502,917	8,969,613	2,708,212	29,670,144	327,088	331,610	-	404,083,837
Less: accumulated depreciation and amortization	(116,671)	(229,023,210)	(3,604,868)	(4,365,900)	(2,038,944)	(14,123,342)	(306,397)	(282,125)	-	(253,861,457)
	256,118	124,178,254	4,898,049	4,603,713	669,268	15,546,802	20,691	49,485	-	150,222,380
Total assets	$ 10,718,549	$ 344,236,021	$ 11,131,669	$ 7,917,628	$ 8,917,303	$ 27,212,867	$ 580,272	$ 541,843	$ (11,137,554)	$ 400,118,598

See accompanying independent auditors’ report and notes to the consolidated financial statements.

Central Connecticut Health Alliance, Inc. and Subsidiaries
Consolidating Balance Sheet (continued)
September 30, 2009

	Central Connecticut Health Alliance, Inc.	The Hospital of Central Connecticut	CenConn Services, Inc.	Community Mental Health Affiliates, Inc.	Visiting Nurse Association of Central CT, Inc.	Central CT Senior Health Services, Inc.	New Britain Occupational Health Ctr. LLC	Central CT Sports Medicine Center, LLC	Eliminations	Total
Liabilities and Net Assets										
Current liabilities:										
Accounts payable and accrued expenses	$ 50,436	$ 21,403,282	$ 131,877	$ 965,491	$ 185,959	$ 1,475,755	$ 10,984	$ 47,250	$ 33,704	$ 24,304,738
Accrued compensation	451,227	13,045,926	141,223	1,186,079	509,601	1,124,720	17,008	-	-	16,475,784
Unearned premiums	-	224,227	-	-	-	-	-	-	-	224,227
Reserve for losses and loss adjustment expenses	-	3,228,000	-	-	-	-	-	-	-	3,228,000
Due to third-party reimbursement agencies	-	14,739,235	-	368,807	58,771	135,071	-	-	-	15,301,884
Deferred revenue	-	760,583	-	680,905	276,021	368,411	-	-	-	2,085,920
Due to affiliates	-	-	229,618	113,593	-	3,929	655,462	-	(1,002,602)	-
Lines of credit and current portion of long-term debt and capital leases	-	3,514,668	-	333,704	-	535,000	-	-	-	4,383,372
Current portion of pension, self-insurance and other long-term liabilities	2,352,094	18,550,000	553,669	-	-	-	-	-	-	21,455,763
Total current liabilities	2,853,757	75,465,921	1,056,387	3,648,579	1,030,352	3,642,886	683,454	47,250	(968,898)	87,459,688
Reserve for losses and loss adjustment	-	18,869,933	-	-	-	-	-	-	-	18,869,933
Long-term debt and capital leases	-	36,811,837	-	673,068	-	19,473,698	-	-	-	56,958,603
Pension, self-insurance and other long-term liabilities	-	89,660,009	2,413,344	-	-	-	-	-	-	92,073,353
Minority interest in net assets of consolidated subsidiaries	-	-	4,927,342	-	-	-	-	-	(2,674,844)	2,252,498
Deferred tax liability	-	-	127,873	-	-	-	-	-	-	127,873
Other long-term liabilities	-	-	-	854,562	-	1,469,364	-	-	(1,375)	2,322,551
Due to affiliates	1,427,271	-	-	2,653,750	-	-	-	-	(4,081,021)	-
Total liabilities	4,281,028	220,807,700	8,524,946	7,829,959	1,030,352	24,585,948	683,454	47,250	(7,726,138)	260,064,499
Net assets:										
Unrestricted	6,437,521	88,386,848	2,606,723	4,532	7,886,951	2,546,029	(103,182)	494,593	(3,411,416)	104,848,599
Temporarily restricted	-	15,200,271	-	-	-	80,890	-	-	-	15,281,161
Permanently restricted	-	19,841,202	-	83,137	-	-	-	-	-	19,924,339
Total net assets	6,437,521	123,428,321	2,606,723	87,669	7,886,951	2,626,919	(103,182)	494,593	(3,411,416)	140,054,099
Total liabilities and net assets	$ 10,718,549	$ 344,236,021	$ 11,131,669	$ 7,917,628	$ 8,917,303	$ 27,212,867	$ 580,272	$ 541,843	$ (11,137,554)	$ 400,118,598

See accompanying independent auditors' report and notes to the consolidated financial statements.

Central Connecticut Health Alliance, Inc. and Subsidiaries
Consolidating Statement of Operations
For the Year Ended September 30, 2009

	Central Connecticut Health Alliance, Inc.	The Hospital of Central Connecticut	CenConn Services, Inc.	Community Mental Health Affiliates, Inc.	Visiting Nurse Association of Central CT, Inc.	Central CT Senior Health Services, Inc.	New Britain Occupational Health Ctr. LLC	Central CT Sports Medicine Center, LLC	Eliminations	Total
Operating revenues:										
Net revenues from services to patients	$ -	$ 372,308,377	$ -	$ -	$ 8,555,758	$ 24,283,128	$ 367,797	$ 774,748	$ -	$ 406,289,808
Other operating revenues	3,265,428	10,228,558	5,060,541	23,744,623	652,523	1,408,582	556	1,345	(5,326,382)	39,035,774
Net premiums earned	-	18,217,976	-	-	-	-	-	-	-	18,217,976
Net assets released from restrictions used for operations	-	777,708	-	-	-	30,427	-	-	-	808,135
Total operating revenues	3,265,428	401,532,619	5,060,541	23,744,623	9,208,281	25,722,137	368,353	776,093	(5,326,382)	464,351,693
Operating expenses:										
Salaries and benefits	2,494,538	206,493,495	2,033,743	16,811,149	7,599,738	17,432,369	261,887	508,821	(2,311,666)	251,324,074
Supplies and other expenses	671,665	127,489,113	800,159	5,916,805	1,785,688	5,565,550	130,248	218,913	(1,761,409)	140,816,732
Depreciation and amortization	89,090	17,479,711	298,262	605,860	192,145	1,428,593	5,495	13,351	-	20,112,507
Provision for bad debts	-	18,902,943	-	189,933	37,905	125,132	-	2,904	-	19,258,817
Losses and loss adjustment expenses	-	16,874,515	-	-	-	-	-	-	-	16,874,515
Interest	-	1,943,343	45,409	106,080	-	775,451	-	-	-	2,870,283
Total operating expenses	3,255,293	389,183,120	3,177,573	23,629,827	9,615,476	25,327,095	397,630	743,989	(4,073,075)	451,256,928
Income from operations before minority interest	10,135	12,349,499	1,882,968	114,796	(407,195)	395,042	(29,277)	32,104	(1,253,307)	13,094,765
Minority interest in income of consolidated subsidiaries	-	-	(1,955,101)	-	-	-	-	-	1,061,341	(893,760)
Income (loss) from operations	10,135	12,349,499	(72,133)	114,796	(407,195)	395,042	(29,277)	32,104	(191,966)	12,201,005
Non-operating gains (losses):										
Unrestricted gifts and bequests	-	1,054,227	-	-	123,054	-	-	-	-	1,177,281
Investment income	-	5,148,142	-	-	186,886	110,461	-	-	-	5,445,489
Losses on sale of securities	(597,164)	(904,524)	-	-	-	(24,976)	-	-	-	(1,526,664)
Change in fair value of interest rate swap agreements	-	(1,971,035)	-	-	-	(1,159,320)	-	-	-	(3,130,355)
Other	-	-	-	-	-	47,004	-	-	-	47,004
Total non-operating gains (losses)	(597,164)	3,326,810	-	-	309,940	(1,026,831)	-	-	-	2,012,755
Excess of revenues over (under) expenses	$ (587,029)	$ 15,676,309	$ (72,133)	$ 114,796	$ (97,255)	$ (631,789)	$ (29,277)	$ 32,104	$ (191,966)	$ 14,213,760

See accompanying independent auditors' report and notes to the consolidated financial statements.

Central Connecticut Health Alliance, Inc. and Subsidiaries
Consolidating Statement of Changes in Net Assets
For the Year Ended September 30, 2009

	Central Connecticut Health Alliance, Inc.	The Hospital of Central Connecticut	CenConn Services, Inc.	Community Mental Health Affiliates, Inc.	Visiting Nurse Association of Central CT, Inc.	Central CT Senior Health Services, Inc.	New Britain Occupational Health Ctr. LLC	Central CT Sports Medicine Center, LLC	Eliminations	Total
Unrestricted net assets:										
Excess of revenues over (under) expenses	$ (587,029)	$ 15,676,309	$ (72,133)	$ 114,796	$ (97,255)	$ (631,789)	$ (29,277)	$ 32,104	$ (191,966)	$ 14,213,760
Net unrealized gains (losses) on investments	741,056	(2,009,331)	-	(2,786)	(1,321,036)	11,783	-	-	-	(2,580,314)
Net assets released from restrictions used for capital	-	968,983	-	-	-	19,170	-	-	-	988,153
Pension changes other than net periodic benefit costs	(10,401)	(80,300,781)	-	-	-	-	-	-	-	(80,311,182)
Debt forgiveness granted to affiliates	5,862,242	(5,967,242)	-	105,000	-	-	-	-	-	-
Other changes in net assets	-	28,415	(70,000)	(8,750)	-	-	29,195	(80,839)	171,668	69,689
Change in unrestricted net assets	6,005,868	(71,603,647)	(142,133)	208,260	(1,418,291)	(600,836)	(82)	(48,735)	(20,298)	(67,619,894)
Temporarily restricted net assets:										
Net realized and unrealized gains on investments	-	100,101	-	-	-	-	-	-	-	100,101
Income from investments	-	718,175	-	-	-	-	-	-	-	718,175
Contributions	-	1,395,717	-	-	-	62,441	-	-	-	1,458,158
Net assets released from restrictions used for operations	-	(777,708)	-	-	-	(30,427)	-	-	-	(808,135)
Net assets released from restrictions used for capital	-	(968,983)	-	-	-	(19,170)	-	-	-	(988,153)
Change in temporarily restricted net assets	-	467,302	-	-	-	12,844	-	-	-	480,146
Permanently restricted net assets:										
Contributions	-	27,069	-	-	-	-	-	-	-	27,069
Other changes	-	(28,415)	-	-	-	-	-	-	-	(28,415)
Change in assets held in trust by others	-	(438,927)	-	(3,076)	-	-	-	-	-	(442,003)
Change in permanently restricted net assets	-	(440,273)	-	(3,076)	-	-	-	-	-	(443,349)
Change in net assets	6,005,868	(71,576,618)	(142,133)	205,184	(1,418,291)	(587,992)	(82)	(48,735)	(20,298)	(67,583,097)
Net assets at beginning of year	431,653	195,004,939	2,748,856	(117,515)	9,305,242	3,214,911	(103,100)	543,328	(3,391,118)	207,637,196
Net assets at end of year	$ 6,437,521	$ 123,428,321	$ 2,606,723	$ 87,669	$ 7,886,951	$ 2,626,919	$ (103,182)	$ 494,593	$ (3,411,416)	$ 140,054,099

See accompanying independent auditors' report and notes to the consolidated financial statements.