Audited Consolidated Financial Statements and Other Financial Information

MidState Medical Center and Subsidiaries
Years Ended September 30, 2009 and 2008
With Report of Independent Auditors

MidState Medical Center and Subsidiaries

Audited Consolidated Financial Statements
and Other Financial Information

Years Ended September 30, 2009 and 2008

Contents

Ernst & Young LLP
Goodwin Square
225 Asylum Street
Hartford, Connecticut 06103

Main tel: 1+ 860 247 3100
www.ey.com

Report of Independent Auditors

Board of Directors
MidState Medical Center

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

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

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

Ernst & Young LLP

December 22, 2009

MidState Medical Center and Subsidiaries

Consolidated Balance Sheets

	September 30 2009	2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 42,246,786**	$ 45,476,555
Accounts receivable, less allowances of approximately $7,687,000 in 2009 and $5,901,000 in 2008	**22,801,140**	21,803,628
Grants and other receivables	**808,367**	537,078
Inventories	**1,420,160**	1,334,511
Prepaid expenses	**1,094,329**	889,429
Current portion of pledges receivable	**390,184**	185,436
Funds designated for debt service	**1,168,505**	1,168,505
Total current assets	**69,929,471**	71,395,142
Assets whose use is limited:		
Board-designated investments	**10,222,190**	8,563,882
Donor restricted investments	**1,653,978**	3,227,812
Pledges receivable, long-term	**165,433**	345,625
Funds held in trust by others	**4,011,143**	4,823,527
	16,052,744	16,960,846
Escrow funds for long-term debt	**10,167,560**	29,467,813
Other assets	**8,550,946**	7,744,612
Property, plant and equipment, net	**118,350,066**	92,947,527
	$ 223,050,787	$ 218,515,940

	September 30	
	2009	**2008**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 7,622,856**	$ 6,075,561
Current portion of long term debt	**2,390,000**	2,460,000
Current portion of other liabilities	**6,956,870**	5,273,325
Salaries, wages, and amounts withheld from employee compensation	**9,288,643**	8,538,903
Estimated third-party payor settlements	**885,467**	492,330
Other accrued expenses	**496,121**	484,711
Accrued interest payable	**558,330**	586,714
Deferred revenue	**–**	163,149
Total current liabilities	**28,198,287**	24,074,693
Accrued pension liability	**49,059,528**	26,949,323
Other liabilities	**5,510,174**	5,023,789
Long-term debt, less portion classified as current liability	**82,915,000**	85,305,000
Net assets:		
Unrestricted	**50,950,947**	68,408,363
Temporarily restricted	**1,630,516**	2,746,781
Permanently restricted	**4,786,335**	6,007,991
	57,367,798	77,163,135
	$ 223,050,787	$ 218,515,940

See accompanying notes.

MidState Medical Center and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2009	**2008**
Unrestricted revenues, gains, and other support:		
Net patient service revenue	**$ 172,470,335**	$ 166,466,604
Other operating revenue	**18,473,460**	15,357,232
Net assets released from restrictions	**247,839**	252,892
	191,191,634	182,076,728
Operating expenses:		
Salaries	**65,452,831**	60,693,663
Employee benefits	**17,450,768**	17,364,605
Supplies and other	**80,995,517**	77,343,605
Provision for uncollectible accounts	**9,717,615**	9,879,112
Depreciation and amortization	**9,179,180**	9,369,912
Interest	**2,456,574**	2,795,157
	185,252,485	177,446,054
Income from continuing operations	**5,939,149**	4,630,674
(Loss) income on discontinued operations	**(1,011,403)**	62,344
Non-operating income:		
Income from investments, gifts and bequests, net	**703,133**	2,210,967
Change in fair value of interest rate swaps	**(1,697,922)**	(1,306,532)
Other	**182,344**	–
	(812,445)	904,435
Excess of revenues over expenses before change in unrealized gains and losses on investments	**4,115,301**	5,597,453
Change in unrealized gains and losses on investments	**579,781**	(1,600,034)
Excess of revenues over expenses	**4,695,082**	3,997,419

Continued on next page.

MidState Medical Center and Subsidiaries

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

	Year Ended September 30	
	2009	**2008**
Unrestricted net assets:		
Excess of revenues over expenses (continued)	**$ 4,695,082**	$ 3,997,419
Net assets released from restrictions for purchase of property and equipment	**485,647**	149,927
Change in unrealized gains and losses on investments	**–**	(229,352)
Change in funded status of pension plan	**(24,454,480)**	(8,474,723)
Transfer from temporarily restricted net assets	**1,407,063**	–
Transfer from permanently restricted net assets	**409,272**	–
Decrease in unrestricted net assets	**(17,457,416)**	(4,556,729)
Temporarily restricted net assets:		
Change in unrealized gains and losses on investments	**95,471**	(93,093)
Income from investments	**(2,295)**	23,758
Income from special purpose funds	**98,409**	106,292
Net assets released from restrictions for purchase of property and equipment	**(485,647)**	(149,927)
Net assets released from restrictions for operations	**(247,839)**	(252,892)
Bequests, gifts and grants	**545,767**	387,721
Pledge contributions	**286,932**	878,948
Transfer to unrestricted net assets	**(1,407,063)**	–
(Decrease) increase in temporarily restricted net assets	**(1,116,265)**	900,807
Permanently restricted net assets:		
Income from investments	**–**	52,951
Transfer to unrestricted net assets	**(409,272)**	–
Transfer to other entity	**(515,956)**	–
Change in unrealized gains and losses on funds held in trust by others and other investments	**(296,428)**	(1,312,764)
Decrease in permanently restricted net assets	**(1,221,656)**	(1,259,813)
Decrease in net assets	**(19,795,337)**	(4,915,735)
Net assets at beginning of year	**77,163,135**	82,078,870
Net assets at end of year	**$ 57,367,798**	$ 77,163,135

See accompanying notes.

MidState Medical Center and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2009	**2008**
Cash flows from operating activities and other income		
Change in net assets	**$ (19,795,337)**	$ (4,915,735)
Adjustments to reconcile change in net assets to net cash provided by operating activities and other income:		
Noncash items:		
Depreciation and amortization	**9,179,180**	9,369,912
Change in unrealized gains and losses on investments	**(675,252)**	1,922,479
Change in fair value of interest rate swaps	**(1,697,922)**	(1,306,532)
Change in funded status of pension plan	**24,454,480**	8,474,723
Change in unrealized gains and losses on funds held in trust by others and other investments	**296,428**	1,312,764
Provision for uncollectible accounts	**9,717,615**	9,879,112
Transfer to other entity	**515,956**	–
Other changes in net assets:		
Restricted contributions and investment income	**(928,813)**	(1,449,670)
Changes in operating assets and liabilities, net *(Note 12)*	**11,226,024**	(34,201,381)
Net cash provided by (used in) operating activities and other income	**32,292,359**	(10,914,328)
Cash flows from investing activities		
Purchases of property, plant and equipment, net	**(34,581,719)**	(14,020,710)
Purchases (sales) of investments, net	**590,778**	(379,860)
Net cash used in investing activities	**(33,990,941)**	(14,400,570)
Cash flows from financing activities		
Proceeds of issuance of bonds	**–**	30,000,000
Principal payments on long-term debt	**(2,460,000)**	(2,175,000)
Restricted contributions and investment income	**928,813**	1,449,670
Net cash (used in) provided by financing activities	**(1,531,187)**	29,274,670
(Decrease) increase in cash and cash equivalents	**(3,229,769)**	3,959,772
Cash and cash equivalents at beginning of year	**45,476,555**	41,516,783
Cash and cash equivalents at end of year	**$ 42,246,786**	$ 45,476,555

See accompanying notes.

1. Significant Accounting Policies

The accounting policies that affect significant elements of the MidState Medical Center and its subsidiaries (collectively referred to as the Medical Center) financial statements are summarized below.

Organization

The Medical Center is a nonprofit organization incorporated under the General Statutes of the State of Connecticut. Hartford Health Care Corporation (HHCC) is the sole member of the Medical Center. The Board of HHCC elects the Board of Directors and officers of the Medical Center who manage its property and affairs.

Effective July 1, 1996, MidState VNA and Hospice, Inc. (the Association) became a wholly owned subsidiary of the Medical Center. The Association has a June 30 year-end. The Association provides nursing and other needed home health care services to individuals in the greater Meriden area. All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements. The Association was dissolved on July 31, 2009 and certain assets and liabilities of the Association were transferred to the Medical Center at September 30, 2009. The transaction was accounted for as a transfer of equity (see table below). The Medical Center has recorded a loss from discontinued operations of $1,011,403 for the year ended September 30, 2009 and a $62,344 gain for the year ended September 30, 2008.

The assets and liabilities that were transferred to the Medical Center on September 30, 2009 are summarized in the table below, at carrying value, on the respective dates indicated.

	September 30, 2009	**June 30, 2009**
Assets		
Cash and short-term investments	**$ 284,249**	$ 713,189
Accounts receivable	**288**	377,216
Investments	**2,641,110**	2,462,913
Property, plant and equipment	**165,518**	169,551
Total assets transferred	**3,091,165**	3,722,869
Liabilities		
Accounts payable	**36,129**	257,349
Due to third parties	**2,445**	32,722
Total liabilities transferred	**38,574**	290,071
Net amount transferred	**$ 3,052,591**	$ 3,432,798

1. Significant Accounting Policies (continued)

In fiscal year 1999, the Medical Center acquired an 80% interest in Meriden Imaging Center (the Center) and began consolidating its financial statements. All material intercompany accounts have been eliminated in the accompanying consolidated financial statements.

Effective February 14, 2006, MidState MSO, LLC (a wholly-owned subsidiary of the Medical Center) was created to provide management services and support for medical practices.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Regulatory Matters

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

Investments

In 2008, the Medical Center determined that its investment portfolio was more accurately classified as trading, with unrealized gains and losses included in the excess of revenue over expenses (Note 3).

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

1. Significant Accounting Policies (continued)

Patient Accounts Receivable

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

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

Inventories

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

Interest Rate Swap Agreements

The Medical Center utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. The Medical Center does not hold or issue derivative financial instruments for trading purposes. The Medical Center is exposed to credit loss in the event of nonperformance by the counterparties to its interest rate swap agreements.

Interest rate swap agreements are reported at fair value. Changes in fair value are recognized in the performance indicator in the statements of operations and changes in net assets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center 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 Medical Center in perpetuity. The Medical Center is a partial beneficiary to various perpetual trust agreements. Assets recorded under these agreements are recognized at fair value. The investment income generated from these trusts is unrestricted and the assets are classified as permanently restricted.

1. Significant Accounting Policies (continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Pledges receivable at September 30, 2009 and 2008 are comprised primarily of amounts contributed for the construction of the emergency department.

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

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are unrestricted contributions in the accompanying financial statements except for contributions of long-lived assets.

Income Taxes

The Medical Center and MidState VNA and Hospice 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. The Center is an S Corporation, a pass-through entity not subject to federal income taxes. MidState MSO is a single member limited liability company treated as part of its sole member for federal tax purposes.

Fair Values

The carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair value of the financial instruments are disclosed in their respective notes or in Note 4.

1. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and certificates of deposit. Cash and cash equivalents are maintained with domestic financial institutions with deposits that exceed federally insured limits. It is the Medical Center's policy to monitor the financial strength of these institutions.

Property, Plant and Equipment

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

Medical Malpractice Insurance

Coverage for medical malpractice insurance is provided on a claims-made basis. The primary level of coverage is $10,000,000 per claim and $39,000,000 in the aggregate. The excess indemnity coverage is layered with three different insurance companies at $15,000,000 per claim and $15,000,000 in the aggregate per layer. The primary coverage is with CHS Insurance Limited, a captive insurance company in which the Medical Center has a 30% ownership interest. The Medical Center's ownership is accounted for under the equity method in the accompanying statements of operations and changes in net assets. The investment in CHS Insurance Limited is included in other assets in the accompanying consolidated balance sheets.

Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include the excess of revenues over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from the excess of revenues over expenses, include changes in the funded status of the pension plan and contributions of long-lived assets.

Deferred Financing Costs and Bond Discount

Deferred financing costs and bond discounts associated with long-term debt for capital projects are amortized over the term of the debt.

1. Significant Accounting Policies (continued)

Nonoperating Income

Nonoperating income primarily consists of income on invested funds, gifts and bequests, and changes in fair value of swap agreements.

Pension Plans

The Medical Center maintains a defined benefit pension plan (Note 8). Effective January 1, 2006, a defined contribution plan was established for all new employees. Pension expense for the defined contribution plan was $2,185,163 and $1,936,483 for the year ended September 30, 2009 and 2008, respectively.

Reclassifications

Certain reclassifications have been made to the year ended September 30, 2008 balances previously reported in the balance sheets and statements of operations and changes in net assets in order to conform with the year ended September 30, 2009 presentation. For the year ended September 30, 2008, $5,273,325 of amounts previously classified in other long term liabilities, related to the interest rate swap agreements and medical malpractice, were reclassified to current liabilities.

Adoption of New Accounting Standards

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

Effective October 1, 2008, the Medical Center adopted ASC 820-10, *Fair Value Measurements* (ASC 820-10). ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure about fair value measurements. The Medical Center's adoption of ASC 820-10 did not significantly affect its consolidated financial statements (see Note 4).

1. Significant Accounting Policies (continued)

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

In 2009, the Medical Center adopted ASC 958-205: *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds* (ASC 958-205), which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. Based upon the effective date of state versions of UPMIFA in relation to the effective date of ASC 958-205, the Medical Center adopted ASC 958-205 on October 1, 2008. The adoption of ASC 958-205 did not have a material effect on the Medical Center's consolidated balance sheet at September 30, 2009, or on the consolidated statement of operations and changes in net assets for the year ended September 30, 2009. See Note 5 for disclosures related to the Medical Center's endowment funds.

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

2. Revenue from Services to Patients, Charity Care and Accounts Receivable

Revenues from the Medicare and Medicaid programs accounted for approximately 36% and 8%, and 37% and 8%, respectively, of the Medical Center's net patient service revenue for the years ended September 30, 2009 and 2008, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Medical Center believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Medical Center.

The following table summarizes net revenue from services to patients:

	Year Ended September 30	
	2009	**2008**
Gross revenues from patients:		
Inpatients	**$ 171,870,736**	$ 162,954,853
Outpatients	**175,756,315**	165,498,088
	347,627,051	328,452,941
Deductions:		
Allowances	**171,786,129**	158,909,174
Charity care	**3,370,587**	3,077,163
	175,156,716	161,986,337
Net patient service revenue	**$ 172,470,335**	$ 166,466,604

The significant concentrations of accounts receivable for services to patients include 36% from Medicare, 14% from Medicaid, 28% from commercial insurance carriers and 22% from others at September 30, 2009 (33%, 18%, 29% and 20%, respectively, at September 30, 2008).

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

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. The difference is accounted for as allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service, and discounted charges and per diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program and is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. The Medical Center recorded net changes in estimates of approximately $1.7 and $2.2 million, related to better than previously estimated third party payor settlements at September 30, 2009 and 2008, respectively.

The Medical Center has established estimates based on information presently available, of amounts due to or from Medicare, Medicaid and third-party payors for adjustments to current and prior year payment rates, based on industry-wide and Medical Center-specific data. Such amounts are included in the accompanying balance sheets.

The Medical Center has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the HMOs make fee-for-service payments to the Medical Center for certain covered services based upon discounted fee schedules.

The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Medical Center. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient’s inability to pay, the Medical Center utilizes the generally recognized poverty income levels for the State of Connecticut, but also includes certain cases where incurred charges are significant when compared to incomes. These charges are not included in net patient service revenue for financial reporting purposes.

3. Investments

Cost and fair value of the investments are as follows:

	September 30			
	2009		2008	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash and cash equivalents	**$ 4,938**	**$ 4,938**	$ 254,191	$ 254,191
Marketable equity securities	**3,934,984**	**4,877,551**	4,088,555	4,961,972
Other marketable securities	**6,782,750**	**6,993,679**	6,970,704	6,575,531
	$ 10,722,672	**$ 11,876,168**	$ 11,313,450	$ 11,791,694

The Medical Center and Midstate VNA are the income beneficiary of funds held in trust by others. The market value of the trusts for the Medical Center and Midstate VNA were, $4,011,143 and $4,823,527, at September 30, 2009 and 2008, respectively.

The composition and presentation of unrestricted investment income and gains from investments, which are included in nonoperating income in the statements of operations and changes in net assets, are as follows:

	Year Ended September 30	
	2009	**2008**
Interest and dividend income	**$ 576,316**	$ 1,189,297
Realized (loss) gain on investments	**(518,095)**	68,840
	$ 58,221	$ 1,258,137

4. Fair Values of Financial Instruments

As described in Note 1, on October 1, 2008, the Medical Center adopted the methods of fair value as described in ASC 820-10 to value its financial assets and liabilities, where applicable. As defined in ASC 820-10, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements, ASC 820-10 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data are available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant for the fair value measurement. In determining fair value, the Medical Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. In addition, the Medical Center considers counterparty credit risk in its assessment of fair value.

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

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 42,246,786	$ –	$ –	$ 42,246,786
Assets limited as to use:				
Cash and cash equivalents	4,938	–	–	4,938
Marketable equity securities	4,607,551	270,000	–	4,877,551
Other marketable securities	6,993,679	–	–	6,993,679
Funds held in trust	–	4,011,143	–	4,011,143
Funds designated for debt service	1,168,505	–	–	1,168,505
Escrow funds for long-term debt	10,167,560	–	–	10,167,560
Liabilities				
Interest rate swap agreements	–	4,625,870	–	4,625,870

4. Fair Values of Financial Instruments (continued)

The following is a description of the Medical Center’s valuation methodologies for assets measured at fair value. Fair value for Level 1 is based upon quoted market prices while fair value for Level 2 securities were determined primarily through prices obtained from third party pricing sources, as quoted market prices for such securities are not readily available. The amounts in the above table exclude assets invested in the Medical Center’s pension plan (see Note 8).

5. Net Assets

Temporarily restricted net assets are primarily available for the purchase of equipment and for health care services. Permanently restricted net assets included permanently restricted gifts and funds held in trust.

The Medical Center’s endowment consists of approximately 100 individuals funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

5. Net Assets (continued)

The Board of Directors of the Medical Center has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Medical Center considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1) The duration and preservation of the fund
2) The purposes of the Medical Center 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 Medical Center
7) The investment policies of the Medical Center

The Medical Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. The Medical Center's spending policy is that investment income and realized gains and losses associated with the endowments are appropriated for spending every year, and unrealized gains and losses are reinvested back into the endowment as accumulated earnings. Endowment assets include those assets of donor-restricted funds that the Medical Center must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

5. Net Assets (continued)

Endowment net asset composition by type of fund as of September 30, 2009, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 878,786	$ 775,192	$ 1,653,978
Board-designated endowment funds	$ 10,222,190	–	–	10,222,190
	$ 10,222,190	$ 878,786	$ 775,192	$ 11,876,168

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 8,563,882	$ 2,190,378	$ 1,037,434	$ 11,791,694
Net asset reclassifications	1,669,305	(1,407,063)	(262,242)	–
Endowment net assets after reclassification	10,233,187	783,315	775,192	11,791,694
Investment return:				
Investment income	352,806	–	–	352,806
Net depreciation (realized and unrealized)	(247,951)	95,471	–	(152,480)
Total investment return	104,855	95,471	–	200,326
Appropriation of endowment assets for expenditure	(115,852)	–	–	(115,852)
Endowment net assets at end of year	$ 10,222,190	$ 878,786	$ 775,192	$ 11,876,168

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

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	September 30 2009	September 30 2008
Land and land improvements	**$ 7,690,573**	$ 7,690,573
Buildings and building improvements	**77,584,058**	77,750,183
Equipment	**94,379,392**	82,760,419
Construction in process (estimated cost to complete for 2009 is approximately $23,450,000)	**30,689,886**	8,576,054
	210,343,909	176,777,229
Accumulated depreciation	**(91,993,843)**	(83,829,702)
	$ 118,350,066	$ 92,947,527

7. Pledges Receivable

Pledges receivable, included in the accompanying balance sheets, are expected to be received as follows:

	September 30 2009	September 30 2008
Due within one year	**$ 417,500**	$ 319,373
Due in one to five years	**177,885**	450,417
	595,385	769,790
Less allowance and discount	**(39,768)**	(238,729)
Net pledge receivable	**$ 555,617**	$ 531,061

The discount reduces the pledge receivables to net present value. The allowance recognizes the estimated uncollectible portion of the pledges.

8. Pension Plan

The Medical Center has a defined benefit pension plan (the Plan) and a nonqualified pension plan covering substantially all of its employees and executives. The benefits are based on years of service and the employees' compensation during the last five years of employment. The Medical Center makes contributions in amounts sufficient to fund the Plan's current service cost and to fund the past service costs plus interest thereon over a period of approximately 30 years. An accrued pension liability is included in the accompanying balance sheets related to the Plan.

The following table sets forth the Plan's funded status and amounts recognized in the Medical Center's consolidated balance sheets:

	September 30	
	2009	**2008**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 104,256,374**	$ 111,228,228
Service cost	**2,644,694**	3,241,823
Interest cost	**7,373,631**	7,067,784
Net benefits payments and transfers	**(3,404,200)**	(3,224,653)
Liability gains	**1,955,074**	(799,916)
Assumption changes	**20,958,785**	(13,256,892)
Benefit obligation at end of year	**$ 133,784,358**	$ 104,256,374
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 77,307,051**	$ 92,001,782
Actual return on plan assets	**6,021,979**	(16,270,078)
Employer contribution	**4,800,000**	4,800,000
Net benefit payments and transfers	**(3,404,200)**	(3,224,653)
Fair value of plan assets at end of year	**84,724,830**	77,307,051
Funded status of the plan	**$ (49,059,528)**	$ (26,949,323)
Components of net periodic benefit cost		
Service cost	**$ 2,644,694**	$ 3,241,823
Interest cost	**7,373,631**	7,067,784
Expected return on plan assets	**(7,868,471)**	(7,517,205)
Net amortization and deferral	**423,548**	1,255,752
Benefit cost	**$ 2,573,402**	$ 4,048,154

8. Pension Plan (continued)

To develop the expected long-term rate of return on plan assets assumption, the Medical Center considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

Included in unrestricted net assets at September 30, 2009 and 2008, respectively, are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service credit of $1,155,482 and $1,256,929 and unrecognized actuarial loss of $55,010,120 and $30,774,764. The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending September 30, 2010, are $101,447 and $2,720,044, respectively.

The accumulated benefit obligation at September 30, 2009 and 2008 was $118,319,173 and $92,406,944, respectively.

Plan Assets

The Plan's investment objectives are to achieve long-term growth in excess of long-term inflation and to provide a rate of return that meets or exceeds the actuarial expected long-term rate of return on plan assets over a long-term time horizon. In order to minimize the risk, the Plan aims to minimize the variability in yearly returns. The Plan also aims to diversify its holding among sectors, industries, and companies. No more than 5% of the plan's portfolio (excluding U.S. government securities and cash) may be held in an individual company's stocks or bonds.

Assets invested in the defined benefit cash balance plan are carried at fair value. Debt securities and equity securities with readily determinable values are carried at fair value as determined based on independent published sources.

The Medical Center's pension plan weighted-average allocations at September 30, 2009 and 2008, by asset category are as follows:

Asset Category	**Target Allocation**	**2009**	**2008**
Equity securities	70%	**69%**	65%
Debt securities	30	**30**	34
Other	0	**1**	1

8. Pension Plan (continued)

Contributions

The Medical Center estimates fiscal year 2010 plan contributions of $4,800,000.

Estimated Future Benefit Payments

Benefit payments are expected to be paid as follows:

Fiscal Year	Pension Benefits
2010	$ 3,996,519
2011	4,473,658
2012	5,055,515
2013	5,659,802
2014	6,290,893
Years 2015 – 2019	41,569,989

Assumptions

The weighted-average assumptions used to determine projected benefit obligations are as follows:

	September 30	
	2009	**2008**
Discount rate	**5.8%**	7.0%
Rate of increase in compensation	**4.0**	4.0

The weighted-average assumptions used to determine net periodic benefit cost are as follows:

	September 30	
	2009	**2008**
Discount rate	**7.0%**	6.25%
Expected return on plan assets	**8.5**	8.75
Rate of increase in compensation	**4.0**	4.0

The Medical Center has a defined contribution plan for all new employees. The defined benefit plan is frozen to all new members effective in fiscal year 2006.

9. Long-Term Debt

Details of long-term debt are as follows:

	September 30 2009	2008
Medical Center revenue bonds financed with the State of Connecticut Health and Educational Facilities Authority:		
Series A, B, A-1, and B-1	**$ 85,305,000**	$ 87,765,000
Less current portion	**2,390,000**	2,460,000
	$ 82,915,000	$ 85,305,000

The Medical Center issued Series A revenue bonds totaling $69,785,000, consisting of $43,010,000 of serial bonds and $26,775,000 of term bonds, to finance the Medical Center's construction of a new hospital. The Series A revenue bonds bear interest at rates ranging from 4.10% to 6.25%. Principal amounts related to the serial bonds mature annually each July 1 through 2016 and the term bonds mature on July 1, 2026. During 2000, additional $500,000 in Series B bonds was issued in conjunction with a related entity. The fair value of the bonds, as determined by the Medical Center's investment advisor, was approximately $46,651,669 at September 30, 2009.

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

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

9. Long-Term Debt (continued)

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

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

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

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

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

9. Long-Term Debt (continued)

Scheduled principal repayments are as follows:

	Series A, B, A-1, B-1
2010	$ 2,390,000
2011	2,335,000
2012	2,335,000
2013	1,695,000
2014	2,635,000
Thereafter	73,915,000
	$ 85,305,000

Interest paid during 2009 and 2008 was $2,484,958 and $2,865,345, respectively.

Escrow funds maintained for the Series A-1 bonds consist of cash and cash equivalents.

10. Commitments and Contingencies

There have been medical malpractice claims that fall within the Medical Center's medical malpractice insurance coverage which have been asserted against the Medical Center. In addition, there are known incidents that have occurred through September 30, 2009 that may result in the assertion of claims.

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

The Medical Center has noncancelable operating leases, primarily for offsite properties. Rental expense for operating leases was $853,559 and $275,597 at September 30, 2009 and 2008, respectively. The Medical Center has entered in substantive long-term leases during fiscal year 2009 resulting in additional future obligations.

10. Commitments and Contingencies (continued)

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2009 are:

2010	$ 2,296,078
2011	2,299,955
2012	2,322,388
2013	2,199,571
2014	2,149,134
Thereafter	19,179,523
Total minimum lease payments	$ 30,446,649

11. Functional Expenses

The Medical Center provides general health care services to residents within its geographic location. Support services which include operation of plant, food service, housekeeping, billing, information systems, administration, etc. are estimated to be 30% and 29% of total expenses as of September 30, 2009 and 2008, respectively.

12. Supplemental Cash Flow Information

The changes in assets and liabilities are as follows:

	Year Ended September 30	
	2009	**2008**
Increase in accounts receivable	**$ (10,715,127)**	$ (9,447,651)
(Increase) decrease in grants and other receivables	**(271,289)**	921,727
Increase in pledges receivable	**(24,556)**	(317,858)
Increase in inventories and prepaid expenses	**(290,549)**	(219,153)
(Increase) decrease in other assets	**(806,334)**	288,690
Decrease (increase) in escrow funds for long-term debt	**19,300,253**	(29,467,813)
Increase in accounts payable	**1,547,295**	1,674,179
Increase in estimated third-party payor settlements	**393,137**	267,398
Increase in salaries, wages and amounts withheld from employee compensation	**749,740**	742,799
Decrease in accrued interest payable	**(28,384)**	(70,188)
Increase (decrease) in other accrued expenses	**11,410**	(19,084)
Increase in current portion of other liabilities	**3,381,467**	1,669,105
Decrease in accrued pension liability and other liabilities	**(1,857,890)**	(165,598)
Decrease in deferred revenue	**(163,149)**	(57,934)
	$ 11,226,024	$ (34,201,381)

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

Report of Independent Auditors on Other Financial Information

Board of Directors
MidState Medical Center and Subsidiaries

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

Ernst & Young LLP

December 22, 2009

MidState Medical Center and Subsidiaries

Consolidating Balance Sheet

September 30, 2009

	MidState Medical Center	Meriden Imaging Center, Inc.	MidState MSO, LLC	Total	Eliminating Entries	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ 41,146,505	$ 936,929	$ 163,352	$ 42,246,786		$ 42,246,786
Accounts receivable, less allowances	19,523,079	1,005,633	2,272,428	22,801,140		22,801,140
Grants and other receivables	808,367			808,367		808,367
Inventories	1,420,160			1,420,160		1,420,160
Prepaid expenses	1,064,220	21,308	8,801	1,094,329		1,094,329
Current portion of pledges receivable	390,184			390,184		390,184
Funds designated for debt service	1,168,505			1,168,505		1,168,505
Total current assets	65,521,020	1,963,870	2,444,581	69,929,471		69,929,471
Assets whose use is limited:						
Board-designated investments	10,222,190			10,222,190		10,222,190
Donor restricted investments	1,653,978			1,653,978		1,653,978
Pledges receivable, long-term	165,433			165,433		165,433
Funds held in trust by others	4,011,143			4,011,143		4,011,143
	16,052,744			16,052,744		16,052,744
Escrow funds for long term debt	10,167,560			10,167,560		10,167,560
Other assets	10,632,628	2,575	500,000	11,135,203	$ (2,584,257)	8,550,946
Property, plant and equipment, net	117,101,493	1,024,777	223,796	118,350,066		118,350,066
	$ 219,475,445	$ 2,991,222	$ 3,168,377	$ 225,635,044	$ (2,584,257)	$ 223,050,787

MidState Medical Center and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2009

	MidState Medical Center	Meriden Imaging Center, Inc.	MidState MSO, LLC	Total	Eliminating Entries	Consolidated
Liabilities and net assets						
Current liabilities:						
Accounts payable	$ 7,398,860	$ 177,535	$ 46,461	$ 7,622,856		$ 7,622,856
Current portion of long-term debt	2,390,000			2,390,000		2,390,000
Current portion of other liabilities	6,956,870			6,956,870		6,956,870
Salaries, wages and amounts withheld from employee compensation	9,287,548		1,095	9,288,643		9,288,643
Estimated third-party payor settlements	885,467			885,467		885,467
Other accrued expenses	95,304	368,522	32,295	496,121		496,121
Accrued interest payable	558,330			558,330		558,330
Total current liabilities	27,572,379	546,057	79,851	28,198,287		28,198,287
Accrued pension liability	49,059,528			49,059,528		49,059,528
Other liabilities	5,021,141			5,021,141	$ 489,033	5,510,174
Long-term debt, less portion classified as current liability	82,915,000			82,915,000		82,915,000
Net assets:						
Unrestricted	48,490,546	2,445,165	3,088,526	54,024,237	(3,073,290)	50,950,947
Temporarily restricted	1,630,516			1,630,516		1,630,516
Permanently restricted	4,786,335			4,786,335		4,786,335
	54,907,397	2,445,165	3,088,526	60,441,088	(3,073,290)	57,367,798
	$ 219,475,445	$ 2,991,222	$ 3,168,377	$ 225,635,044	$ (2,584,257)	$ 223,050,787

MidState Medical Center and Subsidiaries

Consolidating Statement of Operations

Year Ended September 30, 2009

	MidState Medical Center	MidState VNA & Hospice, Inc. (1)	Meriden Imaging Center, Inc.	MidState MSO, LLC	Total	Eliminating Entries	Consolidated
Gross revenue from patients	$ 347,627,051	$ 5,297,669			$ 352,924,720	$ (5,297,669)	$ 347,627,051
Deductions:							
Allowances	171,786,129	862,923			172,649,052	(862,923)	171,786,129
Charity care	3,370,587	22,410			3,392,997	(22,410)	3,370,587
Net patient service revenue	172,470,335	4,412,336			176,882,671	(4,412,336)	172,470,335
Other operating revenue	6,266,748	11,667	$ 8,903,176	$ 3,288,079	18,469,670	3,790	18,473,460
Net assets released from restrictions	247,839	–	–	–	247,839	–	247,839
	178,984,922	4,424,003	8,903,176	3,288,079	195,600,180	(4,408,546)	191,191,634
Operating expenses:							
Salaries	64,452,411	2,807,631	–	1,000,420	68,260,462	(2,807,631)	65,452,831
Employee benefits	17,142,705	583,641	–	308,063	18,034,409	(583,641)	17,450,768
Supplies and other	70,771,903	1,913,377	8,589,519	1,634,095	82,908,894	(1,913,377)	80,995,517
Provision for uncollectible accounts	9,717,615	24,166	–	–	9,741,781	(24,166)	9,717,615
Depreciation and amortization	8,728,633	106,591	390,942	59,605	9,285,771	(106,591)	9,179,180
Interest	2,456,574	–	–	–	2,456,574	–	2,456,574
	173,269,841	5,435,406	8,980,461	3,002,183	190,687,891	(5,435,406)	185,252,485
Income (loss) from continuing operations	5,715,081	(1,011,403)	(77,285)	285,896	4,912,289	1,026,860	5,939,149
Loss on discontinued operations						(1,011,403)	(1,011,403)
Income from investments, gifts and bequests, net	772,391	(69,258)			703,133		703,133
Change in fair value of interest rate swaps	(1,697,922)				(1,697,922)		(1,697,922)
Other		182,344			182,344		182,344
	(925,531)	113,086			(812,445)		(812,445)
Excess of revenues over expenses before change in unrealized gains and losses on investments	4,789,550	(898,317)	(77,285)	285,896	4,099,844	15,457	4,115,301
Change in unrealized gains and losses on investments	579,781	–	–	–	579,781	–	579,781
Excess (deficiency) of revenues over expenses	$ 5,369,331	$ (898,317)	$ (77,285)	$ 285,896	$ 4,679,625	$ 15,457	$ 4,695,082

(1) MidState VNA & Hospice, Inc. dissolved at July 31, 2009. Refer to Note 1.