CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

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

The Stamford Hospital

Consolidated Financial Statements
and Other Financial Information

Years Ended September 30, 2009 and 2008

Contents

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Report of Independent Auditors

The Board of Directors
The Stamford Hospital

We have audited the accompanying consolidated balance sheets of The Stamford Hospital (the "Hospital") 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 financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating information and schedule of net patient service revenue 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

January 28, 2010

The Stamford Hospital

Consolidated Balance Sheets
(In Thousands)

	September 30 2009	2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 9,668**	$ 7,232
Assets limited as to use	**1,243**	1,465
Short-term investments	**166**	166
Patient accounts receivable (less allowance for uncollectible accounts of $15,400 and $11,900, respectively)	**50,590**	47,772
Other receivables	**1,414**	1,180
Pledges receivable	**1,178**	1,150
Inventories	**5,144**	5,273
Prepaid expenses	**3,693**	2,528
Total current assets	**73,096**	66,766
Assets limited as to use:		
Held by captive insurance company	**24,220**	33,852
Long-term investments – endowments	**7,797**	6,712
Due from Parent – donor-restricted	**18,642**	18,865
	50,659	59,429
Long-term investments	**45,779**	34,565
Property, plant and equipment, net	**210,727**	234,289
Pledges receivable, net	**916**	1,926
Due from Parent and affiliates	**24**	1,377
Other assets:		
Deferred financing fees, net	**893**	1,222
Deposits and other noncurrent assets	**385**	46
Total other assets	**1,278**	1,268
Total assets	**$ 382,479**	$ 399,620

	September 30	
	2009	**2008**
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 6,003**	$ 8,571
Accounts payable	**24,296**	20,296
Salaries, wages and fees payable	**9,118**	7,981
Accrued vacation liability	**14,698**	12,755
Estimated third-party payor settlements, current	**1,320**	2,758
Estimated professional liabilities, current	**6,675**	8,369
Other accrued liabilities	**5,702**	5,547
Total current liabilities	**67,812**	66,277
Pension liability	**63,748**	24,149
Estimated third-party payor settlements, net of current portion	**6,141**	3,477
Long-term debt, net of current portion	**110,395**	111,003
Due to Parent – board designated	**19,811**	19,587
Due to Parent and affiliates	**4,075**	894
Estimated professional liabilities, net of current portion	**25,793**	31,482
Total liabilities	**297,775**	256,869
Commitments and contingencies		
Net assets:		
Unrestricted	**56,506**	112,694
Temporarily restricted	**20,215**	23,159
Permanently restricted	**7,983**	6,898
Total net assets	**84,704**	142,751
Total liabilities and net assets	**$ 382,479**	$ 399,620

See accompanying notes.

The Stamford Hospital

Consolidated Statements of Operations

(In Thousands)

	Year Ended September 30 2009	2008
Unrestricted revenue, gains and other support:		
Net patient service revenue	**$ 416,938**	$ 378,939
Other revenue	**18,944**	19,479
Grant – disproportionate share income	**5,089**	5,391
Grant income – other	**1,069**	958
Net assets released from restrictions for operations	**2,936**	2,119
Total unrestricted revenue, gains and other support	**444,976**	406,886
Expenses:		
Salaries	**154,583**	140,257
Employee benefits	**33,982**	30,158
Supplies and other expenses	**145,624**	146,429
Provision for bad debts	**47,935**	44,825
Depreciation and amortization	**26,955**	22,754
Interest expense	**5,220**	4,222
Total expenses	**414,299**	388,645
Income from operations	**30,677**	18,241
Non-operating gains and losses:		
Investment returns	**(2,447)**	(3,783)
Change in net unrealized gains and losses	**2,008**	(1,628)
Change in fair value of derivative instrument	**(218)**	–
Total non-operating gains and losses	**(657)**	(5,411)
Excess of revenue over expenses	**30,020**	12,830
Net assets released from restrictions used for purchases of property and equipment	**1,077**	3,147
Net asset reclassification	**(203)**	–
Forgiveness of receivables from affiliates	**–**	(1,134)
Equity transfer to Stamford Health System	**(42,059)**	(3,627)
Pension-related changes other than net periodic pension cost	**(45,023)**	(9,084)
(Decrease) increase in unrestricted net assets	**$ (56,188)**	$ 2,132

See accompanying notes.

The Stamford Hospital

Consolidated Statements of Changes in Net Assets
(In Thousands)

Years Ended September 30, 2009 and 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at September 30, 2007	$ 110,562	$ 25,929	$ 6,798	$ 143,289
Excess of revenue over expenses	12,830	–	–	12,830
Pension-related changes other than net periodic pension cost	(9,084)	–	–	(9,084)
Change in net unrealized gains and losses	–	(478)	–	(478)
Contributions	–	3,924	100	4,024
Forgiveness of receivables from affiliates	(1,134)	–	–	(1,134)
Equity transfer to Stamford Health System	(3,627)	–	–	(3,627)
Investment returns	–	(950)	–	(950)
Net assets released from restrictions for operations	–	(2,119)	–	(2,119)
Net assets released from restrictions used for purchases of property and equipment	3,147	(3,147)	–	–
Increase (decrease) in net assets	2,132	(2,770)	100	(538)
Balance at September 30, 2008	112,694	23,159	6,898	142,751
Excess of revenue over expenses	**30,020**	**–**	**–**	**30,020**
Pension-related changes other than net periodic pension cost	**(45,023)**	**–**	**–**	**(45,023)**
Change in net unrealized gains and losses	**–**	**403**	**–**	**403**
Contributions	**–**	**1,937**	**750**	**2,687**
Equity transfer to Stamford Health System	**(42,059)**	**–**	**–**	**(42,059)**
Investment returns	**–**	**(1,139)**	**–**	**(1,139)**
Net assets released from restrictions for operations	**–**	**(2,936)**	**–**	**(2,936)**
Net assets released from restrictions used for purchases of property and equipment	**1,077**	**(1,077)**	**–**	**–**
Net asset reclassification	**(203)**	**(132)**	**335**	**–**
(Decrease) increase in net assets	**(56,188)**	**(2,944)**	**1,085**	**(58,047)**
Balance at September 30, 2009	**$ 56,506**	**$ 20,215**	**$ 7,983**	**$ 84,704**

See accompanying notes.

The Stamford Hospital

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended September 30 2009	2008
Cash flows from operating activities		
Change in net assets	**$ (58,047)**	$ (538)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of receivables from affiliates	**–**	1,134
Equity transfer to Stamford Health System	**42,059**	3,627
Pension-related changes other than net periodic pension cost	**45,023**	9,084
Change in net unrealized gains and losses	**(2,008)**	1,628
Restricted contributions	**(2,687)**	(4,024)
Loss on disposal of fixed assets	**1,114**	83
Change in fair value of derivative instrument	**218**	–
Restricted investment returns	**736**	1,428
Depreciation and amortization	**26,955**	22,754
Amortization of deferred financing fees	**434**	165
Provisions for bad debts	**47,935**	44,825
Changes in operating assets and liabilities:		
Pledges receivable	**982**	980
Patient accounts receivable	**(50,753)**	(51,698)
Due from Parent and affiliates	**(29,662)**	(5,306)
Other operating assets	**(1,281)**	(1,195)
Other accrued liabilities	**155**	(2,605)
Accounts payable	**4,000**	3,473
Other operating liabilities	**(2,344)**	(683)
Estimated third-party payor settlements	**1,226**	2,697
Due to Parent and affiliates	**3,405**	25
Estimated professional liabilities	**(7,383)**	(122)
Net cash provided by operating activities	**20,077**	25,732
Cash flows from investing activities		
Capital expenditures, net	**(15,551)**	(65,474)
Net cash invested in assets limited as to use and investments	**(214)**	6,038
Net cash used in investing activities	**(15,765)**	(59,436)
Cash flows from financing activities		
Restricted contributions	**2,687**	4,024
Restricted investment returns	**(736)**	(1,428)
Principal payments on long-term debt	**(33,476)**	(3,902)
Cash paid for deferred financing fees	**(97)**	–
Purchase of derivative instrument	**(554)**	–
Proceeds from long-term debt	**30,300**	25,000
Net cash (used in) provided by financing activities	**(1,876)**	23,694
Net increase (decrease) in cash and cash equivalents	**2,436**	(10,010)
Cash and cash equivalents, beginning of year	**7,232**	17,242
Cash and cash equivalents, end of year	**$ 9,668**	$ 7,232
Supplemental disclosure of cash flow information		
Cash paid during the year for interest (exclusive of amounts capitalized)	**$ 5,615**	$ 5,283

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

The Stamford Hospital (the "Hospital" or "TSH") is a not-for-profit acute care hospital. The Hospital provides inpatient, outpatient and emergency care services on its main campus and outpatient urgent care, imaging and rehabilitation services on an off-campus site (the "Tully Center"). Stamford Health System ("SHS"), a tax-exempt corporation, is the sole member of the Hospital.

On November 29, 2002, the Hospital formed a wholly owned captive insurance company, HealthStar Indemnity Company, Ltd. ("HealthStar"), located in Bermuda. Healthstar was registered as a Class 1 Insurer, as defined under The Bermuda Insurance Act of 1978, effective October 9, 2003.

Consolidated Financial Statements

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. The consolidated financial statements include the accounts of the Hospital and Healthstar. All significant intercompany transactions and accounts have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectibles for accounts receivable for services to patients, and liabilities, including estimated payables to third-party payors and professional liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with original maturities of three months or less when purchased. The Hospital routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid

1. Organization and Summary of Significant Accounting Policies (continued)

U.S. government and agency obligations. Such amounts exclude cash and cash equivalents included in assets limited as to use and investments.

Inventories

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

Marketable Securities and Alternative Investments

Investments represent a share of a pooled investment fund maintained by SHS. Alternative investments are defined as nontraditional, not readily marketable asset classes. Alternative investment holdings are structured as limited partnership interests or in other forms. Realized and unrealized gains and losses are included in determining the excess of revenue over expenses. For the years ended September 30, 2009 and 2008, TSH recorded losses on unrestricted alternative investments of $1,126 and $4,415, respectively, which is included in investment returns in the consolidated statements of operations. The alternative investments are recorded using the equity method of accounting. Individual investment holdings of such limited partnerships which hold the alternative investments may, in turn, include investments in both marketable and non-marketable securities. Within domestic equity, the portable alpha investment strategies are designed to separate the alpha, or skill-based return, which is generated by an investment strategy from the beta, or volatility-based return, inherent in that strategy. To do so, an element, usually a hedged investment strategy, will be added to a targeted benchmark or index return, and is designed to provide an improved overall risk adjusted return with less volatility. Target returns for the alpha portion are typically the risk-free rate of return plus several hundred basis points, after deducting transaction fees. The selection of the target benchmark for the beta component is representative of the portfolio of the investor or a portion of it, and is typically an equity or fixed income index. Marketable securities which are not considered alternative investments, such as equity and debt securities, and the holdings of private mutual funds are recorded at the fair value as quoted by the public markets. Marketable securities are classified as trading securities.

Ordinary income and net realized gains and losses of ($1,321) and $632 for the years ended September 30, 2009 and 2008, respectively, are included in investment returns in the consolidated statements of operations. The change in net unrealized gains and losses of $2,008 and $(1,628) for the years ended September 30, 2009 and 2008, respectively, is recorded in the excess of revenue over expenses in the consolidated statements of operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Valuations of investments not readily marketable may be determined by the investment manager or general partner. "Fund of funds" investments are primarily based on financial data supplied by the underlying investee funds. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. The investment value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The investments may indirectly expose SHS to securities lending, short sales of securities, and trading in futures and forwards contracts, options and other derivative products. While these financial instruments may contain varying degrees of risk, the risk of SHS with respect to such transactions is limited to its capital balance in each investment. Certain amounts are subject to notification to allow for divestiture while other amounts have divestiture provisions based only on termination of the fund. The financial statements of the investees are audited annually by independent auditors. At September 30, 2009, SHS, for the account of the Hospital, has future commitments of $759 to invest in alternative investments.

Investment Returns

Unrestricted investment returns (including realized and unrealized gains and losses on marketable securities, interest and dividends and realized and unrealized gains and losses on alternative investments) is included in the excess of revenue over expenses unless the income or loss is restricted by donor or law.

Interest Rate Cap Agreements

Interest rate cap agreements are reported at fair value, which incorporates an estimate for the impact of counterparty nonperformance risk. Changes in fair value of interest rate cap agreements are recorded in the excess of revenue over expenses in the consolidated statements of operations.

Assets Limited as to Use

Assets limited as to use include amounts for professional liabilities, endowments and assets limited by donor restriction. Amounts to be used to fund current liabilities are reported as current assets.

(In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Due from Parent

Donor-restricted balances are held by SHS on behalf of the Hospital. These assets include marketable securities, corporate bonds, government obligations, alternative investments and cash.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or, in the case of gifts, at fair value at the date of the gift, less accumulated depreciation and amortization. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations and leasehold improvements are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment or leasehold improvement. Interest cost incurred on borrowed funds, net of interest earned on such funds, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Estimated useful lives by classification are as follows:

Land improvements	3 to 20 years
Buildings and improvements	5 to 50 years
Fixed equipment	5 to 25 years
Movable equipment	3 to 20 years
Leasehold improvements	3 to 15 years

Deferred Bond Issuance Costs

Costs incurred in connection with the issuance of bonds are amortized over the lives of the bonds using the effective interest method. At September 30, 2009 and 2008, the accumulated amortization for deferred bond costs was $2,267 and $2,296, respectively. The State of Connecticut Health and Educational Facilities Authority ("CHEFA") Revenue Bonds, Series H bonds were defeased and fully refunded in May 2009 and the applicable remaining bond costs of $205 were written off during the fiscal year ended September 30, 2009. Amortization is included in interest expense in the consolidated statements of operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Hospital has been limited by donors to a specific time period or purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

Consolidated Statements of Operations

For the purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as non-operating gains and losses and consist primarily of the investment returns of TSH.

The consolidated statements of operations include the excess of revenue over expenses as the performance indicator. Consistent with industry practice, permanent transfers of assets and liabilities to and from affiliates for other than goods and services, forgiveness of receivables from affiliates, pension-related changes other than net periodic pension cost, 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) are excluded from the Hospital's performance indicator.

Accounts Receivable for Services to Patients and Net Patient Service Revenue

Patient accounts receivable result from the health care services provided by the Hospital. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators.

1. Organization and Summary of Significant Accounting Policies (continued)

Net patient service revenue is reported at 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 provided and adjusted in future periods, as adjustments become known, or as years are no longer subject to such audits, reviews and investigations.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Contributions

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give, and indications of intentions to give, are reported at fair value at the date the gift becomes unconditional. Contributions 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 or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Temporarily restricted net assets are available for certain health care services as defined in the donor agreements. Income earned from these funds that is unrestricted is included as other income in the accompanying consolidated statements of operations. Income earned from these funds that is restricted by donor or law is included as a component of temporarily restricted net assets in the accompanying consolidated statements of changes in net assets.

1. Organization and Summary of Significant Accounting Policies (continued)

Estimated Professional Liabilities

Insurance reserves represent estimated unpaid losses and loss adjustment expenses. Such amounts are established using management's estimates on the basis of claims records and an independent actuarial review and include an amount for the adverse development of reported claims. Adjustments to the estimate of the liability for losses are reflected in earnings in the period in which the adjustment is determined. The insurance reserves are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liabilities may vary significantly from the amount provided.

Income Taxes

The Hospital is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and its related income is not subject to federal or state income taxes.

Advertising Costs

The Hospital expenses advertising costs as incurred. For the years ended September 30, 2009 and 2008, advertising costs totaled approximately $2,102 and $1,941, respectively.

Pension Plan

The policy of the Hospital is to fund amounts as necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members in accordance with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

Generally accepted accounting principles require an entity to recognize in its balance sheet an asset for a defined benefit postretirement plan's overfunded status or a liability for a plan's underfunded status, measure a defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of the employer's fiscal year, and recognize changes in the funded status of a defined benefit postretirement plan in changes in unrestricted net assets in the year in which the changes occur (see Note 9).

1. Organization and Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. During 2009, TSH reclassified $6,932 to land that was previously classified as buildings. This reclassification had no overall impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

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

Effective October 1, 2008, the Hospital adopted the *Fair Value Measurements and Disclosures* Topic of the ASC, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosure about fair value measurements. The Hospital's adoption did not significantly affect its consolidated financial statements (see Note 15).

Effective October 1, 2008, the Hospital adopted the *Fair Value Option for Financial Assets and Liabilities* Topic of the ASC which 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 accounting principles generally accepted in the United States. The Hospital chose not to elect the fair value option for its financial assets and liabilities. Consequently, the adoption did not have any effect on the Hospital's consolidated financial statements.

Effective October 1, 2008, the Hospital adopted the *Endowments of Not-for-Profit Organizations: 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* Topic of the ASC, which 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

1. Organization and Summary of Significant Accounting Policies (continued)

of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), and also requires enhanced disclosures for all endowment funds, including funds designated as endowments by the Hospital. The adoption did not have a material effect on the Hospital's consolidated financial position or results of operations (see Note 7).

During 2009, the FASB issued the *Subsequent Event*s Topic of the ASC which 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. The Hospital adopted the provisions as of September 30, 2009, and evaluated the impact of subsequent events through January 28, 2010 representing the date at which the consolidated financial statements were issued.

2. Community Benefit and Charity Care

The Hospital is committed to providing health care services to the community. During 2003, the Hospital conducted a community needs assessment to identify both the medical concerns, and the perceived health care concerns of community members. Through this process, the Hospital formed Community Benefit Teams comprised of individuals from a variety of community organizations and representatives from health care and social service organizations, education, business and other community groups. The Community Benefit Teams focused on the following areas: reproductive health, specifically focusing on teens; HIV/AIDS; alcohol and substance abuse; geriatric primary care; and parenting skills.

The Hospital provides a variety of programs that benefit the community. These programs include free clinics, health screenings, immunization programs, social services and support counseling for patients and families, pastoral care, crisis intervention and the donation of space for use by community groups. In addition, a wide variety of health education programs are provided for the benefit of the community including smoking cessation, weight loss, stress management, and programs focusing on specific health factors or diseases such as menopause, breast cancer, attention deficit disorder and many others. Hospital staff also provide services at community health fairs and speak to various community groups on health related topics.

(In Thousands)

2. Community Benefit and Charity Care (continued)

The Hospital maintains records to identify and monitor the level of charity care it provides. Charges foregone for these services, based on its established rates pursuant to the requirements of the State of Connecticut, were approximately $11,910 and $15,715 for the years ended September 30, 2009 and 2008, respectively.

The State of Connecticut distributes funds from its Uncompensated Care Pool to the Hospital based on a formula that includes the provision for bad debts, net of recoveries, and free care, also described as charity care. The following table sets forth the total of bad debt and charity care for the years ended September 30, 2009 and 2008:

	2009	2008
Provision for bad debts – net of recoveries	**$ 47,935**	$ 44,825
Charity care	**11,910**	15,715
Total	**$ 59,845**	$ 60,540

For distributions from the Uncompensated Care Pool, the Hospital recognized grant-disproportionate share income of $5,089 and $5,391 for the years ended September 30, 2009 and 2008, respectively.

3. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Hospitals are paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The classification of patients of the Hospital under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Medicare cost reports of the Hospital

3. Net Patient Service Revenue (continued)

have been audited and finalized by the Medicare fiscal intermediary through the year ended September 30, 2006.

Medicaid – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Medicaid cost reports of the Hospital have been tentatively settled and are still subject to audit and finalization by the State of Connecticut for the year September 30, 2006 and prior.

The Hospital also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge or day of hospitalization, and discounts from established charges.

Gross patient charges for services at established rates before the effect of the contractual arrangements described above were $1,157,017 and $989,969, for the years ended September 30, 2009 and 2008, respectively.

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

There are various proposals at the Federal and state levels that could, among other things, change payment rates. The ultimate outcome of these proposals and other market changes cannot presently be determined.

During the years ended September 30, 2009 and 2008, approximately $995 and $407, respectively, of previously recorded estimated third-party payor settlement liabilities were no longer considered necessary and were included as increases in net patient service revenue.

(In Thousands)

3. Net Patient Service Revenue (continued)

The percentages of net patient service revenue received from various third-party payors and patients were as follows for the years ended September 30, 2009 and 2008:

	2009	2008
Medicare	**20%**	22%
Medicaid	**7**	5
Managed care organizations	**40**	39
Other third-party payors	**25**	25
Self-pay	**8**	9
	100%	100%

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties, and/or exclusion from the Medicare and Medicaid programs. The Hospital believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material effect on the accompanying consolidated financial statements.

4. Assets Limited as to Use and Investments

Assets limited as to use and investments are stated at fair value, except for alternative investments which are recorded using the equity method of accounting as described in Note 1.

Assets Limited as to Use

The composition of assets limited as to use (exclusive of amounts held by SHS; see Note 1) at September 30, 2009 and 2008 is as follows:

	2009	2008
Current portion:		
Cash and cash equivalents	**$ 260**	$ 1,458
Government securities	**983**	7
	$ 1,243	$ 1,465

(In Thousands)

4. Assets Limited as to Use and Investments (continued)

	2009	2008
Held by captive insurance company:		
Cash and cash equivalents	**$ 9,298**	$ 26,591
Corporate bonds and other fixed income securities	**7,659**	–
Alternative investments – hedge funds	**7,263**	7,261
	$ 24,220	$ 33,852
Long-term investments – endowments:		
Cash and cash equivalents	**$ 251**	$ 90
Government securities	**3**	323
Corporate bonds and other fixed income securities	**9**	717
Equity securities	**2**	4
Mutual funds	**2,373**	–
Alternative investments – hedge funds	**3,326**	2,397
Alternative investments – limited partnerships	**1,327**	1,597
Private mutual funds	**506**	1,584
	$ 7,797	$ 6,712

(In Thousands)

4. Assets Limited as to Use and Investments (continued)

Unrestricted Investments

The composition of unrestricted investments at September 30, 2009 and 2008 is as follows:

	2009	2008
Short-term investments:		
Mutual funds	**$ 166**	$ 166
Long-term investments:		
Cash and cash equivalents	**$ 712**	$ 10,798
Government securities	**8**	1,139
Corporate bonds and other fixed income securities	**23,597**	2,528
Equity securities	**4**	4
Mutual funds	**7,002**	415
Alternative investments – hedge funds	**9,321**	8,458
Alternative investments – limited partnerships	**3,717**	5,634
Private mutual funds	**1,418**	5,589
	$ 45,779	$ 34,565

The policy of the Hospital is to classify investments as current or long-term based on the intended use of such investments.

Total returns on investments for the years ended September 30, 2009 and 2008 consist of the following:

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Ordinary income (interest and dividends)	**$ 364**	**$ 112**	**$ 476**	$ 499	$ 117	$ 616
Net realized gains and losses	**(1,685)**	**(845)**	**(2,530)**	133	31	164
Losses from alternative investments	**(1,126)**	**(406)**	**(1,532)**	(4,415)	(1,098)	(5,513)
Investment returns	**(2,447)**	**(1,139)**	**(3,586)**	(3,783)	(950)	(4,733)
Change in net unrealized gains and losses	**2,008**	**403**	**2,411**	(1,628)	(478)	(2,106)
	$ (439)	**$ (736)**	**$ (1,175)**	$ (5,411)	$ (1,428)	$ (6,839)

(In Thousands)

5. Pledges Receivable

Pledges are recorded at the net present value determined using a discount rate commensurate with the rate on U.S. Treasury obligations whose maturities correspond to the maturities of the pledges. At September 30, 2009 and 2008, pledges receivable consist of the following:

	2009	2008
Amounts expected to be collected in:		
Less than one year	**$ 1,240**	$ 1,210
One to five years	**1,010**	2,171
Less:		
Reserve for uncollectible pledges	**112**	169
Discount on pledges	**44**	136
Current portion	**1,178**	1,150
Pledges receivable, net	**$ 916**	$ 1,926

6. Property, Plant and Equipment

Property, plant and equipment, at cost, and accumulated depreciation and amortization at September 30, 2009 and 2008 are summarized as follows:

	2009	**2008**
Land	**$ 2,482**	$ 18,402
Land improvements	**3,934**	3,858
Buildings and improvements	**168,748**	163,247
Fixed equipment	**114,040**	106,588
Movable equipment	**163,429**	144,742
Leasehold improvements	**6,295**	3,925
	458,928	440,762
Less accumulated depreciation and amortization	**262,993**	236,038
	195,935	204,724
Construction in progress	**14,792**	29,565
	$ 210,727	$ 234,289

6. Property, Plant and Equipment (continued)

Depreciation and amortization expense for the years ended September 30, 2009 and 2008 was $26,955 and $22,754, respectively. Included in depreciation and amortization expense are amounts related to assets under capital lease of approximately $90 for the years ended September 30, 2009 and 2008. Included in property, plant and equipment at September 30, 2009 and 2008 is $687 and $1,355, respectively, of interest capitalized during the construction process.

Construction in progress includes several significant projects started in 2008.

In May 2009, SHS submitted an application for a certificate of need with the State of Connecticut for The Master Facility Plan for the Hospital which includes the construction of a new six-level addition and central utility plant, modernization of the emergency department and other infrastructure improvements. The estimated project cost is $225,000. For the years ended September 30, 2009 and 2008, approximately $9,600 and $22,900 was spent, respectively, in acquiring properties surrounding the Hospital campus in an effort to expand the area of the Hospital and to provide property for new parking facilities which was financed through a line of credit (see Note 8). During 2009, the Board of Directors and management determined in consultation with its attorneys that these properties and related demolition costs would be transferred to SHS in the amount of approximately $33,300 and included as an equity transfer in the accompanying consolidated statement of operations as there is no expectation of repayment of amounts. The purchased properties and costs to demolish existing structures are classified as land in the consolidated balance sheet of SHS as purchases were made with the intention of demolishing any existing structures. Construction in progress as of September 30, 2009 and 2008 includes approximately $8,300 and $2,400, respectively, spent mainly for architectural fees and other soft construction costs incurred during the planning phase.

In addition, construction in progress for the year ended September 30, 2008 included leasehold improvements related to two projects in Norwalk and Darien, Connecticut. The space leased in Norwalk was to be used for physician offices, a health and fitness institute and hospital departments providing various medical services. Leasehold improvements of approximately $1,000 were included in construction in progress at September 30, 2008. During 2009, it was determined that this project would not proceed. Accordingly, all costs incurred to date were fully expensed and included in supplies and other expenses in the accompanying consolidated statement of operations for the year ended September 30, 2009.

(In Thousands)

6. Property, Plant and Equipment (continued)

The second lease in Darien is being used by the Hospital to provide physical therapy services to patients. The Hospital rents space at this location as a subtenant of SHS. A total of $822 and $1,727 was spent by the Hospital on behalf of SHS for the years ended September 30, 2009 and 2008, respectively, on leasehold improvements at this location. During 2009, the total value of these improvements was transferred to SHS as lessor.

7. Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2009 and 2008:

	2009	2008
Health care services:		
Purchase of equipment	**$ 1,060**	$ 1,068
Patient care	**18,068**	20,892
Health education	**1,087**	1,199
	$ 20,215	$ 23,159

Temporarily restricted net assets released from restriction for operations were for the following purposes:

	2009	**2008**
Cancer Care	**$ 1,050**	$ 978
CICC Fund	**626**	24
Cancer Research Fund	**360**	468
Cancer Center	**138**	92
Pastoral Care	**96**	101
Emergency Preparedness Fund	**77**	–
Cusano Leadership Fund	**71**	–
Lauren Leslie Fund	**69**	73
Others	**449**	383
	$ 2,936	$ 2,119

(In Thousands)

7. Net Assets (continued)

Temporarily restricted net assets released from restriction for purchases of property and equipment were for the following purposes:

	2009	**2008**
Cusano Leadership Fund	**$ 443**	$ –
Cardiac Center Fund	**214**	–
Da Vinci Surgical Fund	**–**	1,790
Ziegler IT Fund	**–**	927
Rich Capital Renovation Fund	**–**	187
Pediatrics	**–**	115
Cancer Care	**82**	20
CICC Fund	**76**	–
Others	**262**	108
	$ 1,077	$ 3,147

Permanently restricted net assets are restricted to investments to be held in perpetuity, the income from which is expendable to support health care services.

The Hospital follows the requirements of UPMIFA as they relate to its endowments. The Hospital's endowments consist of numerous individual funds established for a variety of purposes and consist solely of donor-restricted endowment funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Hospital to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

7. Net Assets (continued)

The Hospital has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is characterized as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the Hospital and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policies of the Hospital

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity. Under these policies the endowment and manager performance are evaluated against market indices and peer groups which provide meaningful benchmarks for monitoring the investment performance.

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

(In Thousands)

7. Net Assets (continued)

The following table sets forth the changes to net assets as it relates to the Hospital's endowments for the year ended September 30, 2009:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2008	$ 2,411	$ 6,898	$ 9,309
Investment return (realized and unrealized)	(613)	–	(613)
Contributions	–	750	750
Appropriation of endowment assets for expenditure	(420)	–	(420)
Transfers to endowment funds	–	335	335
Endowment net assets, September 30, 2009	$ 1,378	$ 7,983	$ 9,361

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Hospital to retain as a fund of perpetual duration. There were no significant deficiencies of this nature that are reported in unrestricted net assets as of September 30, 2009.

(In Thousands)

8. Long-Term Debt

Long-term debt at September 30, 2009 and 2008 consists of the following:

	September 30 2009	September 30 2008
State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Series F, payable in varying annual amounts with fixed interest rates varying from 4.00% to 5.25%, with the final payment due in 2011	**$ 7,955**	$ 11,630
State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Series G, payable in varying annual amounts with fixed interest rates varying from 3.00% to 5.25%, with the final payment due in 2024	**53,570**	53,570
State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Series H, payable in varying annual amounts with an interest rate of 8.14% at September 30, 2008	**–**	29,300
Wachovia Bank, N.A. line of credit bearing interest at LIBOR plus .45% (.70% and 4.38% at September 30, 2009 and 2008, respectively) maturing June 2011	**26,000**	25,000
Wachovia Bank, N.A. loan bearing interest at LIBOR plus 2.50% (2.75% at September 30, 2009) maturing May 2024	**28,811**	–
City of Stamford, sewer connection fee loan, payable in annual installments through 2013 (non-interest bearing)	**62**	74
Total long-term debt	**116,398**	119,574
Less current portion	**6,003**	8,571
Long-term debt, excluding current portion	**$ 110,395**	$ 111,003

8. Long-Term Debt (continued)

The State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Series F (the "Series F Bonds") were issued on October 15, 1996 in the amount of $23,645 for a term of 15 years. The Series F Bonds mature in varying annual amounts with the final payment due June 30, 2011. The proceeds were used for a replacement power plant consisting of boilers, chillers and related equipment and instruments and for the construction of an 18,000 square foot building. Proceeds were also used for the improvement of and equipment for the Engineering, Information System, Lab and Diagnostic Radiology departments.

The State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Series G (the "Series G Bonds") were issued on March 1, 1999 in the amount of $67,440 for a term of 25 years. The Series G Bonds mature in varying annual amounts with the final payment due June 30, 2024. The proceeds were used for the demolition of the old St. Joseph Medical Center and the construction of a 4-story Ambulatory Care Center on the Strawberry Hill campus, commonly known as the Tully Center. The proceeds were also used to defease the older Series B and Series C bonds.

During September 2008, $5,500 of the CHEFA Series H Bonds (the "Series H Bonds") failed to remarket. These bonds were purchased by JP Morgan Chase Bank (the "Bank") under the Standby Bond Purchase Agreement between the Bank and the Hospital which expired March 18, 2009. As of December 10, 2008, a total of $21,190 of the Series H Bonds failed to remarket and were purchased by the Bank as bank bonds. During January 2009, all of the outstanding Series H Bonds were fully remarketed. Under the terms of the Series H Trust Indenture, upon expiration of the Standby Bond Purchase Agreement in March 2009, there was no substitute liquidity facility in effect and subsequently there was a mandatory tender of the outstanding Series H Bonds by the Bank and the bonds became bank bonds subject to the six-year payment schedule specified in the Standby Bond Purchase Agreement. Those terms required quarterly principal payments over six years, beginning four months after the Bank acquires the bonds. At September 30, 2008, one-sixth of the outstanding Series H Bonds were required to be classified as current. Interest was payable at the prime rate plus 2%. The Hospital refinanced this variable rate debt during May 2009 and the Series H bonds were defeased and fully refunded.

The Hospital entered into a loan agreement with Wachovia Bank for $29,300 in May 2009. The proceeds of the loan were used to defease and fully refund the Series H bonds. The loan bears interest at LIBOR plus 2.50% and expires May 2024. The amount outstanding under this loan was $28,811 as of September 30, 2009. In connection with the loan, in July 2009 the Hospital

(In Thousands)

8. Long-Term Debt (continued)

entered into an interest rate cap derivative instrument. Under the interest rate cap, the Hospital's maximum interest rate is 1.50% through December 31, 2009 and 2.50% from January 1, 2010 through June 30, 2012.

This interest rate cap agreement expires June 30, 2012. As described in Note 1, the interest rate cap is reported at its fair value of $336 at September 30, 2009 and is included in other non-current assets in the consolidated balance sheet.

The Hospital entered into a line of credit agreement with Wachovia Bank dated June 2, 2008 for $30,000. The line of credit, bearing interest at LIBOR plus 0.45%, expires June 2, 2011. The amount outstanding on the line of credit at September 30, 2009 and 2008 is $26,000 and $25,000, respectively. Under this line of credit, the bank issued a maximum letter of credit to the Hospital for $4,000. Fees on the outstanding balance under the letter of credit are payable annually at 1% of total amounts outstanding. No amounts are outstanding under this letter of credit at September 30, 2009.

SHS is the guarantor of all obligations of the Hospital with respect to the Series G bonds, Wachovia Bank loan and Wachovia line of credit.

Scheduled principal payments on long-term debt are as follows:

	Total
Fiscal year:	
2010	$ 6,003
2011	32,046
2012	5,005
2013	5,141
2014	5,291
Thereafter	62,912
Total minimum payments	116,398
Less current portion of long-term debt	6,003
Long-term debt, net of current portion	$ 110,395

The principal payment in 2011 includes the $26,000 payment to be made on the line of credit.

(In Thousands)

9. Retirement Benefits

Defined Benefit Pension Plan

SHS has two defined benefit pension plans (the "Plans"). The first plan (the "Plan") covers employees and eligible employees of its affiliates who were employed as of August 1, 2002 and elected to continue earning future benefits after December 31, 2002, in the Plan. Benefits are based on age at retirement, years of credited service and average compensation for a specified period prior to retirement. The second is a Supplementary Executive Retirement Program (the "SERP") covering certain employees which provides benefits to participants without regard to statutory limitations on the maximum amount of compensation which may be taken into account by, nor the maximum benefits which may be paid from, such plan. The SERP is unfunded.

Information in the accompanying consolidated financial statements relates to the portion of the retirement plans of the Hospital. The measurement date is September 30.

The Hospital recognizes in its consolidated balance sheet an asset, for a defined benefit postretirement plan's overfunded status, or a liability, for a plan's underfunded status; measures a defined benefit postretirement plan's assets and obligations that determine funded status as of the end of the employer's fiscal year; and recognizes the periodic change in the funded status of a defined benefit postretirement plan as a component of changes in unrestricted net assets in the year in which the change occurs.

Included in other changes in unrestricted net assets at September 30, 2009 and 2008 are the following amounts that have not yet been recognized in net periodic pension and postretirement cost:

	September 30, 2009		
	Plan	**SERP**	**Total**
Unrecognized prior service cost	**$ (23)**	**$ –**	**$ (23)**
Unrecognized actuarial (loss) gain	**(79,922)**	**119**	**(79,803)**
	$ (79,945)	**$ 119**	**$ (79,826)**

(In Thousands)

9. Retirement Benefits (continued)

	September 30, 2008		
	Plan	**SERP**	**Total**
Unrecognized prior service cost	$ (30)	$ –	$ (30)
Unrecognized actuarial (loss) gain	(34,981)	208	(34,773)
	$ (35,011)	$ 208	$ (34,803)

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

	Plan	**SERP**
Prior service cost	$ (6)	$ –
Net (loss) gain	(7,388)	7

(In Thousands)

9. Retirement Benefits (continued)

The reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the Plans' assets for the years ended September 30, 2009 and 2008 are as follows:

	Plan		SERP		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Benefit obligation						
Benefit obligation, beginning of year	**$ 147,222**	$ 160,030	**$ 678**	$ 728	**$ 147,900**	$160,758
Service cost	**2,750**	3,379	**–**	–	**2,750**	3,379
Interest cost	**10,499**	9,862	**48**	45	**10,547**	9,907
Actuarial losses	**31,382**	(21,477)	**60**	(92)	**31,442**	(21,569)
Benefits paid	**(5,118)**	(4,572)	**(8)**	(3)	**(5,126)**	(4,575)
Benefit obligation, end of year	**186,735**	147,222	**778**	678	**187,513**	147,900
Plan assets						
Fair value of plan assets, beginning of year	**123,751**	141,836	**–**	–	**123,751**	141,836
Actual return on plan assets	**(5,868)**	(20,013)	**–**	–	**(5,868)**	(20,013)
Employer contributions	**11,000**	6,500	**8**	3	**11,008**	6,503
Benefits paid	**(5,118)**	(4,572)	**(8)**	(3)	**(5,126)**	(4,575)
Fair value of plan assets, end of year	**123,765**	123,751	**–**	–	**123,765**	123,751
Funded status	**$ (62,970)**	$ (23,471)	**$ (778)**	$ (678)	**$ (63,748)**	$ (24,149)

The weighted-average assumptions used in determining the pension and postretirement benefit obligations at September 30, 2009 and 2008 were as follows:

	Plan		SERP	
	2009	**2008**	**2009**	**2008**
Discount rate	**6.00%**	7.25%	**6.00%**	7.25%
Rate of compensation increase	**3.50**	3.50	**–**	–

(In Thousands)

9. Retirement Benefits (continued)

Net periodic pension cost and postretirement cost for the years ended September 30, 2009 and 2008 consist of the following components:

	Plan		SERP		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Service cost	**$ 2,750**	$ 3,379	**$ –**	$ –	**$ 2,750**	$ 3,379
Interest cost	**10,499**	9,862	**–**	–	**10,499**	9,862
Expected return on plan assets	**(10,109)**	(11,552)	**48**	45	**(10,061)**	(11,507)
Amortization of prior service cost	**7**	7	**–**	–	**7**	7
Amortization of actuarial loss	**2,418**	914	**(27)**	(9)	**2,391**	905
Net periodic pension cost	**$ 5,565**	$ 2,610	**$ 21**	$ 36	**$ 5,586**	$ 2,646

Weighted-average assumptions used in determining the net periodic pension and postretirement benefits costs for the years ended September 30, 2009 and 2008 were as follows:

	Plan		SERP	
	2009	**2008**	**2009**	**2008**
Discount rate	**6.25%**	7.25%	**6.25%**	7.25%
Expected long-term rate of return on plan assets	**8.00**	8.00	**–**	–
Rate of compensation increase	**3.50**	3.50	**–**	–

The expected long-term rate of return on plan assets assumption was based on expected real rates of return, plus inflation and less anticipated expenses paid from the trust. The expected rate of return selected was consistent with the range of historical returns and target percentages for various asset classes and with the Plan's desired investment return objectives.

(In Thousands)

9. Retirement Benefits (continued)

The Plan's weighted average asset allocation at September 30, 2009 and 2008 is as follows:

	2009	**2008**
Equity securities	**22%**	18%
Domestic equity – portable alpha strategy	**–**	12
Fixed income securities	**31**	15
Alternative investments – limited partnerships	**12**	8
Alternative investments – hedge funds	**32**	40
Cash and cash equivalents	**3**	7
	100%	100%

The Plan's asset allocation provides the following asset allocation ranges:

	Target Allocation	**Allocation Range**
Equity securities	30%	22 – 33%
Domestic equity – portable alpha strategy	18	19 – 22
Fixed income securities	14	15 – 25
Alternative investments – limited partnerships	8	12 – 18
Alternative investments – hedge funds	30	25 – 30

Ordinarily, cash flows are used to maintain allocation percentages that are close to the target allocation percentages. If cash flows are not sufficient to maintain allocation percentages within the above ranges, the trustee and/or the Investment Subcommittee of the Finance Committee of the Board of Directors will adjust the allocations as soon as practicable.

Investment Strategy

SHS invests pension fund assets with standards of prudence and care established under ERISA solely for the purposes of meeting plan participants' future benefit payments as due. The fund is diversified among asset classes, investment management organizations and styles of management in order to improve performance and lessen investment risk. Liquidity needs of the fund are reviewed at least monthly.

(In Thousands)

9. Retirement Benefits (continued)

Cash Flows

TSH expects to contribute $12,700 to the Plans during fiscal year 2010.

Future benefit payments by the Plans, reflective of expected future service, are expected to be paid as follows:

	Plan	SERP	Total
Fiscal year ending September 30:			
2010	$ 5,930	$ 20	$ 5,950
2011	6,767	28	6,795
2012	7,690	32	7,722
2013	8,541	34	8,575
2014	9,441	41	9,482
2015 through 2019	61,420	289	61,709

Defined Contribution Plan

On January 1, 2003, SHS established a defined contribution plan (the "DC Plan"). Existing SHS employees and employees of its affiliates were given the option of forgoing future benefits under the Plan to earn future benefits in the DC Plan beginning on January 1, 2003 or continuing to earn future benefits under the Plan. The effect of the establishment of the DC Plan resulted in a curtailment for those participants that chose to forgo future benefits under the Plan. Included in employee benefit expenses in the accompanying consolidated statements of operations for the years ended September 30, 2009 and 2008 are $4,351 and $3,763, respectively, in pension contributions to the DC Plan.

10. Professional Liability Insurance

The Hospital self-insured a portion of its professional liability insurance coverage through September 30, 2002. An excess coverage policy was retained through a third-party insurer for coverage in excess of the self-insured limits. This third-party insurer provides coverage limits to $35,000 per occurrence and $35,000 in the aggregate.

10. Professional Liability Insurance (continued)

For the period from October 1, 1985 to October 1, 2002, the Hospital retained its self-insured portion of professional liability insurance risk internally and established an irrevocable trust (the "Trust") to manage the assets needed to cover the tail liability for claims and administrative costs. The tail liability results from events that have occurred, but have not yet been reported under the claims-made coverage. The actuarially determined tail liability of $10,178 and $9,857 is included in the estimated professional liabilities at September 30, 2009 and 2008, respectively. The deductible limits for the years covered under this Trust range from $1,000 per occurrence and $3,000 in the aggregate annually to $3,000 per occurrence and $9,000 in the aggregate.

Under the Trust agreement, Trust assets can only be used for payment of malpractice losses, related expenses and the cost of administering the Trust. The funds held by the trustee are invested in cash and short-term investments and recorded at fair value.

Assets of, and contributions to, the Trust are included in the non-current portion of assets limited as to use and the self-insured liability is included in the estimated professional liabilities in the accompanying consolidated balance sheets. There were no claims or expenses payable from the self-insured trust at September 30, 2009 or 2008. The Hospital expensed $321 and $775 for professional liabilities self-insurance for the years ended September 30, 2009 and 2008, respectively.

HealthStar is responsible for the professional liability insurance claims of the Hospital beginning October 1, 2002 and is fully funded by the Hospital. HealthStar retains $5,000 per occurrence. HealthStar underwrites Hospital professional liability for $5,000 per occurrence ($20,000 aggregate), commercial liability for $2,000 per occurrence ($4,000 aggregate), and other commercial general liability and employee benefit and terrorism liability risks at varying levels. Effective October 1, 2005, HealthStar wrote an excess of loss policy with the limit of $35,000 excess of the retained limits. This coverage is fully reinsured with third-party reinsurers and was renewed on October 1, 2008.

For the years ended September 30, 2009 and 2008, the Hospital expensed and partially funded ($3,848) and $6,869, respectively, for claims covered by HealthStar.

11. Related Party Transactions

Amounts due to affiliates represent net amounts due to related entities for expenses paid on the Hospital's behalf and are currently payable without interest. At September 30, 2009 and 2008, amounts due to affiliates totaled $4,075 and $894, respectively.

The Hospital leases certain real property from affiliates. Rent expense to affiliates for the years ended September 30, 2009 and 2008 is $888 and $1,218, respectively.

The Hospital provides professional services to its affiliates at varying amounts. Other revenues in the accompanying consolidated statements of operations include $1,009 and $910 earned from professional services provided to affiliates for the years ended September 30, 2009 and 2008, respectively. Amounts receivable from affiliates for professional services described above and other services were $1,377 and $174 at September 30, 2009 and 2008, respectively.

The Hospital forgave $1,134 of receivables due from the Center for Continuing Care of Greater Stamford, Inc. (a long-term care affiliate) for the year ended September 30, 2008. The Hospital transferred $3,627 of equity to SHS in 2008 to fund professional services.

During 2009, the Hospital transferred properties acquired totaling approximately $33,000 to SHS as an equity transfer as described in Note 6.

Donor-restricted contributions are maintained in a pooled investment account at SHS. Amounts due from SHS for donor-restricted contributions are $18,642 and $18,865 at September 30, 2009 and 2008, respectively.

12. Commitments and Contingencies

Litigation

Various investigations, lawsuits and claims arising out of the normal course of operations are pending or on appeal against the Hospital. While the ultimate effect of such actions cannot be determined at this time, it is the opinion of management that the liabilities which may arise from such actions would not materially affect the consolidated financial position or results of operations of the Hospital.

12. Commitments and Contingencies (continued)

Collective Bargaining Agreement

At September 30, 2009 and 2008, approximately 3% of employees of the Hospital were covered by a collective bargaining agreement. The agreement expires on September 30, 2011.

Hospital Clinics

On May 1, 2007, the Hospital transferred the management of its outpatient primary care clinics and behavioral clinic to Optimus Health Care, Inc. ("Optimus"), a federally qualified health center that operates clinical sites in Southwestern Connecticut, including Stamford. The agreement requires the Hospital to provide Optimus with a community benefit grant to cover operating costs of running the clinics. A grant of $2,291 is to be paid annually over five years.

Concurrent with this agreement, the Hospital signed a five-year sublease with Optimus for the current location of the clinics at 1351 Washington Boulevard in Stamford, Connecticut. Additionally, the Hospital signed a residency training program and leased providers agreement with Optimus under which certain primary care physicians and non-physician providers employed by the Hospital are leased to Optimus and under which the Hospital operates a multiple residency training program rotation at Optimus.

Legal Settlement

The Connecticut Attorney General ("AG") had been conducting an informal investigation relating to the endowment fund and other charitable gifts (collectively, the "Charitable Assets") donated to The Rehabilitation Center of Southwestern Connecticut, Inc. ("TRC") and its predecessor companies. TRC was an affiliated corporation of SHS through which SHS provided various physical medicine and rehabilitation ("PM&R") programs as well as other services. In 2004, the TRC corporate entity was merged into TSH with TSH continuing to provide the PM&R programs. This investigation was prompted by communications to the AG's office from Easter Seals Connecticut, Inc. ("CT Easter Seals") requesting that the AG investigate the continued use by SHS and TSH of the Charitable Assets donated to TRC while it was affiliated with CT Easter Seals and later the National Easter Seal Society (collectively, "Easter Seals") through various membership agreements. SHS and the AG entered into a Stipulation Regarding Distribution of Charitable Assets ("Settlement Agreement") on September 21, 2007 whereby SHS was to pay a total of $4,636 to an escrow account established by the AG's Office. The liability of $4,636 was paid during fiscal year 2008.

(In Thousands)

12. Commitments and Contingencies (continued)

In addition, SHS has agreed to spend $13,100, an amount which approximated the fair value of the real property and building on Palmers Hill Road that was also donated to TRC and included in the Charitable Assets, to support various medical rehabilitation services that correspond to the charitable purposes of TRC. This money will be expended by SHS over a ten-year period and will be spent for the benefit of SHS patients. In exchange, the AG has agreed that SHS may maintain or dispose of the Palmers Hill real property and any improvements thereon in any lawful manner it deems fit. SHS met this spending requirement for 2009 and 2008.

13. Concentration of Credit Risk

The Hospital is located in Stamford, Connecticut. The Hospital grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. The proportion of net patient accounts receivable from various third-party payors and patients was as follows for the years ended September 30, 2009 and 2008:

	2009	**2008**
Managed care organizations	**29%**	30%
Medicare	**16**	15
Medicaid	**11**	8
All other insurers	**15**	15
Self-pay patients	**29**	32
	100%	100%

At September 30, 2009, all of the cash and cash equivalents of the Hospital were held in custodial accounts at three financial institutions. Management believes that credit risk related to these deposits is minimal.

(In Thousands)

14. Functional Expenses

The Hospital provides general health care services to residents within its geographic area. Expenses related to provision of these services for the years ended September 30, 2009 and 2008 are as follows:

	2009	2008
Health care	**$ 368,044**	$ 344,997
General and administrative	**46,255**	43,648
	$ 414,299	$ 388,645

15. Fair Value of Financial Instruments

As described in Note 1, on October 1, 2008, the Hospital adopted the methods to value its financial assets and liabilities at fair value, when applicable. For assets and liabilities required to be measured at fair value, the Hospital measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the Hospital follows a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

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

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

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

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

(In Thousands)

15. Fair Value of Financial Instruments (continued)

Financial assets 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
Cash and cash equivalents	$ 20,189	$ –	$ –	$ 20,189
Government securities	994	–	–	994
Corporate bonds and other fixed income securities	31,265	–	–	31,265
Mutual funds	9,541	–	–	9,541
Equity securities	6	–	–	6
Private mutual funds	–	1,924	–	1,924
Interest rate cap	–	336	–	336
	$ 61,995	$ 2,260	$ –	$ 64,255

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The Hospital's investments in alternative investments are recorded using the equity method of accounting and are not subject to the fair value hierarchy described above.

The carrying values and fair values of the Hospital's financial instruments that are not required to be carried at fair value at September 30, 2009 are as follows:

	Fair Value	Carrying Value
Long-term debt	$ 115,003	$ 116,398
Pledges receivable	2,094	2,094

(In Thousands)

15. Fair Value of Financial Instruments (continued)

At September 30, 2008, the following methods and assumptions were used by the Hospital in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents: The carrying amounts reported in the accompanying consolidated balance sheets approximate fair value.

Marketable Securities: Fair value is based on quoted market prices.

Private Mutual Funds: Fair values are based on individual investment holdings within the fund which consist primarily of market-traded securities. Values for nonmarketable securities held by the fund, where readily available fair values do not exist, may be based on estimates determined by the fund managers based on historical cost, appraisals, or other estimates that require varying degrees of judgment.

Long-term Debt: Fair value is estimated based on discounted cash flows using current market rates.

Pledges receivable: Fair value is estimated using a present value technique, represented by the risk free interest rates that have durations that coincide with the applicable pledge period.

The carrying values and fair values of the financial instruments of the Hospital were as follows at September 30, 2008:

	2008	
	Carrying Value	**Fair Value**
Cash and cash equivalents	$ 46,169	$ 46,169
Marketable investments	5,303	5,303
Private mutual funds	7,173	7,173
Long-term debt	119,574	118,083
Pledges receivable	3,076	3,076

(In Thousands)

16. Operating Leases

The Hospital has entered into various agreements under noncancellable operating leases. Future minimum payments under noncancellable operating leases with initial or recurring terms of one year or more are as follows:

2010	$ 5,257
2011	5,599
2012	5,314
2013	5,455
2014	5,536
Thereafter	37,545
Total minimum operating lease payments	$ 64,706

Total non-affiliate rental expense charged to operations for the years ended September 30, 2009 and 2008 aggregated approximately $5,219 and $3,359, respectively.

Certain of the leases contain escalation clauses and free rental periods which are recorded as deferred rent within accounts payable in the consolidated balance sheets and amortized in rental expense over the life of the lease.

The Hospital additionally entered into various agreements under noncancellable operating leases with various tenants. Future minimum receipts under noncancellable leases with initial or recurring terms of one year or more are as follows:

2010	$ 2,327
2011	2,204
2012	2,242
2013	2,081
2014	1,805
Thereafter	10,586
Total minimum operating lease income	$ 21,245

Total non-affiliate rental income recorded in operations for the years ended September 30, 2009 and 2008 aggregated approximately $2,658 and $2,574, respectively.

Other Financial Information

The Stamford Hospital

Consolidating Balance Sheet

September 30, 2009
(In Thousands)

	TSH	HealthStar	Eliminations	TSH Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 9,668	$ –	$ –	$ 9,668
Assets limited as to use	1,243	–	–	1,243
Short-term investments	166	–	–	166
Patient accounts receivable, net	50,590	–	–	50,590
Other receivables	1,076	338	–	1,414
Pledges receivable	1,178	–	–	1,178
Inventories	5,144	–	–	5,144
Prepaid expenses	3,690	3	–	3,693
Total current assets	72,755	341	–	73,096
Assets limited as to use:				
Held by captive insurance company	–	24,220	–	24,220
Long-term investments – endowments	7,797	–	–	7,797
Due from Parent – donor-restricted	18,642	–	–	18,642
	26,439	24,220	–	50,659
Long-term investments	34,115	23,572	(11,908)	45,779
Property, plant and equipment, net	210,727	–	–	210,727
Pledges receivable, net	916	–	–	916
Due from Parent and affiliates	79	–	(55)	24
Other assets:				
Deferred financing fees, net	893	–	–	893
Deposits and other noncurrent assets	385	–	–	385
Total other assets	1,278	–	–	1,278
Total assets	$ 346,309	$ 48,133	$ (11,963)	$ 382,479

The Stamford Hospital

Consolidating Balance Sheet (continued)

September 30, 2009
(In Thousands)

	TSH	HealthStar	Eliminations	TSH Consolidated
Liabilities and net assets				
Current liabilities:				
Current portion of long-term debt	$ 6,003	$ –	$ –	$ 6,003
Accounts payable	24,296	–	–	24,296
Salaries, wages and fees payable	9,118	–	–	9,118
Accrued vacation liability	14,698	–	–	14,698
Estimated third-party payor settlements, current	1,320	–	–	1,320
Estimated professional liabilities, current	–	6,675	–	6,675
Other accrued liabilities	5,666	36	–	5,702
Total current liabilities	61,101	6,711	–	67,812
Pension liability	63,748	–	–	63,748
Estimated third-party payor settlements, net of current portion	6,141	–	–	6,141
Long-term debt, net of current portion	110,395	–	–	110,395
Due to Parent – board designated	19,811	–	–	19,811
Due to Parent and affiliates	4,075	55	(55)	4,075
Estimated professional liabilities, net of current portion	10,225	15,568	–	25,793
Total liabilities	275,496	22,334	(55)	297,775
Net assets:				
Unrestricted	42,615	25,799	(11,908)	56,506
Temporarily restricted	20,215	–	–	20,215
Permanently restricted	7,983	–	–	7,983
Total net assets	70,813	25,799	(11,908)	84,704
Total liabilities and net assets	$ 346,309	$ 48,133	$ (11,963)	$ 382,479

The Stamford Hospital

Consolidating Balance Sheet

September 30, 2008
(In Thousands)

	TSH	HealthStar	Eliminations	TSH Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 7,232	$ –	$ –	$ 7,232
Assets limited as to use	1,465	–	–	1,465
Short-term investments	166	–	–	166
Patient accounts receivable, net	47,772	–	–	47,772
Other receivables	1,111	69	–	1,180
Pledges receivable	1,150	–	–	1,150
Inventories	5,273	–	–	5,273
Prepaid expenses	2,525	3	–	2,528
Total current assets	66,694	72	–	66,766
Assets limited as to use:				
Held by captive insurance company	–	33,852	–	33,852
Long-term investments – endowments	6,712	–	–	6,712
Due from Parent – donor-restricted	18,865	–	–	18,865
	25,577	33,852	–	59,429
Long-term investments	36,001	10,472	(11,908)	34,565
Property, plant and equipment, net	234,289	–	–	234,289
Pledges receivable, net	1,926	–	–	1,926
Due from Parent and affiliates	2,290	–	(913)	1,377
Other assets:				
Deferred financing fees, net	1,222	–	–	1,222
Deposits and other noncurrent assets	46	–	–	46
Total other assets	1,268	–	–	1,268
Total assets	$ 368,045	$ 44,396	$ (12,821)	$ 399,620

The Stamford Hospital

Consolidating Balance Sheet (continued)

September 30, 2008
(In Thousands)

	TSH	HealthStar	Eliminations	TSH Consolidated
Liabilities and net assets				
Current liabilities:				
Current portion of long-term debt	$ 8,571	$ –	$ –	$ 8,571
Accounts payable	20,296	–	–	20,296
Salaries, wages and fees payable	7,981	–	–	7,981
Accrued vacation liability	12,755	–	–	12,755
Estimated third-party payor settlements, current	2,758	–	–	2,758
Estimated professional liabilities, current	–	8,369	–	8,369
Other accrued liabilities	5,481	66	–	5,547
Total current liabilities	57,842	8,435	–	66,277
Pension liability	24,149	–	–	24,149
Estimated third-party payor settlements, net of current portion	3,477	–	–	3,477
Long-term debt, net of current portion	111,003	–	–	111,003
Due to Parent – board designated	19,587	–	–	19,587
Due to Parent and affiliates	894	913	(913)	894
Estimated professional liabilities, net of current portion	9,904	21,578	–	31,482
Total liabilities	226,856	30,926	(913)	256,869
Net assets:				
Unrestricted	111,132	13,470	(11,908)	112,694
Temporarily restricted	23,159	–	–	23,159
Permanently restricted	6,898	–	–	6,898
Total net assets	141,189	13,470	(11,908)	142,751
Total liabilities and net assets	$ 368,045	$ 44,396	$ (12,821)	$ 399,620

The Stamford Hospital

Consolidating Statement of Operations

Year Ended September 30, 2009
(In Thousands)

	TSH	HealthStar	Eliminations	TSH Consolidated
Unrestricted revenue, gains and other support:				
Net patient service revenue	$ 416,938	$ –	$ –	$ 416,938
Other revenue	18,167	8,606	(7,829)	18,944
Grant – disproportionate share income	5,089	–	–	5,089
Grant income – other	1,069	–	–	1,069
Net assets released from restrictions for operations	2,936	–	–	2,936
Total unrestricted revenue, gains and other support	444,199	8,606	(7,829)	444,976
Expenses:				
Salaries	154,503	–	80	154,583
Employee benefits	33,982	–	–	33,982
Supplies and other expenses	156,925	(3,392)	(7,909)	145,624
Provision for bad debts	47,935	–	–	47,935
Depreciation and amortization	26,955	–	–	26,955
Interest expense	5,220	–	–	5,220
Total expenses	425,520	(3,392)	(7,829)	414,299
Income from operations	18,679	11,998	–	30,677
Non-operating gains and losses:				
Investment returns	(2,778)	331	–	(2,447)
Change in net unrealized gains and losses	2,008	–	–	2,008
Change in fair value of derivative instrument	(218)	–	–	(218)
Total non-operating gains and losses	(988)	331	–	(657)
Excess of revenue over expenses	17,691	12,329	–	30,020
Net assets released from restrictions used for purchases of property and equipment	1,077	–	–	1,077
Net asset reclassification	(203)	–	–	(203)
Equity transfer to Stamford Health System	(42,059)	–	–	(42,059)
Pension-related changes other than net periodic pension cost	(45,023)	–	–	(45,023)
(Decrease) increase in unrestricted net assets	$ (68,517)	$ 12,329	$ –	$ (56,188)

The Stamford Hospital

Consolidating Statement of Operations

Year Ended September 30, 2008
(In Thousands)

	TSH	HealthStar	Eliminations	TSH Consolidated
Unrestricted revenue, gains and other support:				
Net patient service revenue	$ 378,939	$ –	$ –	$ 378,939
Other revenue	18,178	8,945	(7,644)	19,479
Grant – disproportionate share income	5,391	–	–	5,391
Grant income – other	958	–	–	958
Net assets released from restrictions for operations	2,119	–	–	2,119
Total unrestricted revenue, gains and other support	405,585	8,945	(7,644)	406,886
Expenses:				
Salaries	140,257	–	–	140,257
Employee benefits	30,158	–	–	30,158
Supplies and other expenses	146,917	7,156	(7,644)	146,429
Provision for bad debts	44,825	–	–	44,825
Depreciation and amortization	22,754	–	–	22,754
Interest expense	4,222	–	–	4,222
Total expenses	389,133	7,156	(7,644)	388,645
Income from operations	16,452	1,789	–	18,241
Non-operating gains and losses:				
Investment returns	(3,044)	(739)	–	(3,783)
Change in net unrealized gains and losses	(1,628)	–	–	(1,628)
Total non-operating gains and losses	(4,672)	(739)	–	(5,411)
Excess of revenue over expenses	11,780	1,050	–	12,830
Net assets released from restrictions used for purchases of property and equipment	3,147	–	–	3,147
Forgiveness of receivables from affiliates	(1,134)	–	–	(1,134)
Equity transfer to Stamford Health System	(3,627)	–	–	(3,627)
Pension-related changes other than net periodic pension cost	(9,084)	–	–	(9,084)
Increase in unrestricted net assets	$ 1,082	$ 1,050	$ –	$ 2,132

The Stamford Hospital

Consolidating Statements of Changes in Net Assets

Year Ended September 30, 2009
(In Thousands)

	TSH	HealthStar	Eliminations	TSH Consolidated
Excess of revenue over expenses	$ 17,691	$ 12,329	$ –	$ 30,020
Net assets released from restrictions used for purchases of property and equipment	1,077	–	–	1,077
Net asset reclassification	(203)	–	–	(203)
Equity transfer to Stamford Health System	(42,059)	–	–	(42,059)
Pension-related changes other than net periodic pension cost	(45,023)	–	–	(45,023)
(Decrease) increase in unrestricted net assets	(68,517)	12,329	–	(56,188)
Temporarily restricted net assets:				
Change in net unrealized gains and losses	403	–	–	403
Contributions	1,937	–	–	1,937
Investment returns	(1,139)	–	–	(1,139)
Net assets released from restrictions for operations	(2,936)	–	–	(2,936)
Net assets released from restriction used for purchases of property and equipment	(1,077)	–	–	(1,077)
Net asset reclassification	(132)	–	–	(132)
Decrease in temporarily restricted net assets	(2,944)	–	–	(2,944)
Permanently restricted net assets:				
Contributions	750	–	–	750
Net asset reclassification	335	–	–	335
Increase in permanently restricted net assets	1,085	–	–	1,085
(Decrease) increase in net assets	(70,376)	12,329	–	(58,047)
Net assets, beginning of year	141,189	13,470	(11,908)	142,751
Net assets, end of year	$ 70,813	$ 25,799	$ (11,908)	$ 84,704

The Stamford Hospital

Consolidating Statements of Changes in Net Assets

Year Ended September 30, 2008
(In Thousands)

	TSH	HealthStar	Eliminations	TSH Consolidated
Excess of revenue over expenses	$ 11,780	$ 1,050	$ –	$ 12,830
Net assets released from restrictions used for purchases of property and equipment	3,147	–	–	3,147
Forgiveness of receivables from affiliates	(1,134)	–	–	(1,134)
Equity transfer to Stamford Health System	(3,627)	–	–	(3,627)
Pension-related changes other than net periodic pension cost	(9,084)	–	–	(9,084)
Increase in unrestricted net assets	1,082	1,050	–	2,132
Temporarily restricted net assets:				
Change in net unrealized gains and losses	(478)	–	–	(478)
Contributions	3,924	–	–	3,924
Investment returns	(950)	–	–	(950)
Net assets released from restrictions for operations	(2,119)	–	–	(2,119)
Net assets released from restriction used for purchases of property and equipment	(3,147)	–	–	(3,147)
Decrease in temporarily restricted net assets	(2,770)	–	–	(2,770)
Permanently restricted net assets:				
Contributions	100	–	–	100
Increase in permanently restricted net assets	100	–	–	100
(Decrease) increase in net assets	(1,588)	1,050	–	(538)
Net assets, beginning of year	142,777	12,420	(11,908)	143,289
Net assets, end of year	$ 141,189	$ 13,470	$ (11,908)	$ 142,751

The Stamford Hospital

Schedule of Net Patient Service Revenue

Year Ended September 30, 2009
(In Thousands)

	TSH	HealthStar	Eliminations Debit	Eliminations Credit	TSH Consolidated
Gross revenue from patients	$ 1,157,017	$ –	$ –	$ –	$ 1,157,017
Deductions:					
Contractual allowances	728,169	–	–	–	728,169
Charity care	11,910	–	–	–	11,910
	740,079	–	–	–	740,079
	$ 416,938	$ –	$ –	$ –	$ 416,938

The Stamford Hospital

Schedule of Net Patient Service Revenue

Year Ended September 30, 2008
(In Thousands)

	TSH	HealthStar	Eliminations Debit	Eliminations Credit	TSH Consolidated
Gross revenue from patients	$ 989,969	$ –	$ –	$ –	$ 989,969
Deductions:					
Contractual allowances	595,315	–	–	–	595,315
Charity care	15,715	–	–	–	15,715
	611,030	–	–	–	611,030
	$ 378,939	$ –	$ –	$ –	$ 378,939