Consolidated Financial Statements and Other Financial Information

Stamford Health System
Years Ended September 30, 2009 and 2008
With Report of Independent Auditors

Stamford Health System

Consolidated Financial Statements
and Other Financial Information

Years Ended September 30, 2009 and 2008

Contents

Report of Independent Auditors....1

Consolidated Financial Statements

Consolidated Balance Sheets....2
Consolidated Statements of Operations....4
Consolidated Statements of Changes in Net Assets....5
Consolidated Statements of Cash Flows....6
Notes to Consolidated Financial Statements....7

Other Financial Information

Consolidating Balance Sheet....50
Consolidating Statement of Operations....54
Consolidating Statement of Changes in Net Assets....58

Ernst & Young LLP
5 Times Square
New York, New York 10036-6530

Tel: +1 212 773 3000
www.ey.com

Report of Independent Auditors

The Board of Directors
Stamford Health System

We have audited the accompanying consolidated balance sheets of Stamford Health System ("SHS") 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 SHS'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 SHS'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 SHS'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 Stamford Health System 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 is presented for purposes of additional analysis, and is 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.

As discussed in Note 1 to the accompanying consolidated financial statements, amounts previously reported as held for sale and discontinued operations have been restated to reflect inclusion as held for use and a component of continuing operations.

Ernst & Young LLP

January 28, 2010

Stamford Health System

Consolidated Balance Sheets
(In Thousands)

	September 30 2009	2008 *(Restated)*
Assets		
Current assets:		
Cash and cash equivalents	**$ 33,269**	$ 15,009
Assets limited as to use	**2,100**	2,283
Short-term investments	**166**	10,121
Patient accounts receivable (less allowance for uncollectible accounts of $15,500 and $12,100, respectively)	**51,211**	50,841
Other receivables	**2,980**	2,144
Pledges receivable, current portion	**1,506**	2,042
Inventories	**5,178**	5,310
Prepaid expenses	**4,649**	2,942
Deposits – resident waiting list	**870**	1,350
Total current assets	**101,929**	92,042
Assets limited as to use:		
Held by captive insurance company	**24,220**	33,852
Capital expenditures	**6,469**	6,139
Held by trustee – debt service	**1,699**	1,699
Long-term investments – endowments	**7,797**	6,712
	40,185	48,402
Long-term investments	**93,853**	85,821
Property, plant and equipment, net	**323,038**	316,948
Pledges receivable, net	**1,452**	2,324
Other assets:		
Deferred financing fees, net	**1,108**	1,459
Other non-current assets	**6,136**	6,425
Total other assets	**7,244**	7,884
Total assets	**$ 567,701**	$ 553,421

	September 30 2009	2008
		(Restated)
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 6,808**	$ 9,256
Accounts payable	**28,239**	21,851
Salaries, wages and fees payable	**9,545**	8,193
Accrued vacation liability	**15,094**	12,755
Estimated third-party payor settlements, current	**1,320**	2,758
Estimated professional liabilities, current	**6,675**	8,369
Other liabilities	**8,734**	8,656
Total current liabilities	**76,415**	71,838
Pension liabilities	**73,775**	33,165
Estimated third-party payor settlements, net of current portion	**6,141**	3,477
Long-term debt, net of current portion	**131,527**	132,631
Deferred revenue – entrance fees	**85,612**	86,871
Estimated professional liabilities	**25,845**	31,711
Total liabilities	**399,315**	359,693
Commitments and contingencies		
Net assets:		
Unrestricted	**137,780**	161,263
Temporarily restricted	**22,576**	25,520
Permanently restricted	**8,030**	6,945
Total net assets	**168,386**	193,728
Total liabilities and net assets	**$ 567,701**	$ 553,421

See accompanying notes.

Stamford Health System

Consolidated Statements of Operations

(In Thousands)

	Year Ended September 30	
	2009	**2008**
		(Restated)
Unrestricted revenue, gains and other support:		
Net patient service revenue	**$ 416,938**	$ 378,939
Resident services	**18,391**	18,190
Other revenue	**38,077**	28,522
Net assets released from restrictions for operations	**2,936**	2,119
Grant – disproportionate share income	**5,089**	5,391
Grant income – other	**1,069**	958
Total unrestricted revenue, gains and other support	**482,500**	434,119
Expenses:		
Salaries	**162,558**	143,065
Employee benefits	**35,830**	31,319
Supplies and other expenses	**171,503**	165,501
Provision for bad debts	**48,304**	44,760
Depreciation and amortization	**33,530**	25,519
Interest expense	**5,806**	4,900
Total expenses	**457,531**	415,064
Income from operations	**24,969**	19,055
Nonoperating gains and losses:		
Investment returns	**(9,332)**	(10,455)
Change in net unrealized gains and losses	**6,251**	(5,083)
Change in fair value of derivative instrument	**(218)**	–
Total nonoperating gains and losses	**(3,299)**	(15,538)
Excess of revenue over expenses	**21,670**	3,517
Net assets released from restrictions used for purchases of property and equipment	**1,077**	3,147
Net asset reclassification	**(203)**	–
Pension-related changes other than periodic pension cost	**(46,027)**	(8,267)
Decrease in unrestricted net assets before discontinued operations	**(23,483)**	(1,603)
Discontinued operations	**–**	(3,083)
Decrease in unrestricted net assets	**$ (23,483)**	$ (4,686)

See accompanying notes.

Stamford Health System

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at September 30, 2007	$ 165,949	$ 28,290	$ 6,845	$ 201,084
Excess of revenue over expenses *(restated)*	3,517	–	–	3,517
Pension-related changes other than net periodic pension cost	(8,267)	–	–	(8,267)
Change in net unrealized gains and losses	–	(478)	–	(478)
Contributions	–	3,924	100	4,024
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)	–	–
(Decrease) increase in net assets before discontinued operations	(1,603)	(2,770)	100	(4,273)
Discontinued operations *(restated)*	(3,083)	–	–	(3,083)
(Decrease) increase in net assets	(4,686)	(2,770)	100	(7,356)
Balance at September 30, 2008	161,263	25,520	6,945	193,728
Excess of revenue over expenses	**21,670**	**–**	**–**	**21,670**
Pension-related changes other than net periodic pension cost	**(46,027)**	**–**	**–**	**(46,027)**
Change in net unrealized gains and losses	**–**	**403**	**–**	**403**
Contributions	**–**	**1,937**	**750**	**2,687**
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	**(23,483)**	**(2,944)**	**1,085**	**(25,342)**
Balance at September 30, 2009	**$ 137,780**	**$ 22,576**	**$ 8,030**	**$ 168,386**

See accompanying notes.

Stamford Health System

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended September 30 2009	2008 (Restated)
Cash flows from operating activities		
Change in net assets	**$ (25,342)**	$ (7,356)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension-related changes other than net periodic pension cost	**46,027**	8,267
Net change in unrealized gains and losses	**(6,251)**	5,083
Change in fair value of derivative instrument	**218**	–
Restricted investment returns	**736**	1,428
Loss on disposal of fixed assets	**1,114**	1,105
Gain on sale of fixed assets	**(3,336)**	–
Restricted contributions	**(2,687)**	(4,024)
Entrance fee amortization	**(3,667)**	(3,525)
Depreciation and amortization	**33,530**	25,519
Amortization of deferred financing costs and bond discount	**484**	187
Provision for bad debts	**48,304**	44,760
Change in:		
Patient accounts receivable	**(48,674)**	(52,484)
Pledges receivable	**1,408**	3,297
Other operating assets	**(1,831)**	(6,009)
Accounts payable	**6,388**	(454)
Other operating liabilities	**(1,648)**	(4,292)
Estimated third-party payor settlements	**1,226**	2,680
Estimated professional liabilities	**(7,560)**	574
Net cash provided by operating activities	**38,439**	14,756
Cash flows from investing activities		
Capital expenditures, net	**(41,481)**	(68,367)
Proceeds from sale of capital assets	**4,600**	750
Net cash invested in assets limited as to use and investments	**16,574**	3,277
Net cash used in investing activities	**(20,307)**	(64,340)
Cash flows from financing activities		
Principal payments on long-term debt	**(34,280)**	(4,530)
Cash paid for deferred financing fees	**(97)**	–
Proceeds from long-term debt	**30,700**	25,000
Net proceeds from entrance fees	**2,408**	6,709
Restricted investment returns	**(736)**	(1,428)
Restricted contributions	**2,687**	4,024
Purchase of interest rate cap	**(554)**	–
Net cash provided by financing activities	**128**	29,775
Net increase (decrease) in cash and cash equivalents	**18,260**	(19,809)
Cash and cash equivalents, beginning of year	**15,009**	34,818
Cash and cash equivalents, end of year	**$ 33,269**	$ 15,009
Supplemental disclosure of cash flow information		
Cash paid during the year for interest (exclusive of amounts capitalized)	**$ 6,247**	$ 6,005
Supplemental disclosure of noncash investing and financing activities		
Capital leases incurred	**$ 400**	$ –

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

Stamford Health System ("SHS"), a tax-exempt corporation, is the sole member or ultimate parent of The Stamford Hospital ("TSH" or the "Hospital"), a not-for-profit acute care hospital; Continuing Care Retirement Community of Greater Stamford, Inc. ("CCRC"), a not-for-profit sponsor which operates the Edgehill Retirement Community ("Edgehill"), a full-service retirement community, whose operations are managed by Greystone Management Services, LLC; Miller Hall Medical Suites, LLC ("MHMS"), a professional office building on the campus of TSH; Fairfield County Surgical Specialists ("FCSS"), a professional captive providing surgical services; Stamford OB/GYN Associates ("OB/GYN"), a professional captive formed to provide obstetrical care; Fairfield County Obstetrics and Gynecology, LLC ("FCOB/GYN"), a professional captive providing obstetrical care; Fairfield County Primary Care, P.C. ("FCPC"), a professional captive providing primary urgent care and corporate occupational health services and Premier Medical Group, P.C. ("PMG"), a professional captive providing orthopedic and rehabilitation care.

Consolidated Financial Statements

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States and include assets, liabilities, revenues and expenses of all majority-owned subsidiaries over which SHS exercises control and, when applicable, entities for which SHS has controlling financial interest. The consolidated financial statements include the accounts of SHS, TSH, CCRC, MHMS, FCSS, OB/GYN, FCOB/GYN, FCPC and PMG.

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

Restatement

Effective January 1, 2008, SHS entered into an agreement with an outside party to manage the sale of the facility of CCRC, along with certain other net assets of CCRC. SHS determined that the plan of sale criteria had been met at that time. The appraisal of the assets to be sold, less estimated cost to sell was greater than the carrying value. Therefore no impairment was recorded for the year ended September 30, 2008. CCRC was classified as held for sale and the annual results of its operations were reported as a gain from discontinued operations in the previously issued 2008 consolidated financial statements. During the fiscal year ended September 30, 2009, management determined that the plan of sale criteria was no longer met. As a result, the 2008 consolidated financial statements have been restated to classify the assets of CCRC previously reported as held for sale as held for use and the fiscal year 2008 results of operations of CCRC are no longer reported as a component of discontinued operations. In addition, depreciation expense of $2,100 for the period from January 1, 2008 through September 30, 2008 was recognized in the accompanying consolidated statement of operations for the year ended September 30, 2009.

All significant intercompany transactions and accounts have been eliminated in consolidation.

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 revenues 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. SHS routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations. Such amounts exclude cash and cash equivalents included in assets limited as to use and investments.

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

Inventories

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

Marketable Securities and Alternative Investments

Alternative investments are defined as nontraditional, not readily marketable asset classes. Alternative investments are structured as limited partnership investments 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, SHS recorded losses on unrestricted alternative investments of $4,125 and $12,015, 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 ($5,207) and $1,560 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 $6,251 and ($5,083) 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 has future commitments of $1,950 to invest in alternative investments.

Investment in Joint Venture

On February 19, 2008, SHS entered into a 50% joint venture partnership with Wilton NSC, LLC (“Wilton”), a Connecticut limited liability company. The joint venture is named Stamford/NSC Management LLC (the “Company”). Wilton is the Managing Member of the joint venture. The Company was formed to own in partnership with physicians and act as the managing member of one or more entities that operate ambulatory surgery centers, to engage in any and all activities related or incident thereto, including without limitation the acquisition, ownership, improvement, operation, sale, lease, sublease, mortgage or other use of or dealing with real property or mixed property. At September 30, 2009 and 2008, the Company owns 52.97% and 62.5%, respectively, of Wilton ASC, a freestanding ambulatory surgical center located in Wilton, Connecticut. SHS accounts for the ownership of the Wilton investment using the equity method of accounting and to date most of the operating activity of the Company is through the Wilton ASC investment. The investment in the joint venture is included in other non-current assets in the accompanying consolidated balance sheets. The initial capital contribution to the joint venture by SHS was $3,550. During 2009, SHS received capital distributions of $839 and recorded its share of the net income of $950. During 2008, SHS received capital distributions of $369 and recorded its share of the net income of $616.

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

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.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts were computed using risk-free interest rates applicable to the years in which the promises were received.

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

(In Thousands)

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

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.

In 2009, SHS and the Housing Authority of the City of Stamford ("HACS") entered into an agreement to swap parcels of land. The transaction did not impact the current year consolidated financial statements as SHS is expected to convey the land to HACS in 2010 and is contingent upon certain events and approvals prior to finalization.

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 $2,482 and $2,490, respectively. The Hospital's 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.

Other Non-current Assets

Other non-current assets consist of initial contract acquisition costs. Initial contract acquisition costs represent costs incurred, other than advertising, in acquiring residency contracts during the development of CCRC, according to an agreement between CCRC, SHS and Marriott Senior Living Services (the former facility manager). The development costs, totaling $4,462 are expected to be recovered through future contract revenues and are being amortized on a straight-line basis over a 12-year period. At September 30, 2009 and 2008, accumulated amortization of

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

the contract acquisition costs was $3,783 and $3,395, respectively. Amortization expense is included in depreciation and amortization in the accompanying consolidated statements of operations.

Deferred Revenue – Entrance Fees

Entrance fee deposits represent entrance fees paid by a prospective resident of CCRC. Prospective residents are required to pay an initial deposit equal to 10% of the total established entrance fee upon the execution of a reservation agreement. The initial 10% deposit is refundable in full, together with interest, until the execution of a continuing care contract (a "Contract"), at which time the deposit becomes nonrefundable (except as provided below). The nonrefundable portion is amortized and reported as entrance fee revenue over the estimated life of the resident or the Contract term, whichever is shorter. An additional 10% is due upon the execution of a Contract with the remaining 80% due prior to residency in the facility. The additional 10% and 80% are refundable (the "Refundable Portion"). A prospective resident has 30 days from the execution of a Contract to terminate the Contract and is entitled to a refund of all monies paid, including the initial 10% paid upon the execution of the reservation agreement, less costs incurred at the resident's request plus any reasonable service charges. The liability for Contracts which are still within this 30-day period is included as entrance fee liability in the accompanying consolidated balance sheets. A Contract is terminable in the event of death, certain injury, or incapacity.

The Refundable Portion of entrance fees is paid by CCRC to a resident when a Contract is terminated, without interest, no later than 60 days after the receipt of payment by CCRC of an equivalent amount (the "Primary Entrance Fee") by another resident who is party to a Contract for the resident's former unit. The Refundable Portion is amortized to income over the remaining useful life of the facility. The liability for amounts refundable to former tenants is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. These amounts at September 30, 2009 and 2008 were $3,175 and $1,367, respectively.

Interest earned on entrance fees accrues to CCRC and is included in investment income in the accompanying consolidated statements of operations.

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

Due to the downturn in the economy, three new incentive plans are being offered to prospective residents in fiscal year 2009 as follows:

The Ladder Program: The Ladder Program provides for certain discounts off the total entrance fee for prospective residents who commit to expedite the application process so that the Contracts can be signed and total entrance fees paid within certain established time frames as follows:

- Six percent (6%) discount off the total entrance fee if the prospective resident signs the Contract within thirty (30) days of signing the reservation agreement and pays the total entrance fee within sixty (60) days of signing the reservation agreement, or

- Three percent (3%) discount off the total entrance fee if the prospective resident signs the Contract within sixty (60) days of signing the reservation agreement and pays the total entrance fee within ninety (90) days of signing the reservation agreement.

Deferred Entry Fee Plan I: Under the Deferred Entry Fee Payment Plan, payment of ninety percent (90%) of the total entrance fees will be deferred for up to six (6) months, or as specified in the Contract.

Deferred Entry Fee Plan II: Under this Deferred Entry Fee Payment Plan, payment of ninety percent (90%) of the total entrance fees will be deferred for up to six (6) months with the payments split in three (3) parts. One-third is due upon signing the Contract and amendment. Another one-third of the payment is due within three (3) months of the Contract and amendment signing. The final one-third payment is due within six months (6) of the Contract and amendment signing.

Obligation to Provide Future Services

CCRC annually calculates the present value (using a discount rate of 5.5%) of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the

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

corresponding charge to income. At September 30, 2009 and 2008, deferred revenue from advance fees exceeds the present value of the net cost of future services. Therefore, an additional liability for an obligation to provide future services and use of facilities is not required.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by SHS 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 SHS 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 excluded from income from operations consisting primarily of the investment returns of SHS.

The consolidated statements of operations include the excess of revenue over expenses as the performance indicator. Consistent with industry practice, permanent transfers to and from affiliates for other than goods and services, pension-related changes other than net periodic pension cost, contributions of long-lived assets (including assets acquired using contributions which by donor restrictions were to be used for the purposes of acquiring such assets) and losses due to discontinued operations are excluded from SHS's performance indicator.

Accounts Receivable and Revenue

Patient accounts receivable result from the health care and related services provided by SHS. 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.

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

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.

Net patient service revenue is reported at the estimated net realizable amounts 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.

Revenue from resident services consists primarily of monthly resident maintenance fees earned by CCRC. Such fees are recognized as revenue in the month that CCRC is obligated to provide services to residents.

Charity Care

SHS provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates. Because SHS 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 SHS 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.

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

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.

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 liability may vary significantly from the amount provided.

Income Taxes

SHS is a not-for-profit corporation and all of its not-for-profit affiliates have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Its related income is not subject to federal or state income taxes. The for-profit affiliates of SHS include FCSS, OB/GYN, FCOB/GYN, PMG and FCPC. The related incomes of these affiliates are subject to federal and state income taxes. No significant liabilities exist as of September 30, 2009 and 2008 for applicable federal and state taxes.

Advertising Costs

SHS expenses advertising costs as incurred. For the years ended September 30, 2009 and 2008, advertising costs totaled approximately $2,133 and $1,941, respectively.

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

Pension Plans

The policy of SHS 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).

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

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, SHS 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 SHS's consolidated financial position or results of operations.

Effective October 1, 2008, SHS adopted the *Fair Value Measurements* 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. SHS's adoption did not significantly affect its consolidated financial statements (see Note 15).

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

Effective October 1, 2008, SHS 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. SHS chose not to elect the fair value option for its financial assets and liabilities. Consequently, the adoption did not have any effect on the SHS's consolidated financial statements.

Effective October 1, 2008, SHS 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 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 SHS. The adoption did not have a material effect on SHS'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. SHS 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

TSH is committed to providing health care services to the community. During fiscal 2003, TSH conducted a community needs assessment to identify both the medical concerns, and the perceived health care concerns of community members. Through this process, TSH 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 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.

(In Thousands)

2. Community Benefit and Charity Care (continued)

SHS provides a variety of programs of benefit to 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 focused 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.

TSH 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, based on a formula that includes both 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 expense 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, TSH 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

SHS has agreements with third-party payors that provide for payments to TSH at amounts different from its established rates. A summary of the payment arrangements of TSH with major third-party payors follows:

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

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

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

(In Thousands)

3. Net Patient Service Revenue (continued)

SHS 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 SHS. 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, TSH recorded approximately $995 and $407, respectively, of previously recorded estimated third-party payor settlement liabilities that were no longer considered necessary and were included as increases in net patient service revenue.

The percentages of net patient service revenue provided by TSH 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 patients	**8**	9
	100%	100%

CCRC provides care to patients under the Medicare program. Resident services revenue from the Medicare program accounted for approximately 29% of total CCRC revenue for each of the years ended September 30, 2009 and 2008.

(In Thousands)

3. Net Patient Service Revenue (continued)

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. SHS 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

The composition of assets limited as to use at September 30, 2009 and 2008 is as follows:

	2009	2008
Current portion:		
Cash and cash equivalents	**$ 962**	$ 1,977
Government Securities	**1,138**	306
	$ 2,100	$ 2,283
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
Capital expenditures:		
Cash and cash equivalents	**$ 6,469**	$ 6,139
Held by trustee – debt service:		
Guaranteed investment contracts	**$ 1,699**	$ 1,699

(In Thousands)

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

		2009		2008
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**		3,154
Alternative investments – limited partnerships		**1,327**		840
Private mutual funds		**506**		1,584
	$	**7,797**	$	6,712

The composition of unrestricted investments at September 30, 2009 and 2008 include:

		2009		2008
Short-term investments:				
Cash and cash equivalents	**$**	**–**	$	4,988
Government securities		**–**		4,967
Mutual funds		**166**		166
	$	**166**	$	10,121
Long-term investments:				
Cash and cash equivalents	**$**	**2,627**	$	11,579
Government securities		**25**		3,494
Corporate bonds and other fixed income securities		**23,649**		8,033
Equity securities		**10**		29
Mutual funds		**22,312**		2,334
Alternative investments – hedge funds		**29,163**		34,126
Alternative investments – limited partnerships		**11,630**		9,087
Private mutual funds		**4,437**		17,139
	$	**93,853**	$	85,821

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

(In Thousands)

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

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)	**$ 844**	**$ 112**	**$ 956**	$ 1,092	$ 117	$ 1,209
Net realized gains and losses	**(6,051)**	**(845)**	**(6,896)**	468	31	499
Losses from alternative investments	**(4,125)**	**(406)**	**(4,531)**	(12,015)	(1,098)	(13,113)
Investment returns	**(9,332)**	**(1,139)**	**(10,471)**	(10,455)	(950)	(11,405)
Change in net unrealized gains and losses	**6,251**	**403**	**6,654**	(5,083)	(478)	(5,561)
	$ (3,081)	**$ (736)**	**$ (3,817)**	$ (15,538)	$ (1,428)	$ (16,966)

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	**$ 1,693**	$ 2,152
One to five years	**1,510**	2,621
Less:		
Reserve for uncollectible pledges	**162**	241
Discount on pledges	**83**	166
Current portion	**1,506**	2,042
Pledges receivable, net	**$ 1,452**	$ 2,324

(In Thousands)

6. Property, Plant and Equipment

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

	2009	2008
Land	**$ 45,661**	$ 29,831
Land improvements	**6,346**	5,787
Buildings and improvements	**262,610**	257,421
Fixed and major movable equipment	**288,000**	260,936
Leasehold improvements	**10,235**	5,203
	612,852	559,178
Less accumulated depreciation and amortization	**304,615**	271,807
	308,237	287,371
Construction in progress	**14,801**	29,577
	$ 323,038	$ 316,948

Depreciation and amortization expense for the years ended September 30, 2009 and 2008 was $33,530 and $25,519, respectively. Included in depreciation and amortization expense are amounts related to assets under capital lease of approximately $133 and $90 for the years ended September 30, 2009 and 2008, respectively. 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.

During the years ended September 30, 2009 and 2008, SHS disposed of certain properties consisting of both building and land improvements. These disposals resulted in net gains of approximately $3,336 in 2009 and net losses of $1,114 and $1,105 for the years ended September 30, 2009 and 2008, respectively, and are included within other revenue and supplies and other expenses in the consolidated statements of operations.

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

6. Property, Plant and Equipment (continued)

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 and recorded as an equity transfer 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 fiscal 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.

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.

Construction in progress includes several significant projects started in 2008.

(In Thousands)

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	**$ 3,421**	$ 3,429
Patient care	**18,068**	20,892
Health education	**1,087**	1,199
	$ 22,576	$ 25,520

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.

SHS follows the requirements of UPMIFA as they relate to its endowments. SHS'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 SHS to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

7. Net Assets (continued)

SHS 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, SHS 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 SHS 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 SHS
- The investment policies of SHS

SHS 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 SHS 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.

(In Thousands)

7. Net Assets (continued)

To satisfy its long-term rate-of-return objectives, SHS 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). SHS 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.

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2008	$ 2,411	$ 6,945	$ 9,356
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	$ 8,030	$ 9,408

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of UPMIFA requires SHS 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

At September 30, 2009 and 2008, long-term debt consists of the following:

	2009	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 0.45% (0.70% 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**	–
State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Edgehill Issue, Series C, payable in varying annual amounts with variable interest rates of .27% and 6.5% at September 30, 2009 and 2008, respectively, with the final payment due in 2027	**18,200**	18,800
Term promissory note, with variable interest rates, 2.50% and 4.74% at September 30, 2009 and 2008, respectively, with the final payment due May 31, 2011	**3,533**	3,618
City of Stamford, sewer connection fee loan, payable in annual installments through 2013 (non-interest bearing)	**61**	74
Capital lease obligation	**282**	–
	138,412	141,992
Less unamortized bond discount	**77**	105
Less current portion	**6,808**	9,256
Total long-term debt	**$ 131,527**	$ 132,631

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.

TSH 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 TSH entered into an interest

8. Long-Term Debt (continued)

rate cap derivative instrument. Under the interest rate cap, TSH's maximum interest rate is 1.50% through December 31, 2009 and 2.50% from January 1, 2010 through June 30, 2012. This agreement expires 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.

TSH 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 TSH 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.

The Edgehill Issue, Series C bonds are secured under a mortgage which places a lien on and a security interest in the real property, buildings, equipment, furnishings, personal property and fixtures and gross receipts of Edgehill. In addition, CCRC must satisfy certain measures of financial performance, defined in the Indenture Agreement, as long as the Revenue Bonds are outstanding. CCRC was in compliance with all financial covenants related to the Edgehill issue, Series C bonds at September 30, 2009 and 2008. CCRC obtained a letter of credit with KBC Bank (the "Letter of Credit") concurrent with the bond closing specifically related to the Revenue Bonds in the amount of $22,346. As of September 30, 2009, the face amount of the Letter of Credit was $18,499. The Letter of Credit was extended in the year ended September 30, 2005 and expires on December 13, 2010.

In 2001, MHMS entered into a term promissory note agreement with Sovereign Bank for $4,100 with a variable interest rate on the unpaid balance. The loan was payable in monthly installments and matured May 31, 2006. Under the terms of the note, the loan was extended for an additional 60 months by paying a 1% fee of the outstanding balance. The final maturity date is May 31, 2011. The provisions of the note require MHMS to maintain a specified debt service coverage requirement on each anniversary date of the date of this note. Management believes SHS, as guarantor on the term promissory note, is in compliance with the debt service coverage requirements.

(In Thousands)

8. Long-Term Debt (continued)

Scheduled principal payments on long-term debt and capital lease obligations are as follows:

	Loans Payable	Capitalized leases	Total
Fiscal year:			
2010	$ 6,688	$ 120	$ 6,808
2011	36,094	115	36,209
2012	5,705	47	5,752
2013	5,841	–	5,841
2014	6,090	–	6,090
Thereafter	77,712	–	77,712
Total minimum payments	138,130	282	138,412
Less unamortized bond discount	77	–	77
Total long-term debt	138,053	282	138,335
Less current portion of long-term debt	6,688	120	6,808
	$ 131,365	$ 162	$ 131,527

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

9. Retirement Benefits

Pension Plans

SHS has five retirement plans. The first plan (the “Plan”) is a defined benefit plan and 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. Benefits are based on age at retirement, years of credited service and average compensation for a specified period prior to retirement. The second plan is a defined contribution plan (“DC Plan”) that was established on January 1, 2003, Existing SHS employees 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 other plans are Supplementary Executive Retirement Programs (the “SERPs”) covering certain employees which provide 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 plans. These are nonqualified plans and are unfunded.

(In Thousands)

9. Retirement Benefits (continued)

SHS 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 cost:

	September 30, 2009		
	Plan	**SERPs**	**Total**
Unrecognized prior service cost	**$ (23)**	**$ –**	**$ (23)**
Unrecognized actuarial loss	**(79,922)**	**(4,814)**	**(84,736)**
	$ (79,945)	**$ (4,814)**	**$ (84,759)**

	September 30, 2008		
	Plan	**SERPs**	**Total**
Unrecognized prior service cost	$ (30)	$ –	$ (30)
Unrecognized actuarial loss	(34,981)	(3,721)	(38,702)
	$ (35,011)	$ (3,721)	$ (38,732)

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	**SERPs**
Prior service cost	$ (6)	$ –
Net loss	(7,388)	(195)

(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, 2008 and 2007 are as follows:

	Plan		SERPs		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Benefit obligation						
Benefit obligation, beginning of year	**$ 147,222**	$ 160,030	**$ 9,694**	$ 10,583	**$ 156,916**	$ 170,613
Service cost	**2,750**	3,379	**–**	–	**2,750**	3,379
Interest cost	**10,499**	9,862	**675**	637	**11,174**	10,499
Actuarial losses	**31,382**	(21,477)	**1,213**	(752)	**32,595**	(22,229)
Benefits paid	**(5,118)**	(4,572)	**(777)**	(774)	**(5,895)**	(5,346)
Benefit obligation, end of year	**186,735**	147,222	**10,805**	9,694	**197,540**	156,916
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	**777**	775	**11,777**	7,275
Benefits paid	**(5,118)**	(4,572)	**(777)**	(775)	**(5,895)**	(5,347)
Fair value of plan assets, end of year	**123,765**	123,751	**–**	–	**123,765**	123,751
Funded status	**$ (62,970)**	$ (23,471)	**$ (10,805)**	$ (9,694)	**$ (73,775)**	$ (33,165)

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

	Plan		SERPs	
	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		SERPs		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Service cost	**$ 2,750**	$ 3,379	**$**	$ –	**$ 2,750**	$ 3,379
Interest cost	**10,499**	9,862	**675**	637	**11,174**	10,499
Expected return on plan assets	**(10,109)**	(11,552)		–	**(10,109)**	(11,552)
Amortization of prior service cost	**7**	7		–	**7**	7
Amortization of actuarial loss	**2,418**	914	**120**	151	**2,538**	1,065
Net periodic pension cost	**$ 5,565**	$ 2,610	**$ 795**	$ 788	**$ 6,360**	$ 3,398

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		SERPs	
	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)

Plan Assets

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%
Equity securities-portable alpha strategy	18	19 – 22
Fixed income securities	14	15 – 25
Limited partnerships	8	12 – 18
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.

(In Thousands)

9. Retirement Benefits (continued)

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.

Cash Flows

SHS 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	SERPs	Total
Fiscal year ending September 30:			
2010	$ 5,930	$ 791	$ 6,721
2011	6,767	798	7,565
2012	7,690	802	8,492
2013	8,541	802	9,343
2014	9,441	799	10,240
2015 through 2019	61,420	3,982	65,402

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 $3,827, respectively, in pension contributions to the DC Plan.

10. Professional Liability Insurance

TSH 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.

For the period from October 1, 1985 to October 1, 2002, TSH 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. TSH 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, TSH expensed and partially funded ($3,848) and $6,869, respectively, for claims covered by HealthStar.

10. Professional Liability Insurance (continued)

CCRC has purchased professional liability insurance with coverage on a claims-made basis up to $1,000 per occurrence, with an aggregate limit of $3,000. Management believes costs associated with claims incurred but not reported are not significant as of September 30, 2009 and 2008.

11. Discontinued Operations

On November 30, 2007, SHS sold the Tandet Center, its not-for-profit extended care facility. For the year ended September 30, 2008 the results of its operations were included in the loss from discontinued operations in the accompanying consolidated statement of operations. For the year ended September 30, 2008, the loss of the Tandet Center was $3,083. During 2008, the remaining assets and liabilities of the Center were merged into SHS.

12. Commitments and Contingencies

Litigation

Various investigations, lawsuits and claims arising out of the normal course of operations are pending or on appeal against SHS. 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 financial position or results of operations of SHS.

CCRC Waiver

CCRC accepts non-contract holding patients into the long-term care center under a waiver from the State of Connecticut Department of Social Services. The waiver expires in 2012, after which date CCRC can no longer accept non-contract patients. CCRC is aware of this potential revenue loss, the amount of which could vary depending on the proportion of contract and non-contract holders receiving care from the health care center.

12. Commitments and Contingencies (continued)

Collective Bargaining Agreements

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

Hospital Clinics

On May 1, 2007, TSH 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 TSH 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, TSH signed a five-year sublease with Optimus for the current location of the clinics at 1351 Washington Boulevard in Stamford, Connecticut. Additionally, TSH signed a residency training program and leased providers agreement with Optimus under which certain primary care physicians and non-physician providers employed by TSH are leased to Optimus and under which TSH 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

TSH is located in Stamford, Connecticut. TSH 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 SHS were held in custodial accounts at four financial institutions. Management believes that credit risk related to these deposits is minimal.

(In Thousands)

14. Functional Expenses

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

	2009	2008
Health care and resident services	**$ 409,583**	$ 370,791
General and administrative	**47,948**	44,273
	$ 457,531	$ 415,064

15. Fair Value of Financial Instruments

As described in Note 1, on October 1, 2008, SHS 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, SHS 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, SHS 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, SHS 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	$ 52,876	$ –	$ –	$ 52,876
Government securities	1,166	–	–	1,166
Corporate bonds and other fixed income securities	31,317	–	–	31,317
Mutual funds	24,851	–	–	24,851
Equity securities	12	–	–	12
Private mutual funds	–	4,943	–	4,943
Guaranteed investment contract	–	–	1,699	1,699
Interest rate cap	–	336	–	336
Deposits – resident waiting list	870	–	–	870
	$ 111,092	$ 5,279–	$ 1,699	$ 118,070

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 SHS 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 following table sets forth a summary of changes in the fair value of SHS's Level 3 assets for the year ended September 30, 2009:

Fair value at September 30, 2008	$ 1,699
Investment income	110
Withdrawals	(110)
Fair value at September 30, 2009	$ 1,699

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

15. Fair Value of Financial Instruments (continued)

The carrying values and fair values of SHS's financial instruments that are not required to be carried at fair value at September 30, 2009 are as follows (in thousands):

	Fair Value	Carrying Value
Long-term debt	$ 137,017	$ 138,335
Pledges receivable	2,958	2,958

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

Cash and Cash Equivalents: The carrying amounts reported in the accompanying 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.

(In Thousands)

15. Fair Value of Financial Instruments (continued)

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

	2008	
	Carrying Amount	**Fair Value**
Cash and cash equivalents	$ 66,373	$ 66,373
Marketable investments	22,072	22,072
Private mutual funds	18,723	18,723
Long-term debt (excluding capital leases)	141,877	140,499
Pledges receivable	4,366	4,366

16. Operating Lease Obligations

SHS 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	$ 6,564
2011	6,924
2012	6,619
2013	6,420
2014	6,158
Thereafter	42,096
Total minimum operating lease payments	$ 74,781

Total non-affiliate rental expense charged to operations for the years ended September 30, 2009 and 2008 aggregated approximately $7,203 and $4,892, 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 sheet and amortized in rental expense over the life of the lease.

(In Thousands)

16. Operating Lease Obligations (continued)

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

2010	$	3,244
2011		2,999
2012		2,978
2013		2,478
2014		2,080
Thereafter		10,939
Total minimum operating lease payments	$	24,718

Total non-affiliate rental income recorded in operations for the years ended September 30, 2009 and 2008 aggregated approximately $4,408 and $4,172, respectively.

Other Financial Information

Stamford Health System

Consolidating Balance Sheet

(In Thousands)

September 30, 2009

	Stamford Health System	The Stamford Hospital	Edgehill (CCRC)	Miller Hall Medical Suites	OB/GYN	Fairfield Surgical	Fairfield Primary	Premier Medical Group	Fairfield OB/GYN	Eliminations	Consolidated Balance
Assets											
Current assets:											
Cash and cash equivalents	$ 635	$ 9,668	$ 20,497	$ 831	$ 22	$ 328	$ 181	$ 908	$ 199	$ –	$ 33,269
Assets limited as to use	131	1,243	609	117	–	–	–	–	–	–	2,100
Short-term investments	–	166	–	–	–	–	–	–	–	–	166
Patient accounts receivable, net	–	50,590	621	–	–	–	–	–	–	–	51,211
Other receivables	98	1,414	243	16	153	287	56	564	149	–	2,980
Pledges receivable, current portion	328	1,178	–	–	–	–	–	–	–	–	1,506
Inventories	–	5,144	34	–	–	–	–	–	–	–	5,178
Prepaid expenses	644	3,693	228	84	–	–	–	–	–	–	4,649
Deposits – resident waiting list	–	–	870	–	–	–	–	–	–	–	870
Total current assets	1,836	73,096	23,102	1,048	175	615	237	1,472	348	–	101,929
Assets limited as to use:											
Held by captive insurance company	–	24,220	–	–	–	–	–	–	–	–	24,220
Capital expenditures	–	–	6,469	–	–	–	–	–	–	–	6,469
Held by trustee – debt service	–	–	1,699	–	–	–	–	–	–	–	1,699
Due from SHS – donor restricted	–	18,642	–	–	–	–	–	–	–	(18,642)	–
Long-term investments – endowments	–	7,797	–	–	–	–	–	–	–	–	7,797
	–	50,659	8,168	–	–	–	–	–	–	(18,642)	40,185
Long-term investments	38,509	45,779	9,614	–	–	–	–	–	–	(49)	93,853
Property, plant and equipment, net	42,076	210,727	65,623	3,728	–	165	25	542	152	–	323,038
Pledges receivable, net	536	916	–	–	–	–	–	–	–	–	1,452
Due from TSH – board designated	19,811	–	–	–	–	–	–	–	–	(19,811)	–
Due from Parent and affiliates	3,152	24	–	826	–	–	206	–	3	(4,211)	–
Other assets:											
Deferred financing fees, net	–	893	215	–	–	–	–	–	–	–	1,108
Other non-current assets	3,847	385	679	13	–	–	1,129	83	–	–	6,136
Total other assets	3,847	1,278	894	13	–	–	1,129	83	–	–	7,244
Total assets	$ 109,767	$ 382,479	$ 107,401	$ 5,615	$ 175	$ 780	$ 1,597	$ 2,097	$ 503	$ (42,713)	$ 567,701

Stamford Health System

Consolidating Balance Sheet (continued)

(In Thousands)

September 30, 2009

	Stamford Health System	The Stamford Hospital	Edgehill (CCRC)	Miller Hall Medical Suites	OB/GYN	Fairfield Surgical	Fairfield Primary	Premier Medical Group	Fairfield OB/GYN	Eliminations	Consolidated Balance
Liabilities and net assets (deficiency)											
Current liabilities:											
Current portion of long-term debt	$ –	$ 6,003	$ 600	$ 85	$ –	$ –	$ –	$ 120	$ –	$ –	$ 6,808
Accounts payable	–	24,296	3,589	56	58	45	47	98	50	–	28,239
Salaries, wages and fees payable	–	9,118	–	–	–	288	9	4	126	–	9,545
Accrued vacation liability	–	14,698	–	–	–	206	3	91	96	–	15,094
Estimated third-party payor settlements, current	–	1,320	–	–	–	–	–	–	–	–	1,320
Estimated professional liabilities, current	–	6,675	–	–	–	–	–	–	–	–	6,675
Other liabilities	1,734	5,702	1,126	136	–	–	–	36	–	–	8,734
Total current liabilities	1,734	67,812	5,315	277	58	539	59	349	272	–	76,415
Pension liabilities	10,027	63,748	–	–	–	–	–	–	–	–	73,775
Estimated third-party payor settlements, net of current portion	–	6,141	–	–	–	–	–	–	–	–	6,141
Long-term debt, net of current portion	–	110,395	17,523	3,447	–	–	–	162	–	–	131,527
Due to Parent – board designated	–	19,811	–	–	–	–	–	–	–	(19,811)	–
Due to TSH – donor restricted	18,642	–	–	–	–	–	–	–	–	(18,642)	–
Due to Parent and affiliates	–	4,075	24	107		2	1	1	1	(4,211)	–
Deferred revenue – entrance fees	–	–	85,612	–	–	–	–	–	–	–	85,612
Estimated professional liabilities	52	25,793	–	–	–	–	–	–	–	–	25,845
Total liabilities	30,455	297,775	108,474	3,831	58	541	60	512	273	(42,664)	399,315
Net assets (deficiency):											
Unrestricted	76,904	56,506	(1,073)	1,784	117	239	1,537	1,585	230	(49)	137,780
Temporarily restricted	2,361	20,215	–	–	–	–	–	–	–	–	22,576
Permanently restricted	47	7,983	–	–	–	–	–	–	–	–	8,030
Total net assets (deficiency)	79,312	84,704	(1,073)	1,784	117	239	1,537	1,585	230	(49)	168,386
Total liabilities and net assets (deficiency)	$ 109,767	$ 382,479	$ 107,401	$ 5,615	$ 175	$ 780	$ 1,597	$ 2,097	$ 503	$ (42,713)	$ 567,701

Stamford Health System

Consolidating Balance Sheet

(In Thousands)

September 30, 2008

	Stamford Health System	The Stamford Hospital	Edgehill (CCRC)	Miller Hall Medical Suites	OB/GYN	Fairfield Surgical	Fairfield Primary	Fairfield OB/GYN	Eliminations	Consolidated Balance
Assets										
Current assets:										
Cash and cash equivalents	$ 1,184	$ 7,232	$ 5,623	$ 442	$ 138	$ 240	$ 100	$ 50	$ –	$ 15,009
Assets limited as to use	129	1,465	572	117	–	–	–	–	–	2,283
Short-term investments	–	166	9,955	–	–	–	–	–	–	10,121
Patient accounts receivable, net	–	47,772	3,069	–	–	–	–	–	–	50,841
Other receivables	236	1,180	–	24	77	356	243	28		2,144
Pledges receivable, current portion	892	1,150	–	–	–	–	–	–	–	2,042
Inventories	–	5,273	37	–	–	–	–	–	–	5,310
Prepaid expenses	177	2,528	237	–	–	–	–	–	–	2,942
Deposits – resident waiting list	–	–	1,350	–	–	–	–	–	–	1,350
Total current assets	2,618	66,766	20,843	583	215	596	343	78	–	92,042
Assets limited as to use:										
Held by captive insurance company	–	33,852	–	–	–	–	–	–	–	33,852
Capital expenditures	–	–	6,139	–	–	–	–	–	–	6,139
Held by trustee – debt service	–	–	1,699	–	–	–	–	–	–	1,699
Due from SHS – donor restricted	–	18,865	–	–	–	–	–	–	(18,865)	–
Long-term investments – endowments	–	6,712	–	–	–	–	–	–	–	6,712
	–	59,429	7,838	–	–	–	–	–	(18,865)	48,402
Long-term investments	41,189	34,565	10,116	–	–	–	–	–	(49)	85,821
Property, plant and equipment, net	8,990	234,289	69,775	3,846	–	33	2	13	–	316,948
Pledges receivable, net	398	1,926	–	–	–	–	–	–	–	2,324
Due from TSH – board designated	19,587	–	–	–	–	–	–	–	(19,587)	–
Due from Parent and affiliates	125	1,377	–	894	–	–	–	–	(2,396)	–
Other assets:										
Deferred financing fees, net	–	1,222	237	–	–	–	–	–	–	1,459
Other non-current assets	4,034	46	1,067	20	–	–	1,258	–	–	6,425
Total other assets	4,034	1,268	1,304	20	–	–	1,258	–	–	7,884
Total assets	$ 76,941	$ 399,620	$ 109,876	$ 5,343	$ 215	$ 629	$ 1,603	$ 91	$ (40,897)	$ 553,421

Stamford Health System

Consolidating Balance Sheet (continued)

(In Thousands)

September 30, 2008

	Stamford Health System	The Stamford Hospital	Edgehill (CCRC)	Miller Hall Medical Suites	OB/GYN	Fairfield Surgical	Fairfield Primary	Fairfield OB/GYN	Eliminations	Consolidated Balance
Liabilities and net assets										
Current liabilities:										
Current portion of long-term debt	$ –	$ 8,571	$ 600	$ 85	$ –	$ –	$ –	$ –	$ –	$ 9,256
Accounts payable	99	20,296	1,360		43	52	–	1	–	21,851
Salaries, wages and fees payable	78	7,981	–	–	–	124	–	10	–	8,193
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 liabilities	1,628	5,547	1,360	121		–	–	–	–	8,656
Total current liabilities	1,805	66,277	3,320	206	43	176	–	11	–	71,838
Pension liabilities	9,016	24,149	–	–	–	–	–	–	–	33,165
Estimated third-party payor settlements, net of current portion	–	3,477	–	–	–	–	–	–	–	3,477
Long-term debt – net of current portion	–	111,003	18,095	3,533	–	–	–	–	–	132,631
Due to Parent – board designated	–	19,587	–	–	–	–	–	–	(19,587)	–
Due to TSH – donor restricted	18,865	–	–	–	–	–	–	–	(18,865)	–
Due to Parent and affiliates	1,203	894	174	108	–	–	–	17	(2,396)	–
Deferred revenue – entrance fees	–	–	86,871	–	–	–	–	–	–	86,871
Estimated professional liabilities	229	31,482	–	–	–	–	–	–	–	31,711
Total liabilities	31,118	256,869	108,460	3,847	43	176	–	28	(40,848)	359,693
Net assets (deficiency):										
Unrestricted	43,415	112,694	1,416	1,496	172	453	1,603	63	(49)	161,263
Temporarily restricted	2,361	23,159	–	–	–	–	–	–	–	25,520
Permanently restricted	47	6,898	–	–	–	–	–	–	–	6,945
Total net assets	45,823	142,751	1,416	1,496	172	453	1,603	63	(49)	193,728
Total liabilities and net assets	$ 76,941	$ 399,620	$ 109,876	$ 5,343	$ 215	$ 629	$ 1,603	$ 91	$ (40,897)	$ 553,421

Stamford Health System

Consolidating Statement of Operations
(In Thousands)

Year Ended September 30, 2009

	Stamford Health System	The Stamford Hospital	Edgehill (CCRC)	Miller Hall Medical Suites	OB/GYN	Fairfield Surgical	Fairfield Primary	Premier Medical Group	Fairfield OB/GYN	Eliminations	Consolidated Balance
Unrestricted revenue, gains and other support:											
Net patient service revenue	$ –	$ 416,938	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 416,938
Resident services	–	–	18,391	–	–	–	–	–	–	–	18,391
Other revenue	5,687	18,944	4,183	1,206	649	2,374	1,164	4,820	1,229	(2,179)	38,077
Net assets released from restrictions for operations	–	2,936	–	–	–	–	–	–	–	–	2,936
Grant – disproportionate share income	–	5,089	–	–	–	–	–	–	–	–	5,089
Grant income – other	–	1,069	–	–	–	–	–	–	–	–	1,069
Total unrestricted revenue, gains and other support	5,687	444,976	22,574	1,206	649	2,374	1,164	4,820	1,229	(2,179)	482,500
Expenses:											
Salaries	–	154,583	–	–	–	3,502	202	3,259	1,012	–	162,558
Employee benefits	774	33,982	–	–	–	466	22	389	197	–	35,830
Supplies and other expenses	2,543	145,624	18,645	633	780	1,009	874	2,817	757	(2,179)	171,503
Provision for bad debts	300	47,935	69	–	–	–	–	–	–	–	48,304
Depreciation and amortization	744	26,955	5,441	149	–	14	132	85	10	–	33,530
Interest expense	5	5,220	422	136	–	–	–	23	–	–	5,806
Total expenses	4,366	414,299	24,577	918	780	4,991	1,230	6,573	1,976	(2,179)	457,531
Income (loss) from operations	1,321	30,677	(2,003)	288	(131)	(2,617)	(66)	(1,753)	(747)	–	24,969
Nonoperating gains and losses:											
Investment returns	(5,549)	(2,447)	(1,336)	–	–	–	–	–	–	–	(9,332)
Changes in net unrealized gains and losses	3,393	2,008	850	–	–	–	–	–	–	–	6,251
Change in fair value of derivative instrument	–	(218)		–	–	–	–	–	–	–	(218)
Total nonoperating gains and losses	(2,156)	(657)	(486)	–	–	–	–	–	–	–	(3,299)
(Deficiency) excess of revenue over expenses	(835)	30,020	(2,489)	288	(131)	(2,617)	(66)	(1,753)	(747)	–	21,670

Stamford Health System

Consolidating Statement of Operations (continued)

(In Thousands)

Year Ended September 30, 2009

	Stamford Health System	The Stamford Hospital	Edgehill (CCRC)	Miller Hall Medical Suites	OB/GYN	Fairfield Surgical	Fairfield Primary	Premier Medical Group	Fairfield OB/GYN	Eliminations	Consolidated Balance
(Deficiency) excess of revenue over expenses (continued from page 54)	$ (835)	$ 30,020	$ (2,489)	$ 288	$ (131)	$ (2,617)	$ (66)	$ (1,753)	$ (747)	$ –	$ 21,670
Net assets released from restrictions used for purchases of property and equipment	–	1,077	–	–	–	–	–	–	–	–	1,077
Net asset reclassification	–	(203)	–	–	–	–	–	–	–	–	(203)
Pension-related changes other than net periodic pension cost	(1,004)	(45,023)	–	–	–	–	–	–	–	–	(46,027)
Equity transfer	35,328	(42,059)	–	–	76	2,403	–	3,338	914	–	–
Increase (decrease) in unrestricted net assets	$ 33,489	$ (56,188)	$ (2,489)	$ 288	$ (55)	$ (214)	$ (66)	$ 1,585	$ 167	$ –	$ (23,483)

Stamford Health System

Consolidating Statement of Operations
(In Thousands)

Year Ended September 30, 2008

	Stamford Health System	The Stamford Hospital	Tandet	Edgehill (CCRC)	Miller Hall Medical Suites	OB/GYN	Fairfield Surgical	Fairfield Primary	Fairfield OB/GYN	Eliminations	Consolidated Balance
Unrestricted revenue, gains and other support:											
Net patient service revenue	$ –	$ 378,939	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 378,939
Resident services	–	–	–	18,190	–	–	–	–	–	–	18,190
Other revenue	3,411	19,479	–	4,094	979	1,454	3,108	1,650	153	(5,806)	28,522
Net assets released from restrictions for operations	–	2,119	–	–	–	–	–	–	–	–	2,119
Grant – disproportionate income	–	5,391	–	–	–	–	–	–	–	–	5,391
Grant income – other	–	958	–	–	–	–	–	–	–	–	958
Total unrestricted revenue, gains and other support	3,411	406,886	–	22,284	979	1,454	3,108	1,650	153	(5,806)	434,119
Expenses:											
Salaries	–	140,257	–	–	–	878	1,914	–	16	–	143,065
Employee benefits	752	30,158	–	–	–	68	335	–	6	–	31,319
Supplies and other expenses	6,326	146,429	–	17,384	507	130	450	15	66	(5,806)	165,501
Provision for bad debts	–	44,825	–	(65)	–	–	–	–	–	–	44,760
Depreciation and amortization	651	22,754	834	1,093	150	–	3	32	2	–	25,519
Interest expense	1	4,222	–	490	236	(49)	–	–	–	–	4,900
Total expenses	7,730	388,645	834	18,902	893	1,027	2,702	47	90	(5,806)	415,064
(Loss) income from operations	(4,319)	18,241	(834)	3,382	86	427	406	1,603	63	–	19,055
Nonoperating gains and losses:											
Investment returns	(5,245)	(3,783)	–	(1,427)	–	–	–	–	–	–	(10,455)
Changes in net unrealized gains and losses	(2,827)	(1,628)	–	(628)	–	–	–	–	–	–	(5,083)
Total nonoperating gains and losses	(8,072)	(5,411)	–	(2,055)	–	–	–	–	–	–	(15,538)
(Deficiency) excess of revenue over expenses	(12,391)	12,830	(834)	1,327	86	427	406	1,603	63	–	3,517

Stamford Health System

Consolidating Statement of Operations (continued)

(In Thousands)

Year Ended September 30, 2008

	Stamford Health System	The Stamford Hospital	Tandet	Edgehill (CCRC)	Miller Hall Medical Suites	OB/GYN	Fairfield Surgical	Fairfield Primary	Fairfield OB/GYN	Eliminations	Consolidated Balance
(Deficiency) excess of revenue over expenses (continued from page 56)	$ (12,391)	$ 12,830	$ (834)	$ 1,327	$ 86	$ 427	$ 406	$ 1,603	$ 63	$ –	$ 3,517
Net assets released from restrictions used for purchases of property and equipment	–	3,147	–	–	–	–	–	–	–	–	3,147
Pension-related changes other than net periodic pension cost	817	(9,084)	–	–	–	–	–	–	–	–	(8,267)
Equity transfer	3,627	(3,627)	–	–	–	–	–	–	–	–	–
Net distributions (to) from affiliates	–	(1,134)	1,134	–	–	–	–	–	–	–	–
Transfer to Parent	2,255	–	(2,255)	–	–	–	–	–	–	–	–
(Decrease) increase in unrestricted net assets before discontinued operations	(5,692)	2,132	(1,955)	1,327	86	427	406	1,603	63	–	(1,603)
Discontinued operations	–	–	(3,083)	–	–	–	–	–	–	–	(3,083)
(Decrease) increase in unrestricted net assets	$ (5,692)	$ 2,132	$ (5,038)	$ 1,327	$ 86	$ 427	$ 406	$ 1,603	$ 63	$ –	$ (4,686)

Stamford Health System

Consolidating Statement of Changes in Net Assets
(In Thousands)

Year Ended September 30, 2009

	Stamford Health System	The Stamford Hospital	Edgehill (CCRC)	Miller Hall Medical Suites	OB/GYN	Fairfield Surgical	Fairfield Primary	Premier Medical Group	Fairfield OB/GYN	Eliminations	Consolidated Balance
(Deficiency) excess of revenue over expenses	$ (835)	$ 30,020	$ (2,489)	$ 288	$ (131)	$ (2,617)	$ (66)	$ (1,753)	$ (747)	$ –	$ 21,670
Net assets released from restrictions used for purchases of property and equipment	–	1,077	–	–	–	–	–	–	–	–	1,077
Net asset reclassification	–	(203)	–	–	–	–	–	–	–	–	(203)
Pension-related changes other than net periodic pension cost	(1,004)	(45,023)	–	–	–	–	–	–	–	–	(46,027)
Equity transfer	35,328	(42,059)	–	–	76	2,403	–	3,338	914	–	–
Increase (decrease) in unrestricted net assets	33,489	(56,188)	(2,489)	288	(55)	(214)	(66)	1,585	167	–	(23,483)
Temporarily restricted net assets:											
Contributions	–	1,937	–	–	–	–	–	–	–	–	1,937
Net asset reclassification	–	(132)	–	–	–	–	–	–	–	–	(132)
Investment returns	–	(1,139)	–	–	–	–	–	–	–	–	(1,139)
Change in net unrealized gains and losses	–	403	–	–	–	–	–	–	–	–	403
Net assets released from restrictions used for purchases of property and equipment	–	(1,077)	–	–	–	–	–	–	–	–	(1,077)
Net assets released from restrictions for operations	–	(2,936)	–	–	–	–	–	–	–	–	(2,936)
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
Increase (decrease) in net assets	33,489	(58,047)	(2,489)	288	(55)	(214)	(66)	1,585	167	–	(25,342)
Net assets – beginning of year	45,823	142,751	1,416	1,496	172	453	1,603	–	63	(49)	193,728
Net assets (deficiency) – end of year	$ 79,312	$ 84,704	$ (1,073)	$ 1,784	$ 117	$ 239	$ 1,537	$ 1,585	$ 230	$ (49)	$ 168,386

Stamford Health System

Consolidating Statement of Changes in Net Assets
(In Thousands)

Year Ended September 30, 2008

	Stamford Health System	**The Stamford Hospital**	**Tandet**	**Edgehill (CCRC)**	**Miller Hall Medical Suites**	**OB/GYN**	**Fairfield Surgical**	**Fairfield Primary**	**Fairfield OB/GYN**	**Eliminations**	**Consolidated Balance**
(Deficiency) excess of revenue over expenses	$ (12,391)	$ 12,830	$ (834)	$ 1,327	$ 86	$ 427	$ 406	$ 1,603	$ 63	$ –	$ 3,517
Net assets released from restrictions used for purchases of property and equipment	–	3,147	–	–	–	–	–	–	–	–	3,147
Pension-related changes other than net periodic pension cost	817	(9,084)	–	–	–	–	–	–	–	–	(8,267)
Equity transfer	3,627	(3,627)	–	–	–	–	–	–	–	–	–
Distributions (to) from affiliates	–	(1,134)	1,134	–	–	–	–	–	–	–	–
Transfer to Parent	2,255	–	(2,255)	–	–	–	–	–	–	–	–
Decrease (increase) in unrestricted net assets before discontinued operations	(5,692)	2,132	(1,955)	1,327	86	427	406	1,603	63	–	(1,603)
Discontinued operations	–	–	(3,083)	–	–	–	–	–	–	–	(3,083)
Decrease (increase) in unrestricted net assets	(5,692)	2,132	(5,038)	1,327	86	427	406	1,603	63	–	(4,686)
Temporarily restricted net assets:											
Contributions	–	3,924	–	–	–	–	–	–	–	–	3,924
Investment returns	–	(950)	–	–	–	–	–	–	–	–	(950)
Change in net unrealized gains and losses	–	(478)	–	–	–	–	–	–	–	–	(478)
Net assets released from restrictions used for purchases of property and equipment	–	(3,147)	–	–	–	–	–	–	–	–	(3,147)
Net assets released from restrictions for operations	–	(2,119)	–	–	–	–	–	–	–	–	(2,119)
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	(5,692)	(538)	(5,038)	1,327	86	427	406	1,603	63	–	(7,356)
Net assets (deficiency) – beginning of year	51,515	143,289	5,038	89	1,410	(255)	47	–	–	(49)	201,084
Net assets – end of year	$ 45,823	$ 142,751	$ –	$ 1,416	$ 1,496	$ 172	$ 453	$ 1,603	$ 63	$ (49)	$ 193,728