

FINANCIAL STATEMENTS AND OTHER
FINANCIAL INFORMATION

Bridgeport Hospital
Years Ended September 30, 2010 and 2009
with Report of Independent Auditors

Bridgeport Hospital
Financial Statements
and Other Financial Information

Years Ended September 30, 2010 and 2009

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Report of Independent Auditors

The Board of Directors
Bridgeport Hospital

We have audited the accompanying balance sheets of Bridgeport Hospital (the “Hospital”) as of September 30, 2010 and 2009, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridgeport Hospital as of September 30, 2010 and 2009, and the results of its operations and its 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.

Ernst & Young LLP

January 27, 2011

Bridgeport Hospital

Balance Sheets

	September 30	
	2010	2009
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 44,477	\$ 32,972
Short term investments	17,550	6,490
Accounts receivable for services to patients, less allowance for uncollectible accounts, charity and free care of approximately \$17,020 in 2010 and \$24,154 in 2009	29,146	33,101
Other receivables	1,231	1,139
Prepaid expenses and other current assets	6,158	5,488
Third-party payor receivables	1,411	1,517
Amounts on deposit with trustee in debt service fund	1,446	1,503
Total current assets	101,419	82,210
Assets limited as to use:		
Escrow funds for long-term debt	7,234	7,348
Less assets limited as to use—required for current liabilities	(1,446)	(1,503)
	5,788	5,845
Long-term investments	20,564	19,684
Interest in Bridgeport Hospital Foundation, Inc.	45,642	43,079
Other assets	6,707	6,230
Long-term third party payor receivable	1,288	1,626
Property, plant and equipment:		
Land and land improvements	3,532	3,252
Buildings and fixtures	121,788	121,766
Equipment	235,427	241,754
	360,747	366,772
Less accumulated depreciation and amortization	(248,840)	(260,098)
	111,907	106,674
Construction in progress	4,946	12,497
	116,853	119,171
Total assets	\$ 298,261	\$ 277,845

	September 30	
	2010	2009
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 11,257	\$ 8,362
Accrued expenses	34,944	35,311
Current portion of long-term debt	2,945	2,785
Third-party payor liabilities	2,857	–
Total current liabilities	52,003	46,458
Long-term debt, net of current portion	47,145	50,090
Professional and general insurance liabilities	13,400	16,423
Long-term third party payor liabilities	14,960	9,990
Accrued pension obligation	49,237	48,492
Other long-term liabilities	18,417	17,540
Total liabilities	195,162	188,993
Commitments and contingencies		
Net assets:		
Unrestricted	62,529	49,998
Temporarily restricted	23,262	26,622
Permanently restricted	17,308	12,232
Total net assets	103,099	88,852
Total liabilities and net assets	\$ 298,261	\$ 277,845

See accompanying notes.

Bridgeport Hospital

Statements of Operations and Changes in Net Assets

	Years Ended September 30	
	2010	2009
	<i>(In Thousands)</i>	
Operating revenue:		
Net patient service revenue	\$ 359,062	\$ 349,484
Other revenue	5,877	4,458
Net assets released from restrictions used for operations	1,077	1,853
Total operating revenue	<u>366,016</u>	<u>355,795</u>
Operating expenses:		
Salaries and benefits	170,691	169,045
Supplies and other expenses	145,192	146,608
Depreciation and amortization	17,768	18,962
Bad debts	13,505	13,240
Interest	3,059	3,200
Total operating expenses	<u>350,215</u>	<u>351,055</u>
Income from operations	15,801	4,740
Non-operating gains (losses):		
Net changes in interest in Bridgeport Hospital Foundation, Inc.	741	(2,936)
Net realized gains (losses) and investment income	485	(599)
Change in unrealized gains and losses on investments	540	385
Excess of revenue and gains over expenses and losses	<u>17,567</u>	<u>1,590</u>

(Continued on next page)

Bridgeport Hospital

Statements of Operations and Changes in Net Assets (continued)

	Years Ended September 30	
	2010	2009
	<i>(In Thousands)</i>	
Unrestricted net assets:		
Excess of revenue and gains over expenses and losses	\$ 17,567	\$ 1,590
Net change in interest in Bridgeport Hospital Foundation, Inc.— other transfers	1,279	49
Net assets released from restrictions used for capital acquisitions	2,151	957
Pension liability adjustment	(6,619)	(59,538)
Other changes in net asset	(1,847)	(1,849)
Increase (decrease) in unrestricted net assets	12,531	(58,791)
Temporarily restricted net assets:		
Net changes in the interest in Bridgeport Hospital Foundation, Inc.:		
Change in unrealized gains on investments	384	773
Net assets released from restrictions used for operations— Bridgeport Hospital Foundation, Inc.	(3,058)	(2,533)
Restricted contributions	2,238	5,704
Net realized investment gains and losses	312	(1,486)
Other changes in net assets	(1,256)	—
Transfers to Hospital	(3,153)	(2,158)
Net change in interest in Bridgeport Hospital Foundation, Inc.	(4,533)	300
Net assets released from restrictions used for operations	(1,077)	(1,853)
Change in unrealized gains and losses on investments	851	(328)
Restricted Contributions	29	140
Net realized investment gains and losses	368	(1,965)
Net assets released from restriction used for capital acquisition	(2,151)	(957)
Transfers from Bridgeport Hospital Foundation	3,153	2,158
Decrease in temporarily restricted net assets	(3,360)	(2,505)
Permanently restricted net assets:		
Net change in the interest in Bridgeport Hospital Foundation, Inc.:		
Restricted contribution	5,076	1,551
Increase in permanently restricted net assets	5,076	1,551
Increase (decrease) in net assets	14,247	(59,745)
Net assets at beginning of year	88,852	148,597
Net assets at end of year	\$ 103,099	\$ 88,852

See accompanying notes.

Bridgeport Hospital
Statements of Cash Flows

	Years Ended September 30	
	2010	2009
	<i>(In Thousands)</i>	
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 14,247	\$ (59,745)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Change in net interest in Bridgeport Hospital Foundation, Inc.	(2,563)	1,036
Depreciation and amortization	17,768	18,962
Bad debts	13,505	13,240
Restricted contributions	(29)	(140)
Changes in unrealized gains and losses on investments	(1,391)	(57)
Net assets released from restrictions used for capital acquisitions	(2,151)	(957)
Net realized (gains) losses and investment income	(866)	2,564
Net assets transfer to parent	1,843	1,800
Change in pension obligation	6,619	59,538
Changes in operating assets and liabilities:		
Accounts receivable, net	(9,550)	(11,939)
Other receivables	(92)	689
Prepaid expenses and other current assets	(670)	1,216
Other assets	(1,657)	(3,132)
Accounts payable	2,895	(7,390)
Accrued expenses	(367)	5,319
Third-party payor receivables and liabilities	8,271	2,886
Pension obligation	(5,874)	(1,408)
Professional and general insurance liabilities and other long-term liabilities	(2,146)	3,842
Net cash provided by operating activities	<u>37,792</u>	<u>26,324</u>
Cash flows from investing activities		
Amounts on deposit with trustee in debt service fund	57	(105)
Net (purchase) sale of investments	(10,545)	2,856
Net sale of assets limited as to use	57	54
Acquisitions of property, plant and equipment, net	(14,260)	(13,605)
(Gain) loss on sale of assets	(14)	15
Net realized gains (losses) gains and investment income	866	(2,564)
Net cash used in investing activities	<u>(23,839)</u>	<u>(13,349)</u>
Cash flows from financing activities		
Repayments of long-term debt	(2,785)	(2,795)
Transfer to parent	(1,843)	(1,800)
Restricted contributions	29	140
Net assets released from restrictions for capital acquisitions	2,151	957
Net cash used in financing activities	<u>(2,448)</u>	<u>(3,498)</u>
Net increase in cash and cash equivalents	11,505	9,477
Cash and cash equivalents, beginning of year	32,972	23,495
Cash and cash equivalents, end of year	<u>\$ 44,477</u>	<u>\$ 32,972</u>

See accompanying notes.

Bridgeport Hospital

Notes to Financial Statements

September 30, 2010

1. Organization and Significant Accounting Policies

Bridgeport Hospital (the “Hospital”) is a voluntary association incorporated under the General Statutes of the State of Connecticut. Bridgeport Hospital & Healthcare Services, Inc. (“BHHS”), a Connecticut not-for-profit corporation, is the sole member of the following not-for-profit, non-stock corporations: the Hospital, Bridgeport Hospital Foundation, Inc. (the “Foundation”), Southern Connecticut Health System Properties, Inc. (“Properties”), and Ahlbin Centers for Rehabilitation Medicine, Inc. (“Ahlbin”). BHHS had a controlling interest in Mill Hill Medical Consultants, Inc. (“Mill Hill”), a not-for-profit non-stock organization, through its elected representatives on the Mill Hill Board of Directors.

Effective April 1, 2010, control of Mill Hill was assumed by Yale-New Haven Health Services Corporation (“YNHHSC”), and the organization began operations as Northeast Medical Group, Inc. (“NEMG”).

Yale-New Haven Health Services Corporation (“YNHHSC”) is the sole member of BHHS and two similar organizations. Each of these three tax-exempt organizations serves as the sole member/parent for its respective delivery network of regional health care providers and related entities. Under the terms of an agreement with YNHHSC, BHHS and the Hospital continue to operate autonomously with separate boards, management and medical staff; however, YNHHSC approves the Hospital’s strategic plans, operating and capital budgets, and Board appointments.

Use of Estimates

The preparation of the 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 receivables and 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 amounts of revenue and expenses during the reporting period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. See Notes 5 and 6 for additional information relative to temporarily and permanently restricted net assets.

Bridgeport Hospital

Notes to Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value on the date the promise is received. All gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets.

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, which are not classified as assets limited as to use or restricted or held in the long-term investment portfolio.

Cash and cash equivalents are maintained with domestic financial institutions with deposits which exceed federally insured limits. It is the Hospital's policy to monitor the financial strength of these institutions.

Accounts Receivable

Patient accounts receivable result from the health care services provided by the Hospital. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. The amount of the allowances for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 2 for additional information relative to third-party payor programs.

Investments and Investment Income

The Hospital has designated all investments reported in the accompanying balance sheets as trading securities. As such, unrealized gains and losses are included in the excess (deficiency) of revenue and gains over expenses and losses.

Investments in marketable equity securities with readily determinable fair market values and all investment in debt securities (marketable investments) are measured at fair value based on quoted market prices.

Bridgeport Hospital

Notes to Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Alternative investments (nontraditional, not-readily-marketable assets), some of which are structured such that the Hospital holds limited partnership interests, are accounted for under the equity method. Individual investment holdings with the alternative investments may, in turn, include investments in both non-marketable and market-traded securities. Valuations of these investments and, therefore, the Hospital's holdings may be determined by the investment manager or general partner, and for "funds 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. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. These investments may indirectly expose the Hospital to securities lending, short sales of securities, and trading in futures and forwards contracts, options, swap contracts and other derivative products. While these financial instruments may contain varying degrees of risk, the Hospital's risk with respect to such transactions is limited to its capital balance in each investment. The financial statements of the investees are audited annually by independent auditors.

Realized gains and losses on investments, interest and dividends are included in excess (deficiency) of revenue and gains over expenses and losses unless the income or loss is restricted by donor or law. The change in unrealized gains and losses on all investments is included in the excess (deficiency) of revenue and gains over expenses and losses unless the income or loss is restricted by the donor.

Assets Limited as to Use

Assets limited as to use include assets held by trustee under bond indenture agreements. Amounts required to meet current liabilities are reported as current assets. These funds primarily consist of U.S. Government obligations, corporate obligations, mutual funds and money market funds. Changes in unrealized gains and losses are recorded in the excess (deficiency) of revenue and gains over expenses and losses.

Inventories

Inventories, included in prepaid expenses and other current assets, are stated at the lower of cost or market. The Hospital values its inventories using the first-in, first-out method.

Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain long-term financing. Amortization of the costs is provided using a method that approximates the interest method over the remaining term of the applicable indebtedness. Refer to Note 7 for additional information relative to debt-related matters.

Bridgeport Hospital

Notes to Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Benefits and Insurance

The Hospital provides medical, dental, hospitalization and prescription drug benefits to employees for which it is self-insured. Liabilities have been accrued for claims, including claims incurred but not reported (“IBNRs”), which are based on Hospital-specific experience. At September 30, 2010 and 2009, the estimated liability for self-insured employee medical, prescription and other benefit claims and IBNRs aggregated approximately \$1.3 million and \$1.4 million, respectively, and is included in accrued expenses in the accompanying balance sheets.

The Hospital is effectively self-insured for workers’ compensation claims. Estimated amounts are accrued for claims, including IBNRs, which are based on Hospital-specific experience. At September 30, 2010 and 2009, the estimated liability for self-insured workers’ compensation claims and IBNRs, discounted at 4% in 2010 and 5% in 2009, aggregated approximately \$3.8 million and \$3.5 million, respectively, and is included in other long-term liabilities in the accompanying balance sheets.

Property, Plant and Equipment

Property, plant and equipment purchased are carried at cost and those acquired by gifts and bequests are carried at fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Depreciation of property, plant and equipment is computed by the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives ranging from 3 to 40 years.

Goodwill

In 2009, the Hospital acquired a medical practice (the “Acquisition”) for \$3.0 million based on the fair market value of the practice. The Acquisition resulted in goodwill of approximately \$2.9 million. The Hospital is required to perform an annual review of its goodwill for impairment. Based on the Hospital’s review at September 30, 2010 and 2009, goodwill was determined not to be impaired.

Bridgeport Hospital

Notes to Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Excess (Deficiency) of Revenue and Gains Over Expenses and Losses

The accompanying statements of operations and changes in net assets include excess (deficiency) of revenue and gains over expenses and losses. Activities, other than those connected with providing health care services, are considered to be non-operating. Changes in unrestricted net assets, which are excluded from excess (deficiency) of revenue and gains over expenses and losses, consistent with industry practice, primarily include contributions of, or restricted to, property, plant and equipment, net change in interest in Bridgeport Hospital Foundation, Inc. arising from other transfers, transfer of assets to and from affiliates for other than goods and services, and change in pension liability adjustments.

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal or state income taxes on related income pursuant to Section 501(a) of the Code.

Professional and General Insurance

The Hospital accesses modified claims made insurance for professional and comprehensive general risk through Yale-New Haven Hospital ("YNHH") owned captive insurance company. The Hospital has no ownership interest in the captive insurance company and records the actuarially determined liabilities for incurred but not reported professional and comprehensive general liabilities on a discounted basis.

Interest in Bridgeport Hospital Foundation, Inc.

The Hospital recognizes its accumulated interest in the net assets held by the Foundation as interest in Bridgeport Hospital Foundation, Inc. The Hospital recognizes the periodic change in such interest in its statements of operations and changes in net assets (net change in interest in Bridgeport Hospital Foundation, Inc.).

Asset Retirement Obligation

The Hospital maintains an asset retirement obligation liability related to the estimated future costs to remediate environmental liabilities in certain buildings. The asset and asset retirement obligation liability were approximately \$.6 million and \$13.2 million, respectively, at September 30, 2010 and approximately \$.6 million and \$12.8 million, respectively, at September 30, 2009.

Bridgeport Hospital

Notes to Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

New Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update 2010-24, “Topic 954 – Presentation of Insurance Claims and Related Insurance Recoveries” (“ASU 2010-24”). The amendments in this update clarify that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The amendments in this update permit retrospective application and are effective for fiscal years beginning after December 15, 2010. The Hospital has not yet determined the effect that the adoption of ASU 2010-24 will have on its financial statements.

Reclassifications

Certain reclassifications have been made to the balances previously reported in the September 30, 2009 balance sheet in order to conform with the September 30, 2010 presentation. In the accompanying September 30, 2009 balance sheet, such reclassifications consist of an increase in short-term investments of \$6.5 million and a decrease of long-term investments of \$6.5 million.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue

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

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

Bridgeport Hospital

Notes to Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

Revenue from Medicare and Medicaid programs accounted for approximately 37% and 19%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2010 and 39% and 19%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2009. Inpatient discharges relating to Medicare and Medicaid programs accounted for approximately 37% and 30% respectively, for the year ended September 30, 2010 and 36% and 28%, respectively, for the year ended September 30, 2009.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Hospital. Cost reports for the Hospital, which serve as the basis for final settlement with government payors, have been settled by final settlement through 2005 for Medicare and 1994 for Medicaid. Other years remain open for settlement.

For the year ended September 30, 2010, the Hospital recorded approximately \$5.5 million as a decrease to net patient service revenue in connection with lower than expected settlements and adjustments to accruals recorded in prior years. For the year ended September 30, 2009 the net change in estimates increased net patient service revenue by approximately \$0.1 million.

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party agreements. The significant concentrations of accounts receivable for services to patients include 32% from Medicare, 23% from Medicaid, 5% from commercial insurance carriers, and 40% from managed care companies and others at September 30, 2010 (27%, 20%, 13%, and 40%, respectively, at September 30, 2009).

Bridgeport Hospital

Notes to Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

Net patient service revenue is comprised of the following for the years ended September 30, 2010 and 2009 (in thousands):

	<u>2010</u>	<u>2009</u>
Gross revenue from patients	\$ 1,185,590	\$ 1,105,535
Deductions:		
Contractual allowances	802,426	720,998
Charity and free care (at charges)	24,102	35,053
Net patient service revenue	<u>\$ 359,062</u>	<u>\$ 349,484</u>

3. Uncompensated Care and Community Benefit Expense

The Hospital's commitment to community service is evidenced by services provided to the poor and benefits provided to the broader community. Services provided to the poor include services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

For financial reporting purposes, the Hospital reports care provided for which no payment was received from the patient or insurer as uncompensated care. Uncompensated care is the sum of the Hospital's free care provided, charity care provided and bad debt expense. In determining uncompensated care, the Hospital excludes contractual allowances. The cost of uncompensated care amounted to approximately \$15.5 million and \$19.6 million in 2010 and 2009, respectively. Additionally, the Hospital incurred losses related to the State Medicaid program of approximately \$21.4 million and \$25.4 million in 2010 and 2009, respectively. The estimated cost of uncompensated care and Medicaid losses were determined using Hospital-specific data.

The Hospital makes available free care programs for qualifying patients. In accordance with the established policies of the Hospital, during the registration, billing and collection process a patient's eligibility for free care funds is determined. For patients who were determined by the Hospital to have the ability to pay but did not, the uncollected amounts are bad debt expense. For patients who do not avail themselves of any free care program and whose ability to pay cannot be determined by the Hospital, care given but not paid for, is classified as charity care.

Bridgeport Hospital

Notes to Financial Statements (continued)

3. Uncompensated Care and Community Benefit Expense (continued)

Annually, the Hospital accrues for the potential losses related to its uncollectible accounts and the amounts that meet the definition of charity and free care allowances. At September 30, 2010 and 2009, the amount estimated by management to represent the Hospital's uncollectible and charity and free care allowance, which is included in the accompanying balance sheet as a reduction of accounts receivable for services to patients, was approximately \$17.0 million and \$24.2 million, respectively.

Additionally, the Hospital provides benefits for the broader community which includes services provided to other needy populations that may not qualify as poor but need special services and support. Benefits include the cost of health promotion and education of the general community, interns and residents, health screenings, and medical research. The benefits are provided through the community health centers, some of which service non-English speaking residents, disabled children, and various community support groups.

In addition to the quantifiable services defined above, the Hospital provides additional benefits to the community through its advocacy of community service by employees. The Hospital's employees serve numerous organizations through board representation, membership in associations and other related activities. The Hospital also solicits the assistance of other healthcare professionals to provide their services at no charge through participation in various community seminars and training programs.

4. Investments and Assets Limited as to Use

Effective January 1, 2010, the Hospital transferred some of its investments into the newly formed Yale New Haven Health System Investment Trust (the "Trust"), a unitized Delaware Investment Trust created to pool assets for investment by the Health System non-profit entities. The Trust is comprised of two pools: the Long-Term Investment Pool ("L-TIP") and the Intermediate-Term Investment Pool ("I-TIP"). Governance of the Trust is performed by the Yale New Haven Health System Investment Committee.

Under the terms of the investment management agreement with the Trust, withdrawals of the Hospital's investment in the L-TIP can be made annually by the Hospital on July 1. Amounts withdrawn are subject to a schedule that allows larger withdrawals with longer notice periods. As of September 30, 2010, the Hospital can withdraw 100% of its investment in the L-TIP on July 1, 2011. Withdrawals of the Hospital's investment in the I-TIP in any amount can be made quarterly with 30 days advance notice.

Bridgeport Hospital

Notes to Financial Statements (continued)

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

Investments are stated at fair value. The composition of assets limited as to use as of September 30 is set forth in the following table (in thousands):

	2010	2009
Assets limited as to use:		
Escrow funds for long-term debt:		
U.S. government obligations	\$ 1,442	\$ 3,646
Corporate debt and other securities	5,792	3,702
	\$ 7,234	\$ 7,348

The composition of investments as of September 30 is set forth in the following table (in thousands):

	2010	2009
U.S. government agency obligations	\$ 8,199	\$ 14,659
Equity securities	10,920	1,111
Money market funds	1,051	381
Limited partnerships (equity method)	5,439	2,107
Interest in Yale University Endowment Pool	7,567	–
Corporate debt and other securities	4,938	7,916
	\$ 38,114	\$ 26,174

Primarily all of the above investments are deemed to be available for satisfying donor restrictions as they become due.

The composition and presentation of investment income, gains from investments and the net change in unrealized gains and losses, are as follows for the years ended September 30, 2010 and 2009 (in thousands):

	2010	2009
Interest and dividend income, net	\$ 456	\$ 939
Realized gains on investments, net	410	(3,543)
Change in unrealized gains and losses investments	1,395	57
	\$ 2,261	\$ (2,547)

The Hospital's ownership percentage of the Trust was approximately 3.8% as of September 30, 2010, the Hospital's prorata portion of the Trust's investments are represented above in the table.

Bridgeport Hospital

Notes to Financial Statements (continued)

5. Endowment

The Hospital's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Hospital has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CUPMIFA) 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Hospital; and (7) the investment and spending policies of the Hospital.

Changes in endowment net assets for the fiscal year ended September 30, 2010 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 71	\$ 13,623	\$ 12,232	\$ 25,926
Investment returns:				
Investment income	6	776	-	782
Net appreciation (realized and unrealized)	3	475	-	478
Total investment return	9	1,251	-	1,260
Appropriation of endowment assets for expenditure	-	(179)	-	(179)
Other changes:				
Contribution bequests	-	-	5,076	5,076
Endowment net assets, end of year	<u>\$ 80</u>	<u>\$ 14,695</u>	<u>\$ 17,308</u>	<u>\$ 32,083</u>

Bridgeport Hospital

Notes to Financial Statements (continued)

5. Endowment (continued)

Changes in endowment net assets for the fiscal year ended September 30, 2009 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 377	\$ 16,974	\$ 10,681	\$ 28,032
Investment returns:				
Investment income	45	569	–	614
Net depreciation (realized and unrealized)	(302)	(2,920)	–	(3,222)
Total investment return	(257)	(2,351)	–	(2,608)
Appropriation of endowment assets for expenditure	(49)	(1,000)	–	(1,049)
Other changes:				
Contribution bequests	–	–	1,551	1,551
Endowment net assets, end of year	\$ 71	\$ 13,623	\$ 12,232	\$ 25,926

From time to time, the fair value of assets associated with permanently restricted endowment funds may fall below the level determined under Connecticut UPMIFA.

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of September 30 are available for the following purposes:

	2010	2009
	<i>(In Thousands)</i>	
Indigent care	\$ 12,855	\$ 12,739
Capital campaign	75	1,051
Other health care services	10,332	12,832
	\$ 23,262	\$ 26,622

Permanently restricted net assets of approximately \$17.3 million and \$12.2 million for the years ended September 30, 2010 and 2009, respectively, are donor-restricted endowment principal. The income generated from permanently restricted funds is expendable for purposes designated by donors, including the support of various health care services.

Bridgeport Hospital

Notes to Financial Statements (continued)

7. Long-Term Debt and Line of Credit

A summary of long-term debt is as follows at September 30:

	2010	2009
	<i>(In Thousands)</i>	
Tax-exempt revenue bonds:		
Series A, fixed interest rates ranging from 3.5% to 6.625%	\$ 12,640	\$ 13,815
Series C, fixed interest rates ranging from 3.75% to 5.375%	37,450	39,060
	50,090	52,875
 Less current portion	2,945	2,785
	\$ 47,145	\$ 50,090

The Hospital's Series A and C tax-exempt revenue bonds were issued through the State of Connecticut Health and Educational Facilities Authority ("CHEFA") under a Master Trust Indenture. The bonds are due serially or via mandatory sinking fund redemptions through July 1, 2025. The bonds are collateralized by a pledge of the gross receipts of the Hospital and the Foundation (the "Obligated Group") and a first mortgage on substantially all property, plant and equipment of the Hospital. The Master Trust Indenture also places certain limits on the incurrence of additional borrowings of the Obligated Group and requires the Obligated Group to satisfy certain measures of financial performance while the revenue bonds are outstanding. The Series A and C bonds are insured by commercial bond insurers to maturity.

Principal payments on long-term debt for each of the five years subsequent to September 30, 2010 are as follows (in thousands):

2011	\$ 2,945
2012	3,115
2013	3,300
2014	3,495
2015	3,695
Thereafter	33,540
	\$ 50,090

Cash paid on interest for the years ended September 30, 2010 and 2009 approximated \$3.0 million and \$3.2 million, respectively.

In connection with Series A and C bonds, the Hospital is required to maintain certain financial covenants. At September 30, 2010 and 2009, the Hospital was in compliance with its financial debt covenants.

Bridgeport Hospital

Notes to Financial Statements (continued)

7. Long-Term Debt (continued)

On November 4, 2010, the Hospital obtained a \$6.6 million term loan from CHEFA. The loan is to be paid in 10 years at a fixed rate of 3.22%.

Line of Credit

As of September 30, 2010, the Hospital had an unsecured revolving line of credit of \$5.0 million with a local bank. The annual interest rate for this line of credit is variable and is based on the bank's prime rate or LIBOR plus 1%. The Hospital had no amounts outstanding under this line of credit at September 30, 2010 and 2009.

8. Retirement Benefit Plans

The Hospital and certain other affiliates of BHHS have a defined benefit pension plan covering substantially all employees. The benefits are based on years of service and employees' average compensation as defined by the plan documents. The Hospital and affiliates of BHHS make contributions in amounts sufficient to meet the required benefits to be paid to plan participants as they become due as required under the Employee Retirement Income Security Act of 1974.

On June 30, 2006, the Hospital and certain other affiliates of BHHS froze their defined benefit plan. On October 1, 2006 the Hospital and certain other affiliates of BHHS instituted a defined contribution plan covering substantially all employees. The Hospital matches employee 403(b) contributions on a bi-weekly basis, as defined by the defined contribution plan documents, and provides an annual contribution to the employees' accounts based on each employee's year of service and compensation. The Hospital expensed approximately \$9.8 million and \$8.9 million relating to the defined contribution plan for the years ended September 30, 2010 and 2009, respectively. Amounts due to the defined contribution plan amounted to \$5.5 million and \$5.0 million at September 30, 2010 and 2009, respectively, and are included in accrued expenses.

On September 30, 2007, the FASB issued Statement No. 158, *Employers' Accounting for Defined Benefit and Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (hereafter referred to as ASC No. 715). In 2009, the Hospital adopted the measurement date provisions of ASC No. 715. ASC No. 715 required the Hospital to measure defined benefit plan assets and obligations as of September 30, the date of its fiscal year end statement of financial position. Prior to the implementation of this change, the measurement date for the Hospital's pension and postretirement benefit plans was June 30. The adjustment to unrestricted net assets at adoption represents a decrease to net assets of \$.3 million and an increase to accrued pension obligation. The adoption of the measurement date provision of ASC No. 715 had no effect on the Hospital's financial results for fiscal 2010, 2009 or any prior period presented. It will not affect the Hospital's operating results in future periods.

Bridgeport Hospital

Notes to Financial Statements (continued)

8. Retirement Benefit Plans (continued)

The following table sets forth the funded status of the Hospital and affiliates of BHHS's plans as of September 30:

	Pension Benefits	
	2010	2009
	<i>(In Thousands)</i>	
Change in benefit obligation		
Benefit obligation, beginning of year	\$ (149,498)	\$ (123,444)
Interest cost	(8,348)	(10,488)
Actuarial (loss) gain	(6,630)	(21,893)
Benefits paid	5,281	6,327
Benefit obligation, end of year	<u>\$ (159,195)</u>	<u>\$ (149,498)</u>
Change in plan assets		
Fair value of plan assets, beginning of year	\$ 95,277	\$ 130,926
Actual return on plan assets	8,737	(29,322)
Employer contribution	5,000	-
Benefits paid	(5,281)	(6,327)
Fair value of plan assets, end of year	<u>\$ 103,733</u>	<u>\$ 95,277</u>
Accrued obligation	\$ (55,462)	\$ (54,221)
Net amounts allocated to affiliates	6,225	5,729
Accrued benefit cost	<u>\$ (49,237)</u>	<u>\$ (48,492)</u>

The accrued benefit obligation allocated to affiliates is determined using the participant data of each entity.

The actuarial loss in 2010 and 2009 primarily relates to a decrease in the discount rate used to measure the benefit obligation.

Bridgeport Hospital

Notes to Financial Statements (continued)

8. Retirement Benefit Plans (continued)

Accumulated Benefit Obligation

The projected benefit obligation, accumulated benefit obligations and fair value of plan assets were as follows for September 30:

	2010	2009
	<i>(In Thousands)</i>	
Projected benefit obligation	\$ 159,195	\$ 149,498
Accumulated benefit obligation	159,195	149,498
Fair value of plan assets	103,733	95,277

The following table provides the components of the net periodic benefit cost for the plan for the years ended September 30:

	Pension Benefits	
	2010	2009
	<i>(In Thousands)</i>	
Components of net periodic benefit cost		
Interest cost	\$ 8,348	\$ 10,488
Expected rate of return on plan assets	(9,575)	(12,133)
Recognized net actuarial loss	447	-
Periodic benefit credit for measurement period	(780)	(1,645)
Adjustment for change in measurement date	-	329
	(780)	(1,316)
Less amounts allocated to affiliates	94	92
Benefit credit	\$ (874)	\$ (1,408)

Assumptions

Weighted-average assumptions used to determine benefit obligations at September 30 are as follows:

	Pension Benefits	
	2010	2009
Discount rate	5.4%	5.70%

Bridgeport Hospital

Notes to Financial Statements (continued)

8. Retirement Benefit Plans (continued)

Weighted-average assumptions used to determine net periodic benefit cost for years ended September 30 are as follows:

	Pension Benefits	
	2010	2009
Discount rate	5.7%	7.00%
Expected long-term return on plan assets	7.75	7.75

Measurement Date

The measurement date used to determine pension benefits is September 30 in 2010 and 2009.

Plan Assets

The asset allocations of the Hospital's pension plan at September 30 are as follows:

	Target Allocation 2010	Percentage of Plan Assets	
	2010	2010	2009
Asset category:			
Equity securities	10%	11%	12%
Debt securities	75	77	76
Alternative investments	15	12	12
Total	100%	100%	100%

Financial assets carried at fair value as of September 30, 2010 and 2009 are classified in the following table in one of the three categories described in footnote 13 (in thousands):

	FY 10			Total
	Level 1	Level 2	Level 3	
Equity securities	\$11,964			\$ 11,964
U.S. government obligations	21,854	–	–	21,854
Corporate debt and other securities	57,592	–	–	57,592
Investments at fair value	91,410	–	–	91,410
Alternative investments (equity method)				12,323
Total investments				\$103,733

Bridgeport Hospital

Notes to Financial Statements (continued)

8. Retirement Benefit Plans (continued)

	FY 09			Total
	Level 1	Level 2	Level 3	
Equity securities	\$10,944			\$10,944
U.S. government obligations	30,901	–	–	30,901
Corporate debt and other securities	41,210	–	–	41,210
Investments at fair value	83,055	–	–	83,055
Alternative investments (equity method)				<u>12,222</u>
Total investments				<u><u>\$ 95,277</u></u>

The Hospital's investment strategy for its pension assets, balances the liquidity needs of the pension plan with the long-term return goals necessary to satisfy future pension obligations. The target asset allocation seeks to capture the equity premium granted by the capital markets over the long-term while ensuring security of principal to meet near term expenses and obligations through the fixed income allocation. The allocations of the investment pool to various sectors of the markets are designed to reduce volatility in the portfolio.

The Hospital's pension portfolio return assumption of 7.75% is based on the targeted weighted-average return of comparative market indices for the asset classes represented in the portfolio and discounted for pension expenses.

Cash Flows

Contributions: The Hospital and its affiliates expected contribution to the defined benefit pension plan in fiscal year 2011 is \$1,959.

Estimated future benefit payments: The Hospital and its affiliates expect to pay the following benefit payments as appropriate in thousands:

2011	\$ 6,416
2012	6,617
2013	6,779
2014	7,126
2015	7,418
2016 to 2019	45,301

Bridgeport Hospital

Notes to Financial Statements (continued)

8. Retirement Benefit Plans (continued)

In addition, certain employees participate in a Hospital sponsored nonqualified pension benefit program. Included in other long-term liabilities in the accompanying balance sheets at September 30, 2010 and 2009 is approximately \$1.3 million, respectively, related to the obligation for the nonqualified benefits. The Hospital has established a trust with fair values of approximately \$.8 million and \$.7 million at September 30, 2010 and 2009, respectively, to fund the obligation. Such amounts are included in other assets in the accompanying balance sheets.

9. Professional Liability and Self-Insurance Arrangements

YNHH and a number of academic medical centers are shareholders in The Medical Center Insurance Company, Ltd. (the "Captive"). The Captive was formed to insure for professional and comprehensive general liability risks of its shareholders and certain affiliated entities of the shareholders. On October 1, 1997, the Hospital was added to the YNHH program as an additional insured. The Captive and its wholly-owned subsidiary write direct insurance and reinsurance for varying levels of per claim limit exposure. The Captive has reinsurance coverage from outside reinsurers for amounts above the per claim limits. Premiums are based on modified claims made coverage and are actuarially determined based on actual experience of the Hospital, and the Captive. The Hospital pays insurance premiums to YNHHSC.

The estimated undiscounted professional liabilities for incurred but not reported professional and comprehensive general liabilities as of September 30, 2010 and 2009 was approximately \$16.6 million and \$18.8 million, respectively, and is reflected at the actuarially determined present value of approximately \$13.8 million and \$15.1 million, respectively, based on a discount rate of 4.0% in 2010 and 4.5% in 2009.

10. Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Hospital. Such lawsuits and claims are either specifically covered by insurance as explained in Note 9 or are deemed to be immaterial. While the outcome of these lawsuits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Hospital.

The Hospital has an irrevocable letter of credit with a bank to provide coverage to the State of Connecticut for workers compensation claims. There were no amounts outstanding under this letter of credit during fiscal years 2010 and 2009.

Bridgeport Hospital

Notes to Financial Statements (continued)

10. Commitments and Contingencies (continued)

The Hospital has obtained a surety bond to provide coverage to the State of Connecticut for unemployment compensation in 2010 and 2009. There are no amounts outstanding during fiscal years 2010 and 2009.

The Hospital has various lease agreements. Lease expense for the fiscal years 2010 and 2009 was approximately \$3.1 million, respectively. Future minimum lease payments under these leases are as follows:

2011	\$ 2,681
2012	2,426
2013	2,107
2014	1,767
2015	539
Thereafter	9,520

On September 30, 2010, the Hospital entered into an operating lease with a real estate developer for an initial term of 17 years to lease a building. Payments under the lease are to commence once the building is completed. On the commencement date, a single installment of \$.7 million is due under the agreement. The annual lease payments for years 1 to 5 is \$.3 million.

11. Functional Expenses

The Hospital provides general health care services to residents within its geographic location, including pediatric care, cardiac catheterization and outpatient surgery. Net expenses related to providing these services for the year ended September 30 are as follows:

	<u>2010</u>	<u>2009</u>
	<i>(In Thousands)</i>	
Health care services	\$ 273,168	\$ 273,823
General and administrative	77,047	77,232
	<u>\$ 350,215</u>	<u>\$ 351,055</u>

Bridgeport Hospital

Notes to Financial Statements (continued)

12. Related Party Transactions

The Hospital provides management services and purchases support and management services and participates in service contracts, lease agreements and other consulting contracts with affiliated organizations. The related amounts for the years ended September 30 were as follows:

	2010	2009
	<i>(In Thousands)</i>	
Services to affiliates:		
Ahlbin	\$ -	\$ 150
Mill Hill	257	540
SCHS Properties	15	15
BHHS	10	10
NEMG	257	-
	\$ 539	\$ 715
Services from affiliates:		
YNHH	\$ 2,520	\$ 2,835
BHHS	17	22
Mill Hill	5,801	12,823
SCHS Properties	129	126
NEMG	5,158	-
YNHHSC	26,073	23,980
	\$ 39,698	\$ 39,786

The Hospital purchased certain services for the year ended September 30 from YNHHSC as follows:

	2010	2009
	<i>(In Thousands)</i>	
Operating expenses:		
Professional and general liability insurance	\$ 10,018	\$ 9,813
Information systems	2,952	2,866
Management fees	3,044	3,034
System business office	6,164	6,172
All other	13,913	11,910
	\$ 36,091	\$ 33,795

Included in accrued expenses were amounts payable in the ordinary course of business to YNHHSC of approximately \$6.3 million and \$2.6 million at September 30, 2010 and 2009, respectively.

Bridgeport Hospital

Notes to Financial Statements (continued)

12. Related Party Transactions (continued)

Included in depreciation and amortization expense for the years ended September 30, 2010 and 2009 is approximately \$0.4 million of costs allocated from YNHHSC for shared capital projects.

Accounts receivable from and payable to related organizations included in prepaid expenses and other assets, and accrued expenses, respectively, in the accompanying balance sheets for the years ended September 30 are as follows:

	<u>2010</u>	<u>2009</u>
	<i>(In Thousands)</i>	
Accounts receivable:		
Properties	\$ 99	\$ 69
Ahlbin	–	22
	<u>\$ 99</u>	<u>\$ 91</u>
Accounts payable:		
BHHS	\$ 1,022	\$ 246
Mill Hill	–	890
YNHHSC	6,325	2,642
NEMG	170	–
YNHH	433	605
	<u>\$ 7,950</u>	<u>\$ 4,383</u>

13. Fair Values Measurements

The Hospital has adopted the methods of calculating fair value as defined in FASB ASC No. 820 to value its financial assets and liabilities, where applicable. FASB ASC No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Bridgeport Hospital

Notes to Financial Statements (continued)

13. Fair Value Measurements (continued)

FASB ASC No. 820 establishes a three tier valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The three levels are defined as follows:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. This established hierarchy assigns the highest priority to Level 1 assets.

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

Level 3: Unobservable inputs that are used when little or no market data is available. The Level 3 inputs are assigned the lowest priority.

In determining fair value, the Hospital utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Hospital also considers nonperformance risk in the overall assessment of fair value.

Financial assets carried at fair value as of September 30, 2010 and 2009 are classified in the following table in one of the three categories described above (in thousands):

	FY 10			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 44,477	\$ –	\$ –	\$ 44,477
Money market funds	1,051	–	–	1,051
Equity securities	10,920	–	–	10,920
U.S. government obligations	9,641	–	–	9,641
Interest in Yale University Endowment Pool	–	7,567	–	7,567
Corporate debt and other securities	10,730	–	–	10,730
Investments at fair value	76,819	7,567	–	84,386
Alternative investments (equity method)				5,439
Total investments				<u>\$ 89,825</u>

Bridgeport Hospital

Notes to Financial Statements (continued)

13. Fair Value Measurements (continued)

	FY 09			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 32,972	\$ –	\$ –	\$ 32,972
Money market funds	381	–	–	381
Equity securities	1,111	–	–	1,111
U.S. government obligations	18,305	–	–	18,305
Corporate debt and other securities	11,618	–	–	11,618
Investments at fair value	<u>\$ 64,387</u>	<u>\$ –</u>	<u>\$ –</u>	<u>64,387</u>
Alternative investments (equity method)				<u>2,107</u>
Total investments				<u>\$ 66,494</u>

Fair values of the Hospital's long-term debt are based on current borrowing rates for similar types of debt using undiscounted cash flow analyses. The fair value of the long-term debt at September 30, 2010 and 2009 is \$53.0 million and \$53.2 million.

14. Subsequent Events

The Hospital adopted ASC 855-10, which requires the Hospital to disclose the date through which subsequent events have been evaluated. Management has evaluated subsequent events through January 27, 2011, which is the date the consolidated financial statements were available to be issued. No events other than those disclosed in Note 7 have occurred that require disclosure or adjustment to the financial statements.

Report of Independent Auditors on Other Financial Information

Board of Directors
Bridgeport Hospital

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

Ernst & Young LLP

January 27, 2011

Bridgeport Hospital

Schedule of Net Patient Service Revenue

Year Ended September 30, 2010
(In Thousands)

Gross revenue from patients	\$ 1,185,590
Deductions:	
Contractual allowances	802,426
Charity care and free care	<u>24,102</u>
Net patient service revenue	<u><u>\$ 359,062</u></u>