Bristol Hospital and Health Care Group

Independent Auditors' Report,
Consolidated Financial Statements and
Supplemental Information

As of and for the Years Ended
September 30, 2010 and 2009

Saslow Lufkin & Buggy, LLP
Certified Public Accountants and Consultants

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Saslow Lufkin & Buggy, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

To the Board of Directors of
Bristol Hospital and Health Care Group:

We have audited the accompanying consolidated balance sheets of Bristol Hospital and Health Care Group (the Corporation) a not-for-profit, non-stock corporation, as of September 30, 2010 and 2009, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bristol Hospital and Health Care Group as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary consolidating information listed in the Table of Contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and changes in net assets of the individual entities. However, the supplementary consolidating information has been subjected to the auditing procedures applied in the audit 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.

Saslow Lufkin & Buggy, LLP

December 21, 2010

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Bristol Hospital and Health Care Group
Consolidated Balance Sheets
September 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ **11,995,841**	$ 9,348,912
Short-term investments	**96,165**	96,062
Accounts receivable, less allowance for doubtful accounts of $6,917,556 (2010) and $6,027,359 (2009)	**18,907,341**	19,948,367
Other receivables	**1,902,570**	2,020,583
Inventories	**1,474,469**	1,680,523
Prepaid expenses	**1,016,410**	1,370,429
Debt service funds	**650,669**	881,487
Total current assets	**36,043,465**	35,346,363
Assets limited as to use:		
Funds held for malpractice self insurance fund	**6,461,527**	6,973,966
Board designated investments	**6,444,079**	5,803,094
Other investments held by Foundation	**1,605,640**	1,178,197
Beneficial interest in assets held in trust by others	**2,840,135**	2,730,963
Funds held under bond indenture agreements	**2,506,470**	2,510,609
Donor restricted investments	**3,823,956**	3,823,956
Total assets limited as to use	**23,681,807**	23,020,785
Other assets:		
Long-term investments	**6,220,475**	5,552,518
Unamortized bond finance costs	**1,421,309**	1,499,711
Investment in joint ventures	**1,264,054**	1,369,065
Deferred expenses and other assets	**386,232**	210,907
Total other assets	**9,292,070**	8,632,201
Property, plant and equipment:		
Land and land improvements	**4,696,754**	4,566,536
Buildings	**66,055,986**	63,669,687
Fixtures and equipment	**71,020,623**	67,971,193
Construction in progress	**2,656,646**	807,258
	144,430,009	137,014,674
Less: accumulated depreciation	**(102,951,387)**	(97,781,638)
	41,478,622	39,233,036
Total assets	$ **110,495,964**	$ 106,232,385
Liabilities and Net Assets		
Current liabilities:		
Trade accounts payable	$ **10,417,635**	$ 8,490,126
Accrued payroll and other related expenses	**7,522,197**	6,710,068
Estimated settlements due to third-party payers	**327,508**	971,897
Accrued interest payable	**415,973**	424,961
Advanced payments on patient accounts	**717,090**	754,870
Borrowings on line of credit and demand loan	**3,771,110**	6,750,000
Current portion of long-term debt	**1,205,056**	1,346,193
Total current liabilities	**24,376,569**	25,448,115
Other liabilities:		
Other accrued liabilities	**8,621,848**	9,488,573
Long-term debt, less current portion	**32,639,388**	33,100,090
Accrued postretirement benefit liability	**6,148,004**	5,588,773
Asset retirement obligation	**2,026,281**	1,936,281
Accrued pension liability	**25,355,098**	21,959,738
Total liabilities	**99,167,188**	97,521,570
Net assets:		
Unrestricted	**2,731,601**	1,045,617
Temporarily restricted	**1,933,084**	1,110,279
Permanently restricted	**6,664,091**	6,554,919
Total net assets	**11,328,776**	8,710,815
Total liabilities and net assets	$ **110,495,964**	$ 106,232,385

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

Bristol Hospital and Health Care Group
Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Net patient service revenues	**$ 154,929,658**	$ 151,791,899
Other operating revenues	**6,532,739**	5,576,447
Total operating revenues	**161,462,397**	157,368,346
Operating expenses:		
Salaries, wages and fees	**76,429,436**	76,902,455
Supplies and other expenses	**64,046,049**	62,058,099
Bad debt expense, net	**12,199,961**	10,609,543
Depreciation and amortization	**5,850,296**	5,945,345
Interest expense	**2,012,629**	2,235,998
Total operating expenses	**160,538,371**	157,751,440
Gain (loss) from operations	**924,026**	(383,094)
Non-operating income:		
Other non-operating income	**646,372**	390,865
Total non-operating income	**646,372**	390,865
Excess of revenue over expenses	**$ 1,570,398**	$ 7,771

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

Bristol Hospital and Health Care Group
Consolidated Statements of Operations and Changes in Net Assets (continued)
For the Years Ended September 30, 2010 and 2009

	2010	2009
Unrestricted net assets:		
Excess of revenues over expenses	**$ 1,570,398**	$ 7,771
Net assets released from restrictions for capital acquisitions	**709,254**	1,292,577
Net unrealized losses (gains) on investments	**1,767,684**	(703,636)
Pension changes in joint ventures	**(69,493)**	(131,800)
Contributions for capital acquisitions	**200,000**	-
Pension changes other than net periodic benefit costs	**(1,945,671)**	(18,686,911)
Changes in postretirement health and welfare benefits other than net periodic benefit costs	**(546,188)**	(755,326)
Change in unrestricted net assets	**1,685,984**	(18,977,325)
Temporarily restricted net assets:		
Contributions received	**1,439,343**	676,458
Net realized and unrealized gains on investments	**92,716**	-
Net assets released from restrictions	**(709,254)**	(1,292,577)
Change in temporarily restricted net assets	**822,805**	(616,119)
Permanently restricted net assets:		
Change in assets held in trust by others	**109,172**	(87,346)
Change in permanently restricted net assets	**109,172**	(87,346)
Change in net assets	**2,617,961**	(19,680,790)
Net assets, beginning of year	**8,710,815**	28,391,605
Net assets, end of year	**$ 11,328,776**	$ 8,710,815

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

Bristol Hospital and Health Care Group
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	**$ 2,617,961**	$ (19,680,790)
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation and amortization	**5,850,296**	5,945,345
Bad debt expense, net	**12,199,961**	10,609,543
Change in assets held in trust by others	**(109,172)**	87,346
Loss (gain) on disposal of equipment	**3,749**	(6,334)
Net realized and unrealized (gains) losses on investments	**(1,860,400)**	652,138
Grant expenditures for capital improvements	**-**	1,236,524
Changes in assets and liabilities:		
Accounts receivable	**(11,158,935)**	(10,326,606)
Other receivables	**118,013**	(318,943)
Inventories	**206,054**	(425,948)
Prepaid expenses	**354,019**	62,960
Debt service funds	**230,818**	(302,763)
Deferred expenses and other assets	**(175,325)**	3,198
Trade accounts payable	**1,927,509**	(213,347)
Accrued payroll and other related expenses	**812,129**	(796,120)
Estimated settlements to third-party payers	**(644,389)**	577,661
Accrued interest payable	**(8,988)**	(8,453)
Advanced payments on patient accounts	**(37,780)**	146,528
Other accrued liabilities	**(866,725)**	4,097,731
Accrued postretirement benefit liability	**559,231**	772,825
Asset retirement obligation	**90,000**	90,000
Accrued pension liability	**3,395,360**	19,176,520
Net cash provided by operating activities	**13,503,386**	11,379,015
Cash flows from investing activities:		
Additions to property, plant and equipment	**(8,021,229)**	(2,949,656)
Purchases of investments	**(154,480)**	(509,065)
Change in investments in joint ventures	**105,011**	1,516,296
Change in funds held for malpractice self insurance fund, net	**790,831**	(6,973,966)
Change in funds held under bond indenture	**4,139**	3,211,025
Net cash used in investing activities	**(7,275,728)**	(5,705,366)
Cash flows from financing activities:		
Grants received for capital improvements	**-**	(1,236,524)
Repayment of long-term debt and capital lease obligations	**(601,839)**	(1,749,238)
Net (payments) proceeds from line of credit and demand loan	**(2,978,890)**	500,000
Net cash used in financing activities	**(3,580,729)**	(2,485,762)
Change in cash and cash equivalents	**2,646,929**	3,187,887
Cash and cash equivalents at beginning of year	**9,348,912**	6,161,025
Cash and cash equivalents at end of year	**$ 11,995,841**	$ 9,348,912

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

Note 1 - General

Organization **-** Bristol Hospital and Health Care Group (BHHCG or the Corporation) is the sole member of Bristol Hospital Development Foundation, Inc. (BHDF or the Foundation), Bristol Hospital, Incorporated (the Hospital), Bristol Health Care, Inc. and Subsidiary (BHC) and Bristol Health Services (BHS). BHS is the holding company for Central Connecticut Medical Management, Inc. (CCMM) and Bristol Hospital EMS, LLC (EMS). EMS provides ambulance services to the Greater Bristol area. BHC operates Ingraham Manor, which is a skilled nursing facility.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation **-** The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. In 2010, the Hospital established HG Property Holdings, LLC (HG). HG is a real estate holding company and currently owns two properties acquired by the Hospital in 2010. The accounts of HG have been included within the Hospital statements.

Basis of Presentation **-** The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Since the adoption of the Codification in 2009, the FASB issues any new authoritative accounting standards in the form of Accounting Standards Updates (ASU's).

New Accounting Pronouncements **-** In January 2010, the FASB issued FASB ASU 2010-06, which clarifies certain existing fair value measurement disclosure requirements of FASB ASC 820-10 and also requires additional fair value measurement disclosures. The new disclosures relate to transfers in and out of Level 1 and 2 investments, and disclosures about inputs and valuation techniques. The disclosures regarding transfers in and out of Level 1 and 2 investments, and clarifications to existing disclosures are effective for interim and annual periods beginning after December 15, 2009. The disclosures of Level 3 investment roll-forward activity on a gross basis are effective for fiscal years beginning after December 15, 2010. The Corporation is currently evaluating the impact of these disclosures on its consolidated financial statements.

In December 2008, the FASB issued additional authoritative guidance regarding an employer's disclosures about postretirement benefit plan assets, currently included in FASB ASC 715 (formerly FASB Staff Position FAS 132(R) - 1, *Employers' Disclosures about Postretirement Benefit Plan Assets*). This guidance requires disclosure about the major classes of postretirement benefit plan assets, including a description of the inputs and valuation techniques used to measure those assets and the designation of such assets by level; how investment allocation decisions are made; the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and significant concentrations of risk within plan assets. See Note 9 for these additional disclosures for the year ended September 30, 2010. The adoption of this guidance did not have a significant impact on the Corporations' consolidated financial statements for the year ended September 30, 2010.

Note 2 - Summary of Significant Accounting Policies (continued)

In September 2009, the FASB released ASU 2009-12, which includes guidance on fair value measurements and disclosures relating to investments that calculate net asset value (NAV) per share (or its equivalent). The guidance permits, as a practical expedient, an entity holding investments in certain entities that calculate NAV per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. The guidance also requires disclosure of the attributes of investments within the scope of the guidance by major category of investment. Such disclosures include the nature of any restrictions on an investor’s ability to redeem its investments at the measurement date, any unfunded commitments and the investment strategies of the investee. The guidance is effective for interim and annual periods ending after December 15, 2009. The Corporation has adopted this guidance effective with the issuance of its September 30, 2010 consolidated financial statements.

In August 2010, the FASB issued ASU 2010-23, which is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care, and requires disclosure of the method used to identify or determine such costs. This ASU is effective for the Corporation on October 1, 2011. The Corporation is currently evaluating the impact on its disclosures from the adoption of this pronouncement.

In August 2010, the FASB issued ASU 2010-24, which clarifies that a health care entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. This ASU is effective for the Corporation on October 1, 2011. The Corporation is currently evaluating the impact on its financial position and results of operations from the adoption of this pronouncement.

Use of Estimates **-** The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also impact the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Corporation’s significant estimates relate to allowance for doubtful accounts and contractual allowances on patient accounts receivable, valuation of investments, estimated settlements due to third-party payers, reserves for self insurance liabilities and the pension and other postretirement employee benefit plan liability assumptions.

Regulatory Matters **-** The Corporation is required to file annual operating information with the State of Connecticut Office of Health Care Access (OHCA).

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents **-** The Corporation considers all highly liquid investments with maturities of 90 days or less at the date of purchase to be cash equivalents. Cash and cash equivalents are maintained primarily with two banks including one investment bank sponsored money market fund. From time to time, the Corporation maintains cash balances in excess of the Federal Deposit Insurance Commission (FDIC) limit. The FDIC insures cash balances up to $250,000 per depositor, per bank. In addition, FDIC coverage for balances in non-interest bearing transaction deposit accounts is unlimited if the bank elects to participate. Cash amounts in excess of the FDIC limits are uninsured. It is the Corporation's policy to monitor the banks' financial strength on an ongoing basis.

Money market funds are not insured by the FDIC and are not a risk-free investment. Money market funds invest in a variety of instruments including mortgage-backed and asset-backed securities. Although a money market fund seeks to preserve its $1 per share value, it is possible that a money market fund's value can decrease below $1 per share. It is the Corporation's policy to monitor the banks' financial strength on an ongoing basis.

Assets Limited as to Use **-** Assets limited as to use primarily include assets held by trustees under indenture agreements, investments held in escrow under borrowing arrangements, investments held by BHDF, assets held in trust by others and designated assets set aside by the Board of Directors for future capital improvements, over which the Board of Directors retains control and interest in net assets of BHDF, and may, at its discretion, subsequently use for other purposes.

Inventories **-** Inventories are stated at the lower of cost or market, determined by the first-in, first-out (FIFO) method.

Investments **-** The Corporation accounts for its investments in accordance with FASB ASC 320, *"Investments - Debt and Equity Securities."* Short-term investments and investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses, unless the income is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess of revenues over expenses.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The average cost method is used to determine realized gains and losses on sales of marketable securities.

Other Than Temporary Impairment of Investments **-** The Corporation accounts for other than temporary impairments in accordance with FASB ASC 320. When a decline in fair market value is deemed to be other than temporary, a provision for impairment is charged to earnings, included in non-operating income, and the cost basis of that investment is reduced.

Note 2 - Summary of Significant Accounting Policies (continued)

The Corporation's management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in a unrealized loss position, extent to which the fair value is less than cost, the financial condition and near term prospects of the issuer and the Corporation's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

No impairment losses were recognized in 2010 and 2009.

Investments in Joint Ventures **-** The Corporation has invested in the following joint ventures and limited liability companies, which are accounted under the equity method of accounting.

	Ownership Percentage
Bristol MSO, LLC	50.00%
MedWorks, LLC	49.00%
Connecticut Occupational Medical Partners	33.00%
MedConn Collection Agency	20.00%
Collaborative Laboratory Services	20.00%
Total Laundry Collaborative, LLC	16.30%
Central Connecticut Endoscopy Center	6.50%
Health Connecticut, LLC	4.50%

Investments in limited liability companies are accounted for using the equity method in accordance with FASB ASC 323, "*Investments - Equity Method and Joint Ventures*," in instances where the limited partner's interest is more than minor (3-5%).

Donor Restricted Gifts and Pledges Receivable **-** Unconditional promises to give cash and other assets to the Corporation and its subsidiaries 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 is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Unconditional promises to give are recorded as pledges receivable and are included with other receivables on the consolidated balance sheets. As of September 30, 2010 and 2009, pledges receivable included in other receivables were approximately $850,000 and $985,000, respectively.

When a donor restriction expires, that is; when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets, as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations and changes in net assets.

Assets Held in Trust by Others **-** The Corporation has been named sole or participating beneficiary in several perpetual trusts. Under the terms of these trusts, the Corporation has the irrevocable right to receive the income earned on the trust assets in perpetuity. The estimated present value of the future payments to the Corporation is recorded at the fair value of the assets held in the trust by others.

Note 2 - Summary of Significant Accounting Policies (continued)

Board Restricted Endowment - As of September 30, 2010 and 2009, the Corporation has $6,444,079 and $5,803,294, respectively, of unrestricted investments, which have been restricted by the Board of Directors of BHHCG and are not available for use without the approval of the Board of Directors.

Bond Financing Costs - Costs incurred with debt financings are capitalized and are being amortized on a straight-line basis over the life of the debt. Amortization expense on bond financing costs was $78,402 and $80,064, for the years ended September 30, 2010 and 2009, respectively.

Property, Plant and Equipment - Property, plant and equipment is recorded at cost or, if received as a donation, at the fair value on the date received. The Corporation and its subsidiaries provide for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their useful lives. Useful lives assigned to assets are as follows: land improvements - 2 to 25 years; leasehold improvements - 15 to 20 years; buildings - 15 to 40 years; and equipment - 5 to 20 years.

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those whose use by the Corporation have been limited by donors to a specific time period or purpose. Temporarily restricted net assets consist primarily of contributions for capital improvements and health care services. Permanently restricted net assets, which are primarily endowment gifts and assets held in trust by others, have been restricted by donors to be maintained in perpetuity (see Note 6). Both temporarily and permanently restricted net assets also consist of contributions held by the Foundation for capital improvements and healthcare services for the benefit of the Corporation.

Excess of Revenues Over Expenses - The statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for purposes of acquiring such assets).

For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as operating revenues and expenses. Investment interest income and income (loss) generated on equity investments are considered non-operating activities.

Income Taxes - The Corporation 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 income taxes on related income pursuant to Section 501(a) of the Code.

Note 2 - Summary of Significant Accounting Policies (continued)

The Corporation accounts for uncertain tax positions with provisions of FASB ASC 740 "*Income Taxes*" (FASB ASC 740), which provides a framework for how companies should recognize, measure, present and disclose uncertain tax positions within the financial statements. With these changes, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Corporation does not have any uncertain tax positions as of September 30, 2010 and 2009. As of September 30, 2010 and 2009, the Corporation did not record any penalties or interest associated with uncertain tax positions.

***Subsequent Events* -** Subsequent events have been evaluated through December 21, 2010, which is the date the consolidated financial statements were available to be issued. Management believes there are no subsequent events having a material impact on the consolidated financial statements.

***Reclassifications* -** Certain reclassifications to the 2009 financial statements have been made in order to conform to the 2010 presentation. Such reclassifications did not have a material effect on the financial statements.

Note 3 - Revenues from Services to Patients and Charity Care

The following reconciles gross patient service revenues to net patient service revenues:

	2010	2009
Gross revenues from service to patients	**$ 403,084,250**	$ 396,364,698
Deductions and exclusions:		
Allowances	**247,296,484**	243,420,687
State provider tax	**599,005**	593,229
Charity care	**259,103**	558,883
Net revenues from service to patients	**$ 154,929,658**	$ 151,791,899

Patient revenues and accounts receivable are recorded when patient services are performed. Amounts received from most payers are different from established billing rates, and these differences are accounted for as contractual allowances.

Net patient service revenues are reported at the estimated realizable amounts from patients, third-party payers and others for services rendered. Revenue under third-party payer agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payer settlements and adjustments are estimated in the period the related services are rendered and adjusted in future periods as final settlements are determined. During 2010 and 2009, approximately 38% and 35% of net service revenues was received under the Medicare program, respectively, and 14% and 13% under the State Medicaid program, respectively.

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

Inpatient acute care services rendered to Medicare program recipients are paid at prospectively determined rates per discharge varying according to the intensity of services required. Inpatient acute care services are paid based on diagnosis-related groups (DRG) and inpatient rehabilitation services are paid based on case mix groups (CMG). Outpatient services are reimbursed by Medicare on an ambulatory payment classification (APC) basis and fee screens. Hospital claims for reimbursement are subject to review and audit. The Hospital's Medicare cost reports have been settled with the Medicare fiscal intermediary through 2006.

Inpatient Medicaid reimbursement through the Connecticut Department of Social Services (DSS) is reimbursed on a per diem basis with settlement cost reports based on discharges filed in the subsequent fiscal year. Outpatient activity through DSS is reimbursed based on fee schedules in effect at the time the service is provided. Managed Medicaid services are reimbursed according to per diems and fee schedules in place at the time the service is provided.

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

BHC recognizes net patient service revenue based on Resource Utilization Groups for patients covered by the Medicare program and based on per diem rates for patients covered by the State Medicaid program.

The Corporation accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to established policies. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's ability to pay, generally recognized annual poverty income guidelines published in the Federal Register are utilized, but also included are certain cases where incurred charges are significant when compared to income. For the years ended September 30, 2010 and 2009, the Corporation granted charity care of $259,103 and $558,883 in charges, respectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and reductions of funding levels could have an adverse impact on the Corporation.

Contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Note 4 - Investments

The Corporation has investments carried on the consolidated balance sheets within assets held in trust under bond indenture agreements related to financing activities with the State of Connecticut Health and Educational Facilities Authority (CHEFA or the Authority), funds held within a malpractice self insurance fund, assets held in trust by others, board designated investments, long-term investments and temporary and permanently donor restricted investments. Cost and fair values of investments as of September 30, 2010 and 2009 are summarized as follows:

	2010	2009
Debt Service Funds:		
U.S. Treasury obligations (cost approximates fair value)	**$ 650,669**	$ 881,487
Assets Limited as to Use:		
Board designated for plant improvement and other uses:		
Cash	**$ 407,613**	$ 406,707
Mutual funds (cost: 2010 - $7,113,581 / 2009 - $7,060,281)	**6,036,466**	5,396,387
Total	**$ 6,444,079**	$ 5,803,094
Held for malpractice self insurance fund:		
Cash and money market funds	**$ 96,190**	$ 6,973,966
Equity mutual funds (cost: 2010 - $1,950,245)	**2,090,615**	-
Fixed income mutual funds (cost: 2010 - $4,139,628)	**4,274,722**	-
Total	**$ 6,461,527**	$ 6,973,966
Held by trustee under bond indenture agreement:		
U.S. Treasury obligations (cost approximates fair value)	**$ 2,506,470**	$ 2,510,609
Other investments held by Foundation:		
Cash and money market funds	**$ 391,147**	$ 370,181
Mutual funds (cost: 2010 - $1,527,801 / 2009 - $1,214,029)	**1,214,493**	808,016
Total	**$ 1,605,640**	$ 1,178,197
Donor restricted investments:		
Mutual funds (cost: 2010 - $4,387,920 / 2009 - $4,673,853)	**$ 3,823,956**	$ 3,823,956
Beneficial interest in assets held in trust by others	**$ 2,840,135**	$ 2,730,963

Note 4 - Investments (continued)

	2010	2009
Long-term Investments:		
Cash and interest bearing accounts	**$ 441,756**	$ 442,776
Mutual funds (cost: 2010 - $6,255,239 / 2009 - $6,205,807)	**5,778,719**	5,109,742
Total	**$ 6,220,475**	$ 5,552,518

Beneficial interest assets held in trust by others of $2,840,135 and $2,730,963, as of September 30, 2010 and 2009, respectively, are held by bank trustees and are not under the Corporation's investment control. These assets are invested within diversified portfolios.

The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of September 30, 2010 and 2009:

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
As of September 30, 2010:						
Mutual funds	$ -	$ -	$ 16,544,300	$ (2,454,078)	$ 16,544,300	$ (2,454,078)
As of September 30, 2009:						
Mutual funds	$ 418,098	$ (65,938)	$ 14,505,290	$ (3,913,051)	$ 14,923,388	$ (3,978,989)

There were no other than temporary impairments on investments recorded in 2010 and 2009.

In 2010 and 2009, the unrealized losses for greater than one year relate to 16 individual holdings in mutual fund investments, respectively. In 2010, there were no unrealized losses on securities for less than one year. In 2009, the unrealized losses for less than one year relate to 2 individual holdings in mutual fund investments. All unrealized losses on these securities are considered to be a result of the stock market environment and management believes these unrealized losses were deemed not to be other than temporarily impaired based on the guidance provided by FASB ASC 320.

Interest and dividend income and realized gains (losses) on investments are included in non-operating income. See Note 15.

Note 5 - Fair Value of Financial Instruments

FASB ASC 820, "*Fair Value Measurements and Disclosures,*" provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Note 5 - Fair Value of Financial Instruments (continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 **-** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has specified (contractual) terms, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement.

The following table presents the financial instruments, carried at fair value, as of September 30, 2010 and 2009, by the valuation hierarchy. These tables include assets limited as to use and long-term investments.

2010	**Level 1**	**Level 2**	**Level 3**
Assets:			
Cash and cash equivalents	$ 1,541,423	$ -	$ -
Equities:			
U.S. large cap	9,911,709	-	-
U.S. mid cap	3,267,679	-	-
U.S. small cap	2,270,783	-	-
Internationally developed	3,210,411	-	-
Fixed Income:			
U.S. treasury obligations	-	3,157,139	-
Taxable fixed income mutual funds	-	2,136,271	-
Closed-end fixed income mutual funds	-	2,217,400	-
	20,202,005	7,510,810	-
Beneficial interest in assets held in trust by others	-	-	2,840,135
Total	$ 20,202,005	$ 7,510,810	$ 2,840,135

Note 5 - Fair Value of Financial Instruments (continued)

The following table presents the financial instruments carried at fair value as of September 30, 2009 by valuation hierarchy.

2009	Level 1	Level 2	Level 3
Assets:			
Cash and cash equivalents	$ 8,398,303	$ -	$ -
Equities:			
U.S. large cap	7,911,435	-	-
U.S. mid cap	2,663,810	-	-
U.S. small cap	1,891,309	-	-
Internationally developed	2,388,799	-	-
Fixed Income:			
U.S. treasury obligations	-	3,392,096	-
Taxable fixed income mutual funds	-	78,063	-
	23,253,656	3,470,159	-
Beneficial interest in assets held in trust by others	-	-	2,730,963
Total	$ 23,253,656	$ 3,470,159	$ 2,730,963

A rollforward of the amounts of investments classified as Level 3, within the fair value hierarchy, are as follows.

	Beneficial Interest in Assets Held in Trust by Others
Balance as of October 1, 2008	$ 2,818,309
Net change in market value	(87,346)
Balance as of September 30, 2009	2,730,963
Net change in market value	109,172
Balance as of September 30, 2010	$ 2,840,135

Note 5 - Fair Value of Financial Instruments (continued)

Where applicable, the Corporation uses quoted prices in active markets for identical assets and liabilities to determine fair value (Level 1 inputs). This pricing methodology applies to equity mutual funds and cash equivalents. The Level 1 classifications related to Hospital's pension plan assets (Note 9) include equity and certain fixed income mutual funds.

If quoted prices in active markets for identical assets and liabilities are not available, then quoted prices for similar assets and liabilities, quoted prices for identical assets or liabilities in inactive market or inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, will be used to determine fair value (Level 2 inputs). The Level 2 classifications included U.S. Treasury obligations and fixed income mutual funds. The Level 2 classifications related to the Hospital's pension plan assets (Note 9) include certain money market funds and a stable value fund classified as an equity mutual fund. These assets are valued based on yields and prices currently available on comparable securities of similar issuers with similar credit ratings.

Assets and liabilities that are valued using significant unobservable inputs, such as extrapolated data, proprietary models, or indicative quotes that cannot be corroborated with market data are classified in Level 3 within the fair value hierarchy. The Level 3 classifications include beneficial assets held in trust by others. This asset is held by a bank trustee and the investment methodology is not under the Corporation's control.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation 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 fair value measurement at the reporting date.

As of September 30, 2010 and 2009, the Corporation's other financial instruments include cash and cash equivalents, accounts payable, accrued expenses, estimated settlements due to third-party payers and long-term debt. The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate their fair value.

Note 6 - Endowment and Net Assets

Temporarily restricted net assets, as of September 30, 2010 and 2009 are available for the following purposes:

	2010	2009
State Hospital grant (cash and cash equivalents)	**$ 413,557**	$ 413,557
Healthcare services	**1,519,527**	696,722
Total	**$ 1,933,084**	$ 1,110,279

Note 6 - Endowment and Net Assets (continued)

Permanently restricted net assets, as of September 30, 2010 and 2009, are available for the following purposes:

	2010	2009
Held in perpetuity, income restricted for healthcare services	**$ 3,823,956**	$ 3,823,956
Assets held in trust by others	**2,840,135**	2,730,963
Total	**$ 6,664,091**	$ 6,554,919

The Corporation's endowment and restricted net assets consist of multiple funds established for a variety of purposes. These funds include both donor restricted endowment funds, funds designated by the Board of Directors to function as endowments and funds held in trust by others. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

The Corporation has interpreted the relevant laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation during its annual budgeting process.

The Corporation 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 Corporation 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 Corporation; and (7) the investment policies of the Corporation.

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a reasonably stable and predictable stream of earnings to support the operations of the endowments and to preserve and enhance over time the real value of the endowment assets.

The Board of Directors is responsible for defining and reviewing the investment policies to determine an appropriate long-term asset allocation policy. The asset allocation policy reflects the objective with allocations structured for capital growth and inflation protection over the long-term.

To satisfy its long-term rate-of-return objectives, the Corporation 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). BHHCG targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 6 - Endowment and Net Assets (continued)

During its annual budgeting process, the Corporation appropriates donor restricted endowment funds for expenditure in accordance with donor purpose and time restrictions. The Corporation has appropriated $709,254 and $1,292,577 of funds for expenditure from its temporarily restricted endowment funds for the year ended September 30, 2010 and 2009, respectively. The Corporation appropriated $13,000 and $958,093 of funds for expenditure from the Corporation's Board restricted endowment funds for the years ended September 30, 2010 and 2009. The Board restricted endowment funds are being held for long-term growth and to maintain capital reserves for the Corporation.

Changes in net assets for endowments for the year ended September 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at October 1, 2009	$ 5,122,122	$ 1,110,279	$ 6,554,919	$ 12,787,320
Investment return:				
Investment income	67,530	-	-	67,530
Net change in market value	902,936	92,716	109,172	1,104,824
Contributions	-	1,439,343	-	1,439,343
Expenditures	(13,000)	(709,254)	-	(722,254)
Balance at September 30, 2010	$ 6,079,588	$ 1,933,084	$ 6,664,091	$ 14,676,763

Changes in net assets for endowments for the year ended September 30, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at October 1, 2008	$ 6,544,349	$ 1,726,398	$ 6,642,265	$ 14,913,012
Investment return:				
Investment income	68,746	-	-	68,746
Net change in market value	(539,931)	-	(87,346)	(627,277)
Contributions	7,051	676,458	-	683,509
Expenditures	(958,093)	(1,292,577)	-	(2,250,670)
Balance at September 30, 2009	$ 5,122,122	$ 1,110,279	$ 6,554,919	$ 12,787,320

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or relevant law requires the Corporation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of September 30, 2010 and 2009, the Corporation had donor restricted investments below the amount required to be held in perpetuity. Therefore, unrestricted net assets have been reduced by $364,491 and $680,972 as of September 30, 2010 and 2009, respectively.

Note 7 - Leases

The Corporation and its subsidiaries lease property and equipment under non-cancelable operating leases that expire in various years through fiscal year 2015. Certain leases may be renewed at the end of their term. Future minimum payments under non-cancelable operating leases with initial terms of one year or more consisted of the following as of September 30, 2010:

2011	$	940,000
2012		900,000
2013		795,000
2014		611,000
2015		463,000
Total	$	3,709,000

Rental expense was approximately $1,836,000 and $1,750,000 for the years ended September 30, 2010 and 2009, respectively.

Note 8 - Long-Term Debt

On January 1, 2002, CHEFA issued $38,000,000 of Series B Bonds (the Series B Bonds or Bonds) on behalf of BHHCG, the Hospital, BHC, EMS and BHDF (collectively referred to as the "Obligated Group" under the Series B Bonds). The Series B Bonds mature serially from 2002 through 2032 with annual interest rates ranging from 3 to 5.5 percent. The Loan Agreement with the Authority and the Trust Indenture for the Series B Bonds contain certain covenants that require the Obligated Group to maintain a debt service coverage ratio of at least 1.25 at each fiscal year end and to maintain days cash on hand of at least 70 days at each June 30 and December 31.

In 2006 and 2007, the Obligated Group did not meet certain covenants. As a result, in 2007, the Obligated Group entered into a forbearance agreement with the bond insurer. The forbearance agreement changed the days cash on hand measurement period from each December 31 and June 30 to each March 31 and September 30, beginning September 30, 2007. In addition, the forbearance agreement reduced the required number of days cash on hand to 40 days at September 30, 2007, reverting gradually back to 70 days on March 31, 2011 and thereafter. The forbearance agreement also limits additional long-term indebtedness based on certain debt service coverage ratios, as defined.

In connection with the forbearance agreement, the Obligated Group was required to deposit $2,678,000 into a separate debt service reserve fund as well as amend the Series B Loan Agreement to conform to the terms and conditions of the forbearance agreement. In 2009, the required separate debt service reserve fund was returned and no longer required based on conditions of the forbearance agreement being met.

Note 8 - Long-Term Debt (continued)

In January 2008, the CHEFA Loan Agreement and related Trust Indenture were amended. The amended agreement requires the debt service coverage ratio to be not less than 1.35 to 1 and the days cash on hand to be not less than 60 days (2010) and 50 days (2009). The Obligated Group, for the years ended September 30, 2010 and 2009, is in compliance with the terms of the forbearance agreement and the amended Series B Loan agreement and Trust Indenture.

Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series B Bonds. The Bonds have been allocated to the Hospital and BHC and as such, the Hospital and BHC will make future debt service payments as required under the terms of the Bonds. As collateral for payment of the Series B Bonds, the Authority has assigned and pledged to the Trustee the payments to be made by the Hospital and BHC under their respective agreements.

The Hospital and BHC have recorded their respective portions of the Bonds with BHC receiving 56.3% of all bonds maturing through fiscal year 2020 and the Hospital receiving 43.7% of all bonds maturing through fiscal year 2020 along with the remaining 100% of the Bonds maturing through fiscal year 2032.

Below is a summary of the Hospital's and BHC's annual principal payments due as of September 30, 2010:

	Bristol Hospital, Incorporated	Bristol Health Care, Inc. and Subsidiary	Total Obligated Group
Year Ending September 30:			
2011	$ 351,785	$ 453,215	$ 805,000
2012	367,080	472,920	840,000
2013	388,930	501,070	890,000
2014	408,595	526,405	935,000
2015	430,445	554,555	985,000
Thereafter	22,626,155	3,273,845	25,900,000
	24,572,990	5,782,010	30,355,000
Less: portion classified as current	351,785	453,215	805,000
	24,221,205	5,328,795	29,550,000
Less: discount	372,592	42,275	414,867
Adjustment to record debt at fair value (Note 16)	842,569	-	842,569
Total	$ 24,691,182	$ 5,286,520	$ 29,977,702

Note 8 - Long-Term Debt (continued)

In 2009, the Hospital had a $6,000,000 line of credit, which was due to expire on March 31, 2010. Advances outstanding on the line at September 30, 2009 were $5,700,000. In 2010, the Hospital amended the agreement, reducing the line of credit from $6,000,000 to $4,750,000, with an additional term loan of $1,000,000. The term loan requires monthly principal payments of $20,833 beginning on November 30, 2009 through October 31, 2010, with any unpaid balance including interest, fees and other charges due on October 31, 2010. Interest on both facilities is payable at either the existing prime rate plus 2.00% or the LIBOR rate plus 3.50%. Advances outstanding on the line of credit as of September 30, 2010 was $3,000,000. The balance outstanding on the term loan as of September 30, 2010 was $771,110. The term loan and line of credit were extended to October 31, 2011 and the line of credit was reduced to $4,250,000. The agreement requires the Hospital to maintain, at each quarter end, a debt service coverage ratio of 1.25 and days cash on hand of at least 35 days at December 31, 2009, at least 40 days at March 31, 2010 and June 30, 2010 and at least 45 days at September 30, 2010.

On December 1, 2004, the Authority and the Hospital entered into a debt agreement with GE Capital Public Finance, Inc. for title purchase of equipment. As part of the agreement, the Hospital received $3,300,000, for which the unused portion is to be held in trust until used. The term of the debt was for five years with an interest rate of 3.97%. The balance outstanding as of September 30, 2009 was $240,950, and was collateralized by the purchased equipment.

On May 28, 2004, the Hospital purchased a building in Bristol, Connecticut, which was subsequently leased to EMS. As part of the purchase, the Hospital obtained a mortgage in the amount of $350,000. The term of the mortgage is for 30 years. The initial interest rate is 5.00%, fixed for five years, then changing on each fifth year anniversary to the prevailing commercial interest rate less 1.00%. The balance outstanding as of September 30, 2010 and 2009 is $312,490 and $319,228, respectively.

In 2009, the Hospital had a $550,000 bank demand loan with a maturity date of March 27, 2010. Outstanding advances on the line as of September 30, 2009 was $550,000. Interest was payable monthly at the existing prime rate, 4.25% as of September 30, 2009. The demand loan expired in fiscal year 2010 and was not renewed.

In 2009, the Hospital had a $500,000 drawdown on a second bank line of credit. Interest was payable monthly on the amount at 4.00%. The outstanding balance on this line as of September 30, 2009 was $500,000. The Hospital paid down this line in 2010.

On July 24, 2007, the Hospital financed an existing building for $1,400,000. The term of the mortgage note is for twenty years. The initial interest rate is 6.38%, fixed for five years, and then changing on each fifth year anniversary to the then current interest rate paid on the FHLB Five Year Classic Advance Rate plus 1.25%. The balance outstanding as of September 30, 2010 and 2009 is $1,280,082 and $1,318,876, respectively.

On August 17, 2007, the Hospital entered into a debt agreement with GE Health Care Financial Services in the amount of $1,461,729 for the purchase of equipment. The term of the debt is for five years with a rate of 4.35%. The balance outstanding as of September 30, 2010 and 2009 is $619,170 and $911,831, respectively and is collateralized by the purchased equipment.

Note 8 - Long-Term Debt (continued)

On July 16, 2010, the Hospital entered into a commercial mortgage loan with New England Bank in the amount of $850,000 as part of a purchase and refinance of a medical office building. The term of the mortgage is for fifteen years. Initial monthly payments on the loan for the first five years are $7,173 and are subject to change based on the following adjustment to the interest rate. The initial interest rate is 6%, fixed for five years, and then changing on each fifth year anniversary to the then current FHLB Classic Advance Rate plus 2.50 %. The full amount, $850,000 is outstanding as of September 30, 2010.

As of September 30, 2010 and 2009, the Hospital is in compliance with all financial covenants related to previously noted debt.

Below is a summary of the Corporation's annual principal payments due subsequent to September 30, 2010 of the long-term debt described above:

2011	$	1,205,056
2012		1,238,608
2013		989,258
2014		1,040,872
2015		1,097,460
Thereafter		27,845,488
Total	$	33,416,742

Interest paid for the years ended September 30, 2010 and 2009 was $2,126,356 and $2,253,264 respectively.

Note 9 - Pension Plan and Postretirement Health Benefits

Pension Plan - The Hospital and BHC have a defined benefit pension plan (the Plan) covering substantially all of its subsidiaries' employees. The benefit formula is based on years of service and the employee's compensation during the highest paid years of employment and credited service. The funding policy is to contribute annually an actuarially determined amount intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Note 9 - Pension Plan and Postretirement Health Benefits (continued)

The following tables set forth the Plan's change in benefit obligation and change in plan assets for the years ended September 30, 2010 and 2009:

	2010	2009
Change in benefit obligation:		
Projected benefit obligation at beginning of year	**$ 69,832,000**	$ 57,776,000
Service cost	**-**	-
Interest cost	**3,938,000**	4,234,000
Actuarial loss	**5,220,000**	14,036,000
Benefits paid	**(5,950,000)**	(6,043,000)
Expenses paid	**(178,000)**	(171,000)
Benefit obligation at end of year	**$ 72,862,000**	$ 69,832,000
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 47,872,000**	$ 54,993,000
Actual return on plan assets	**4,751,000**	(907,000)
Benefits paid	**(5,950,000)**	(6,043,000)
Expenses paid	**(178,000)**	(171,000)
Fair value of plan assets at end of year	**$ 46,495,000**	$ 47,872,000
Reconciliation of funded status:		
Funded status and accrued pension liability	**$ (26,367,000)**	$ (21,960,000)

The Hospital allocates a portion of the Plan's liability to BHC and records the amount as due from affiliate. The amounts due from BHC for the plan liability as of September 30, 2010 and 2009 were $826,212 and $758,056, respectively.

For the years ended September 30, 2010 and 2009, there are no differences between the Plan's accumulated benefit obligation and projected benefit obligation as the Plan is frozen as noted below.

The Hospital plans to contribute $1,011,799 to the Plan in 2011, which is accrued within accrued payroll and other related expenses on the consolidated balance sheets.

Pension Plan Amendments **-** Effective October 1, 2003, the formula for calculating benefits under the Plan was changed, on a prospective basis, to calculate accumulated benefits based on each eligible participant's annual compensation in each plan year versus each eligible participant's five-year average compensation for each plan year. Benefits earned by plan participants prior to September 30, 2003, under the old benefit formulation, remain unchanged.

Note 9 - Pension Plan and Postretirement Health Benefits (continued)

Effective December 31, 2006, the Plan was frozen with regard to future pension benefit accruals.

The following table sets forth the components of net periodic benefit cost for the years ended September 30, 2010 and 2009:

	2010	2009
Service cost	$ -	$ -
Interest cost	3,938,000	4,234,000
Expected return on plan assets	(4,189,000)	(4,830,000)
Amortization of net loss	2,712,000	1,086,000
Net periodic benefit cost	$ 2,461,000	$ 490,000

The following were the weighted-average assumptions used to determine the pension benefit obligations at September 30, 2010 and 2009:

	2010	2009
Discount rate	5.25%	5.75%
Expected return on plan assets	9.00%	9.00%

The following were the weighted-average assumptions used to determine net periodic pension cost for years ended September 30, 2010 and 2009:

	2010	2009
Discount rate	5.75%	7.50%
Expected return on plan assets	9.00%	9.00%

The investment objective for the Plan seeks a long-term return to meet the Plan obligations. The expected return on plan assets assumption is derived based on the target asset allocation and expected long-term rates of returns for those asset classes.

Note 9 - Pension Plan and Postretirement Health Benefits (continued)

The Plan's target and actual weighted-average asset allocations as of September 30, 2010 and 2009, by asset category are as follows:

	Target Allocation	Actual Asset Allocation	
		2010	2009
Asset category:			
Equity securities	75%	**76%**	71%
Debt securities	25%	**24%**	29%
Total	100%	**100%**	100%

The fair values of the Plan assets by asset category are as follows for the year ended September 30, 2010:

2010	Level 1	Level 2
Assets:		
Money market funds	$ -	$ 2,548
Equities:		
Consumer discretionary common stock	33,267	-
Mutual funds - equity	35,091,155	4,606,999
Fixed income:		
Mutual funds - fixed	6,760,923	-
Total	$ 41,885,345	$ 4,609,547

The fair values of the Plan assets by asset category are as follows for the year ended September 30, 2009:

2009	Level 1	Level 2
Assets:		
Money market funds	$ -	$ 172,759
Equities:		
Consumer discretionary common stock	54,297	-
Mutual funds - equity	33,773,674	7,812,426
Fixed income:		
Mutual funds - fixed	6,058,844	-
Total	$ 39,886,815	$ 7,985,185

Note 9 - Pension Plan and Postretirement Health Benefits (continued)

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

2011	$	2,702,000
2012	$	2,929,000
2013	$	3,171,000
2014	$	3,453,000
2015	$	3,697,000

The amount recorded in unrestricted net assets as of September 30, 2010 and 2009, not yet amortized as a component of net periodic benefit cost are $38,326,116 and $36,380,445, respectively. Amortization expected to be recognized in net periodic benefit costs for the year ending September 30, 2011 is $3,193,409.

Postretirement Health Benefits - The Hospital sponsors a postretirement medical plan (the Medical Plan) that covered all of its full-time employees up through December 31, 2006. The Medical Plan was frozen on December 31, 2006 with regard to future postretirement benefit accruals. All employees who are eligible for the Medical Plan and retire from the Hospital must attain age 55 with 10 years of service. Retired employees are required to contribute toward the cost of coverage according to various age and service-based rules established by the Hospital. The Medical Plan is not funded and does not provide prescription drug benefits to retirees.

The following tables set forth the Medical Plan's change in benefit obligation and change in plan assets for the years ended September 30, 2010 and 2009:

	2010	**2009**
Change in benefit obligation:		
Projected benefit obligation at beginning of year	**$ 6,003,000**	$ 5,248,000
Service cost	**55,000**	40,000
Interest cost	**344,000**	355,000
Actuarial loss	**525,000**	758,000
Benefits paid	**(378,000)**	(398,000)
Projected benefit obligation at end of year	**$ 6,549,000**	$ 6,003,000
Change in plan assets:		
Plan assets at beginning of year	**$ -**	$ -
Employer contribution	**378,000**	398,000
Benefits paid	**(378,000)**	(398,000)
Plan assets at end of year	**$ -**	$ -

Note 9 - Pension Plan and Postretirement Health Benefits (continued)

	2010	2009
Reconciliation of funded status:		
Funded status	**$ (6,549,000)**	$ (6,003,000)
Unrecognized net actuarial loss	**-**	-
Accrued postretirement benefit liability	**$ (6,549,000)**	$ (6,003,000)

Amounts recognized in the consolidated balance sheets are as follows:

	2010	2009
Short-term portion of accrued postretirement benefit liability, included in accrued payroll and other related expenses	**$ (401,000)**	$ (414,000)
Long-term portion of accrued postretirement benefit liability	**(6,148,000)**	(5,589,000)
Total amount recognized	**$ (6,549,000)**	$ (6,003,000)

The following table sets forth the components of net periodic benefit costs for the years ended September 30, 2010 and 2009:

	2010	2009
Service cost	**$ 55,000**	$ 40,000
Interest cost	**344,000**	355,000
Net periodic benefit costs	**$ 399,000**	$ 395,000

The weighted-average assumptions used to determine the benefit obligation as of September 30, 2010 and 2009 are as follows:

	2010	2009
Discount rate	**5.25%**	5.75%

Note 9 - Pension Plan and Postretirement Health Benefits (continued)

The weighted-average assumptions used to determine the net periodic benefit cost for the years ended September 30, 2010 and 2009, are as follows:

	2010	**2009**
Discount rate	**5.75%**	7.50%
Assumed healthcare cost trend rates:		
Initial trend rate	**9.50%**	10.25%
Ultimate trend rate	**5.00%**	5.00%
Year ultimate trend rate is achieved	**2016**	2016

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the postretirement plan. A one-percentage-point change in assumed healthcare cost rates would have the following effects:

	2010	**2009**
Effect of a 1% increase in healthcare cost trend rate on:		
Interest costs plus service costs	**$ 35,000**	$ 16,000
Accumulated postretirement benefit obligation	**$ 496,000**	$ 322,000
Effect of a 1% decrease in healthcare cost trend rate on:		
Interest costs plus service costs	**$ (28,000)**	$ (13,000)
Accumulated postretirement benefit obligation	**$ (409,000)**	$ (270,000)

The Corporation expects to contribute approximately $401,000 to its Medical Plan in 2011 which is accrued within accrued payroll and other related expenses on the consolidated balance sheet.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

2011	$ 401,000
2012	$ 424,000
2013	$ 441,000
2014	$ 448,000
2015	$ 452,000
Years 2016-2020	$ 2,200,000

Note 10 - Other Employee Benefit Plans

The Corporation's employees participate in a 403(b) plan, which requires that employees work a minimum 1,000 hours per year beginning on January 1 to remain eligible. Employees are eligible to participate at their hire date and must be employed at December 31 to receive employer contributions. As of September 30, 2010, it is the Corporation's intent to contribute a matching contribution on December 31, 2010. The Corporation made two contributions on December 31, 2009 pertaining to September 30, 2009. The amounts are included in accrued payroll and other related expenses on the consolidated balance sheets. The Hospital and BHC incurred $504,903 and $1,203,946 of expense related to its 403(b) plan for the years ended September 30, 2010 and 2009, respectively.

Note 11 - Related Party Transactions

During 2010 and 2009, the Corporation's entities entered into various related party transactions. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Hospital sent approximately $4,722,757 and $5,222,892 of patient accounts receivable to a collection agency, in which it has an equity interest, in 2010 and 2009, respectively.

Note 12 - Malpractice and General Insurance

On September 30, 1998, the Board of Directors of the Corporation approved the decision to purchase malpractice and general insurance coverage, as of October 1, 1998, through a multi-provider captive insurance company, Partners Interinsurance Exchange (the Captive). The Corporation's proportionate interest in the Captive was accounted for on the equity method of accounting through July 1, 2009, when the Corporation terminated its interest in the Captive and established its own self insured malpractice trust. The Captive provided claims made coverage to its members. The coverage provided by the Captive required the Corporation to retain its own excess liability insurance for claims incurred after October 1, 1998. Investment gains and income, administrative expenses and accrued estimated losses related to malpractice claims were reflected in non-operating (losses) income.

In 2009, the Captive dissolved and the Corporation established a self insurance malpractice trust to provide malpractice insurance coverage for the Corporation. The Corporation has established a trust for the purpose of setting aside assets for self insurance purposes. The self insurance malpractice trust provides for a claims-made policy covering $2.0 million per claim and $6.0 million in the aggregate. In addition, the Corporation has a $15.0 million excess policy with an independent insurance company. Under the trust agreement, the trust assets can only be used for payment of professional and general liability losses, related expenses and the cost of administering the trust. The assets of, and contributions to the trust are reported in the accompanying consolidated financial statements as assets limited as to use. Income from trust assets and administrative costs are reported in the accompanying consolidated statements of operations and changes in net assets, as other income.

The $6,461,527 and $6,973,966 of assets which reside in the trust, as of September 30, 2010 and 2009, respectively, are included within the Hospital's days cash on hand debt covenant test, as the Corporation's Board of Directors can terminate this trust at anytime and utilize these funds for operating purposes.

Note 12 - Malpractice and General Insurance (continued)

The Corporation's equity in the Captive for the year ended September 30, 2009 was $124,795. This amount has been included in the investments in joint ventures on the consolidated balance sheets for 2009. There was no remaining equity in the Captive in 2010.

The Corporation's malpractice liabilities, as determined by its independent actuary, as of September 30, 2010 and 2009 is $6,429,528 and $6,514,331, respectively and in included in other accrued liabilities on the consolidated balance sheet. Included in this liability is an incurred but not reported reserve, as the Corporation currently has a claims-made policy.

Note 13 - Self-Insurance of Workers' Compensation

The Corporation self-insures workers' compensation claims with retention on the first $350,000 per claim. The Corporation has also purchased excess liability insurance, which provides coverage for workers' compensation claims in excess of $350,000 per claim. The self insurance plan is unfunded. During the year, potential losses from asserted and unasserted claims identified by the Corporation's third-party administrator and accrued based upon estimates that incorporate the Corporation's past experience, as well as the nature of each claim or incident and relevant trend factors. The Corporation's year-end workers' compensation reserve, as estimated by third-party administrator and the Corporation's management in conjunction with its independent actuaries, is included in other accrued liabilities on the consolidated balance sheets and is discounted at 3.0% in 2010 and 2009, respectively. The balances as of September 30, 2010 and 2009 are $720,278 and $649,293, respectively.

Note 14 - Contingencies

Malpractice claims that fall within the Corporation's malpractice insurance have been asserted against the Corporation by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred through September 30, 2010 that may result in the assertion of additional claims. Corporation management has accrued its best estimate of these contingent losses.

The Corporation is a party to various lawsuits and inquiries by various regulatory agencies in the normal course of its business. Management believes that the lawsuits and inquiries will not have a material adverse effect on its consolidated balance sheets, statement of operations and changes in net assets, or cash flows.

Note 15 - Functional Expenses and Non-operating Gains

The Corporation provides general healthcare services to residents primarily within their geographic location. Functional expenses related to their operating activities for the fiscal years ended September 30, 2010 and 2009 are as follows:

	2010	2009
Healthcare services	**$ 132,264,064**	$ 129,985,762
General and administrative	**28,274,307**	27,765,678
Total	**$ 160,538,371**	$ 157,751,440

Non-operating income for the years ended September 30, 2010 and 2009 consisted of:

	2010	2009
Investment and interest income	**$ 360,151**	$ 398,935
Realized gains on investments	**-**	6,092
Gain (loss) on equity investments	**286,221**	(14,162)
Total non-operating income	**$ 646,372**	$ 390,865

Note 16 - Derivative Instruments and Hedging Activities

As part of its strategy to reduce the cost of borrowing related to its fixed rate CHEFA bonds, on November 1, 2003, the Corporation entered into swap transaction with a notional amount of $12,500,000 to hedge the changes in the fair value of its fixed rate debt related to changes in LIBOR. Under the terms of the swap, the Corporation paid a floating rate of interest equivalent to the BMA Municipal Bond Index and was entitled to receive a fixed rate of 4.30%. The swap termination date was July 1, 2032 with set reductions in the notional amount of the swap as the underlying related CHEFA Series B Bonds mature and are paid off.

The swap was accounted for as a fair value hedge in accordance with FASB ASC 815, *"Derivatives and Hedging,"* as amended. This accounting treatment required the Corporation to recognize the fair value of the swap and make an adjustment to the fair value of the CHEFA Series B Bond for the portion which is being hedged. The net amount of these two adjustments was reflected within the Corporation's operating indicator as the effective or ineffective portion of the hedge.

In March 2007, the swap was terminated and the Corporation received a payment of $40,000, net of commission. The offsetting adjustment to debt that arose from the historical swap accounting to book the fair value of the debt, of $842,569, is being amortized as an element of interest expense over the remaining life of the debt.

Note 17 - Asset Retirement Obligations

FASB ASC 410, *"Asset Retirement and Environmental Obligations,"* provides clarification with respect to the timing of liability recognition for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event. This interpretation requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred if a reasonable estimate of fair value can be made. The Corporation has recorded an asset retirement obligation related to asbestos contamination in buildings of $2,026,281 and $1,936,281 as of September 30, 2010 and 2009, respectively.

Bristol Hospital and Health Care Group
Supplemental Consolidating Balance Sheet
September 30, 2010

	Bristol Hospital and Health Care Group	Bristol Hospital, Incorporated	Bristol Hospital EMS, LLC	Bristol Hospital Development Foundation, Inc.	Bristol Health Care, Inc. and Subsidiary	Eliminations	Combined Obligated Group	Bristol Health Services	Central Connecticut Medical Management, Inc.	Eliminations	Consolidated
Assets											
Current assets:											
Cash and cash equivalents	$ 38,944	$ 8,286,702	$ 1,137,157	$ 1,140,374	$ 985,634	$ -	$ 11,588,811	$ -	$ 407,030	$ -	$ 11,995,841
Short-term investments	-	96,165	-	-	-	-	96,165	-	-	-	96,165
Accounts receivable, less allowances for doubtful accounts	-	15,483,112	601,943	-	1,816,805	-	17,901,860	-	1,005,481	-	18,907,341
Other receivables	-	827,194	-	848,789	94,975	-	1,770,958	-	131,612	-	1,902,570
Due from affiliates	-	1,809,846	-	-	-	(1,809,846)	-	-	-	-	-
Inventories	-	1,439,654	-	-	34,815	-	1,474,469	-	-	-	1,474,469
Prepaid expenses	-	991,052	25,450	-	-	-	1,016,502	-	(92)	-	1,016,410
Debt service funds	-	452,373	-	-	198,296	-	650,669	-	-	-	650,669
Total current assets	38,944	29,386,098	1,764,550	1,989,163	3,130,525	(1,809,846)	34,499,434	-	1,544,031	-	36,043,465
Assets limited as to use:											
Funds held for malpractice self insurance fund	-	6,461,527	-	-	-	-	6,461,527	-	-	-	6,461,527
Board designated investments	-	5,780,627	-	-	663,452	-	6,444,079	-	-	-	6,444,079
Other investments held by Foundation	-	-	-	1,605,640	-	-	1,605,640	-	-	-	1,605,640
Beneficial interest in assets held in trust by others	-	2,840,135	-	-	-	-	2,840,135	-	-	-	2,840,135
Funds held under bond indenture agreements	-	2,506,470	-	-	-	-	2,506,470	-	-	-	2,506,470
Interest in net assets of Foundation	-	4,201,750	-	-	60,612	(4,262,362)	-	-	-	-	-
Donor restricted investments	-	394,142	-	3,429,814	-	-	3,823,956	-	-	-	3,823,956
Total assets limited to use	-	22,184,651	-	5,035,454	724,064	(4,262,362)	23,681,807	-	-	-	23,681,807
Other assets:											
Long-term investments	-	6,220,475	-	-	-	-	6,220,475	-	-	-	6,220,475
Investment in joint ventures	-	1,264,054	-	-	-	-	1,264,054	-	-	-	1,264,054
Deferred expenses and other assets	-	386,232	-	-	-	-	386,232	-	-	-	386,232
Unamortized bond finance costs	-	1,203,809	-	-	217,500	-	1,421,309	-	-	-	1,421,309
Investment in subsidiaries	14,925,832	-	-	-	-	(14,925,832)	-	1,844,533	-	(1,844,533)	-
Total other assets	14,925,832	9,074,570	-	-	217,500	(14,925,832)	9,292,070	1,844,533	-	(1,844,533)	9,292,070
Property, plant and equipment:											
Land and land improvements	-	3,888,779	-	-	733,421	-	4,622,200	-	74,554	-	4,696,754
Buildings	-	56,257,285	-	-	9,798,701	-	66,055,986	-	-	-	66,055,986
Fixtures and equipment	-	67,716,900	909,540	5,969	1,293,321	-	69,925,730	-	1,094,893	-	71,020,623
Construction in progress	-	2,656,483	-	-	-	-	2,656,483	-	163	-	2,656,646
Total	-	130,519,447	909,540	5,969	11,825,443	-	143,260,399	-	1,169,610	-	144,430,009
Less: accumulated depreciation	-	(93,518,978)	(707,344)	(5,969)	(7,814,651)	-	(102,046,942)	-	(904,445)	-	(102,951,387)
Total property, plant and equipment	-	37,000,469	202,196	-	4,010,792	-	41,213,457	-	265,165	-	41,478,622
Total assets	$ 14,964,776	$ 97,645,788	$ 1,966,746	$ 7,024,617	$ 8,082,881	$ (20,998,040)	$ 108,686,768	$ 1,844,533	$ 1,809,196	$ (1,844,533)	$ 110,495,964

See accompanying independent auditors' report.

Bristol Hospital and Health Care Group
Supplemental Consolidating Balance Sheet (continued)
September 30, 2010

	Bristol Hospital and Health Care Group	**Bristol Hospital, Incorporated**	**Bristol Hospital EMS, LLC**	**Bristol Hospital Development Foundation, Inc.**	**Bristol Health Care, Inc. and Subsidiary**	**Eliminations**	**Combined Obligated Group**	**Bristol Health Services**	**Central Connecticut Medical Management, Inc.**	**Eliminations**	**Consolidated**
Liabilities and Net Assets											
Current liabilities:											
Trade accounts payable	$ -	$ 9,420,211	$ 136,044	$ -	$ 677,948	$ -	$ 10,234,203	$ -	$ 183,432	$ -	$ 10,417,635
Accrued payroll and other related expenses	-	6,177,899	281,943	-	415,648	-	6,875,490	-	646,707	-	7,522,197
Due to affiliates	-	-	73,320	585,638	324,676	(983,634)	-	-	-	-	-
Estimated settlements											
due to third-party payers	-	327,508	-	-	-	-	327,508	-	-	-	327,508
Accrued interest payable	-	336,938	-	-	79,035	-	415,973	-	-	-	415,973
Advanced payments on patient accounts	-	607,691	-	-	109,399	-	717,090	-	-	-	717,090
Borrowings on line of credit and demand loan	-	3,771,110	-	-	-	-	3,771,110	-	-	-	3,771,110
Current portion of long-term debt	-	751,841	-	-	453,215	-	1,205,056	-	-	-	1,205,056
Total current liabilities	-	21,393,198	491,307	585,638	2,059,921	(983,634)	23,546,430	-	830,139	-	24,376,569
Other Liabilities:											
Other accrued liabilities	-	7,149,806	257,268	517,614	344,465	-	8,269,153	-	352,695	-	8,621,848
Long-term debt, less current portion	-	27,352,868	-	-	5,286,520	-	32,639,388	-	-	-	32,639,388
Accrued postretirement benefit liability	-	6,148,004	-	-	-	-	6,148,004	-	-	-	6,148,004
Asset retirement obligation	-	2,026,281	-	-	-	-	2,026,281	-	-	-	2,026,281
Accrued pension liability	-	25,355,098	-	-	826,212	(826,212)	25,355,098	-	-	-	25,355,098
Total liabilities	-	89,425,255	748,575	1,103,252	8,517,118	(1,809,846)	97,984,354	-	1,182,834	-	99,167,188
Net assets:											
Common stock	-	-	-	-	-	-	-	-	3,000	-	3,000
Net assets (deficit)	14,964,776	8,220,533	1,218,171	5,921,365	(434,237)	(19,188,194)	10,702,414	1,844,533	623,362	(1,844,533)	11,325,776
Total net assets (deficit)	14,964,776	8,220,533	1,218,171	5,921,365	(434,237)	(19,188,194)	10,702,414	1,844,533	626,362	(1,844,533)	11,328,776
Total liabilities and net assets	$ 14,964,776	$ 97,645,788	$ 1,966,746	$ 7,024,617	$ 8,082,881	$ (20,998,040)	$ 108,686,768	$ 1,844,533	$ 1,809,196	$ (1,844,533)	$ 110,495,964

See accompanying independent auditors' report.

Bristol Hospital and Health Care Group
Supplemental Consolidating Statement of Operations and Changes in Net Assets
For the Year Ended September 30, 2010

	Bristol Hospital and Health Care Group	Bristol Hospital, Incorporated	Bristol Hospital EMS, LLC	Bristol Hospital Development Foundation, Inc.	Bristol Health Care, Inc. and Subsidiary	Eliminations	Combined Obligated Group	Bristol Health Services	Central Connecticut Medical Management, Inc.	Eliminations	Consolidated
Operating revenues:											
Net patient service revenues	$ -	$ 128,018,896	$ 3,886,921	$ -	$ 11,549,570	$ -	$ 143,455,387	$ -	$ 11,474,271	$ -	$ 154,929,658
Other revenues:											
Service and supply income	-	-	-	-	-	-	-	-	547,042	-	547,042
Other revenues	-	4,183,082	1,125,439	742,582	41,242	(148,244)	5,944,101	-	41,596	-	5,985,697
Net income on subsidiaries	1,803,308	-	-	-	-	(1,803,308)	-	598,601	-	(598,601)	-
Total other revenues	1,803,308	4,183,082	1,125,439	742,582	41,242	(1,951,552)	5,944,101	598,601	588,638	(598,601)	6,532,739
Total operating revenues	1,803,308	132,201,978	5,012,360	742,582	11,590,812	(1,951,552)	149,399,488	598,601	12,062,909	(598,601)	161,462,397
Operating expenses:											
Salaries, wages and fees	-	57,886,913	2,718,659	316,312	8,076,033	-	68,997,917	-	7,431,519	-	76,429,436
Supplies and other expenses	-	55,226,546	1,354,135	712,810	2,219,189	(148,244)	59,364,436	-	4,681,613	-	64,046,049
Bad debt expense, net	-	10,944,348	468,726	-	420,462	-	11,833,536	-	366,425	-	12,199,961
Depreciation and amortization	-	5,241,260	71,396	-	487,935	-	5,800,591	-	49,705	-	5,850,296
Interest expense	-	1,688,566	-	-	324,063	-	2,012,629	-	-	-	2,012,629
Total operating expenses	-	130,987,633	4,612,916	1,029,122	11,527,682	(148,244)	148,009,109	-	12,529,262	-	160,538,371
Gain (loss) from operations	1,803,308	1,214,345	399,444	(286,540)	63,130	(1,803,308)	1,390,379	598,601	(466,353)	(598,601)	924,026
Other non-operating income	-	571,472	-	66,039	8,861	-	646,372	-	-	-	646,372
Excess of revenues over (under) expenses	1,803,308	1,785,817	399,444	(220,501)	71,991	(1,803,308)	2,036,751	598,601	(466,353)	(598,601)	1,570,398
Net assets released from restrictions for capital acquisitions	-	709,254	-	-	-	-	709,254	-	-	-	709,254
Net unrealized gain on investments	-	1,426,300	-	285,933	55,451	-	1,767,684	-	-	-	1,767,684
Pension changes in joint ventures	-	(69,493)	-	-	-	-	(69,493)	-	-	-	(69,493)
Transfer from Hospital to CCMM	-	(665,510)	-	-	-	-	(665,510)	-	665,510	-	-
Contributions for capital acquisitions	-	-	-	-	200,000	-	200,000	-	-	-	200,000
Change in interest in net assets of Foundation	-	316,481	-	-	-	(316,481)	-	-	-	-	-
Pension changes other than net periodic benefit costs	-	(1,945,671)	-	-	-	-	(1,945,671)	-	-	-	(1,945,671)
Changes in postretirement health and welfare benefits	-	(546,188)	-	-	-	-	(546,188)	-	-	-	(546,188)
Change in unrestricted net assets	1,803,308	1,010,990	399,444	65,432	327,442	(2,119,789)	1,486,827	598,601	199,157	(598,601)	1,685,984
Change in temporarily restricted net assets	681,459	(138,889)	-	822,805	(2,457)	(540,113)	822,805	-	-	-	822,805
Change in permanently restricted net assets	109,172	109,172	-	-	-	(109,172)	109,172	-	-	-	109,172
Change in net assets	2,593,939	981,273	399,444	888,237	324,985	(2,769,074)	2,418,804	598,601	199,157	(598,601)	2,617,961
Net assets (deficit) at beginning of year	12,370,837	7,239,260	818,727	5,033,128	(759,222)	(16,419,120)	8,283,610	1,245,932	427,205	(1,245,932)	8,710,815
Net assets (deficit) at end of year	$ 14,964,776	$ 8,220,533	$ 1,218,171	$ 5,921,365	$ (434,237)	$ (19,188,194)	$ 10,702,414	$ 1,844,533	$ 626,362	$ (1,844,533)	$ 11,328,776

See accompanying independent auditors' report.