Audited Consolidated Financial Statements and Other Financial Information

Hartford Hospital
Years Ended September 30, 2010 and 2009
With Report of Independent Auditors

Hartford Hospital

Audited Consolidated Financial Statements
and Other Financial Information

Years Ended September 30, 2010 and 2009

Contents

Other Financial Information

Ernst & Young LLP
Goodwin Square
225 Asylum Street
Hartford, CT 06103-1506

Tel: +1 860 247 3100
Fax: +1 860 725 6040
www.ey.com

Report of Independent Auditors

Board of Directors
Hartford Hospital

We have audited the accompanying consolidated balance sheets of Hartford Hospital (the Hospital) 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hartford Hospital as of September 30, 2010 and 2009, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

January 7, 2011

Hartford Hospital

Consolidated Balance Sheets

	September 30 2010	2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 44,299,371**	$ 26,464,866
Accounts receivable, less allowances for doubtful accounts of $35,400,000 in 2010 and $23,648,000 in 2009	**117,359,353**	117,985,259
Other receivables	**18,746,745**	16,141,724
Due from affiliates, net	**10,040,619**	6,212,198
Inventories of supplies	**10,906,251**	10,595,678
Prepaid expenses and other assets	**16,921,660**	15,019,271
Escrow funds for bonds payable	**4,304,570**	–
Estimated third-party payor settlements	**–**	6,972,476
Total current assets	**222,578,569**	199,391,472
Assets whose use is limited:		
Investments and other assets	**219,207,458**	192,722,506
Investments for restricted purposes	**184,054,444**	183,847,848
	403,261,902	376,570,354
Funds held in trust by others	**119,917,040**	114,402,495
Other assets	**34,928,556**	15,708,815
Property, plant and equipment, net	**299,013,334**	283,024,028
	$ 1,079,699,401	$ 989,097,164
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 41,938,359**	$ 44,788,000
Estimated third-party payor settlements	**1,980,663**	–
Salaries, wages, payroll taxes and amounts withheld from employees	**22,051,316**	37,779,710
Accrued expenses	**21,380,477**	22,203,919
Short-term loan payable	**26,517,484**	10,001,011
Current portion of other liabilities	**16,408,879**	17,019,901
Current portion of bonds payable	**3,783,324**	–
Total current liabilities	**134,060,502**	131,792,541
Accrued pension and other liabilities	**289,814,031**	242,484,352
Bonds payable	**62,156,676**	45,940,000
Net assets:		
Unrestricted	**290,596,252**	278,536,735
Temporarily restricted	**107,378,948**	101,581,801
Permanently restricted	**195,692,992**	188,761,735
	593,668,192	568,880,271
	$ 1,079,699,401	$ 989,097,164

See accompanying notes.

Hartford Hospital

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2010	**2009**
Unrestricted revenues, gains and other support:		
Net patient service revenue	**$ 800,993,375**	$ 723,222,044
Other operating revenue	**123,272,080**	96,445,132
Net assets released from restrictions for operations	**8,674,254**	10,230,985
	932,939,709	829,898,161
Operating expenses:		
Salaries	**398,505,926**	365,409,670
Employee benefits	**100,636,264**	77,410,993
Supplies and other	**181,562,261**	164,107,090
Purchased services	**158,481,981**	152,234,280
Depreciation and amortization	**42,799,056**	41,218,540
Provision for uncollectible accounts	**37,824,767**	23,850,530
Interest	**614,483**	607,197
	920,424,738	824,838,300
Income from operations	**12,514,971**	5,059,861
Nonoperating income (loss):		
Income (loss) from investments, gifts and bequests, net	**5,015,303**	(9,526,928)
Guarantee of swap	**–**	1,648,141
Other	**393,644**	(7,487,145)
	5,408,947	(15,365,932)
Excess (deficiency) of revenues over expenses before change in unrealized gains and losses on investments	**17,923,918**	(10,306,071)
Change in unrealized gains and losses on investments	**23,166,870**	3,391,424
Excess (deficiency) of revenues over expenses	**41,090,788**	(6,914,647)

Continued on next page.

Hartford Hospital

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

	Year Ended September 30	
	2010	2009
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses (continued)	**$ 41,090,788**	$ (6,914,647)
Transfer to affiliated entity	**(2,539,035)**	(541,962)
Net assets released from restrictions for the purchase of equipment	**2,998,555**	1,315,649
Change in pension and post-retirement funding obligation	**(29,490,791)**	(225,706,086)
Increase (decrease) in unrestricted net assets	**12,059,517**	(231,847,046)
Temporarily restricted net assets:		
Restricted contributions	**5,278,212**	4,788,159
Restricted investment income (loss)	**488,806**	(11,003,241)
Change in unrealized gains and losses on investments	**11,702,938**	3,715,736
Net assets released from restrictions for operations	**(8,674,254)**	(10,230,985)
Net assets released from restrictions for the purchase of equipment	**(2,998,555)**	(1,315,649)
Increase (decrease) in temporarily restricted net assets	**5,797,147**	(14,045,980)
Permanently restricted net assets:		
Restricted contributions	**1,357,240**	175,575
Restricted investment income (loss)	**59,472**	(376,179)
Change in unrealized gains and losses on funds held in trust by others	**5,514,545**	(3,563,860)
Increase (decrease) in permanently restricted net assets	**6,931,257**	(3,764,464)
Increase (decrease) in net assets	**24,787,921**	(249,657,490)
Net assets at beginning of year	**568,880,271**	818,537,761
Net assets at end of year	**$ 593,668,192**	$ 568,880,271

See accompanying notes.

Hartford Hospital

Consolidated Statements of Cash Flows

	Year Ended September 30 2010	2009
Cash flows from operating activities		
Increase (decrease) in net assets	**$ 24,787,921**	$ (249,657,490)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash items:		
Depreciation and amortization	**42,799,056**	41,218,540
Change in unrealized gains and losses on investments	**34,869,808**	7,107,160
Change in unrealized gains and losses on funds held in trust by others	**(5,514,545)**	3,563,860
Provision for uncollectible accounts	**37,824,767**	23,850,530
Change in net assets related to post-retirement and pension plans	**29,490,791**	225,706,086
Guarantee of swap	**–**	1,648,141
Transfer to affiliated entity	**2,539,035**	541,962
Other changes in net assets:		
Restricted contributions and investment income	**(7,183,730)**	(6,415,686)
Changes in assets and liabilities, net *(Note 14)*	**(62,590,048)**	(30,120,499)
Net cash provided by operating activities	**97,023,055**	17,442,604
Cash flows from investing activities		
Purchase of property, plant and equipment, net	**(58,788,362)**	(51,920,998)
(Increase) decrease in investments, net	**(61,561,356)**	34,252,927
Net cash used in investing activities	**(120,349,718)**	(17,668,071)
Cash flows from financing activities		
Proceeds from debt financing	**36,516,473**	–
Transfer to affiliated entity	**(2,539,035)**	(541,962)
Restricted contributions and investment income	**7,183,730**	6,415,686
Net cash provided by financing activities	**41,161,168**	5,873,724
Net increase in cash and cash equivalents	**17,834,505**	5,648,257
Cash and cash equivalents at beginning of year	**26,464,866**	20,816,609
Cash and cash equivalents at end of year	**$ 44,299,371**	$ 26,464,866

See accompanying notes.

1. Significant Accounting Policies

The accounting policies that affect significant elements of Hartford Hospital's (the Hospital) consolidated financial statements are summarized below and in Note 2.

Organization

The Hospital is a voluntary association incorporated under the General Statutes of the State of Connecticut, and is an affiliate of Hartford Health Care Corporation. The Board of Directors of the Hospital, appointed by Hartford Health Care Corporation, controls the operations of the Hospital. The accompanying consolidated financial statements include Hartford Hospital, Jefferson House and Cedar Mountain Commons (both of which are departments of the Hospital), and the Institute of Living. All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Use of Estimates

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

Regulatory Matters

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

Fair Value of Financial Instruments

The carrying value of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of the Hospital's financial instruments are disclosed in Note 5.

Investments

The Hospital's investment portfolio is classified as trading, with unrealized gains and losses included in the excess (deficiency) of revenues over expenses.

1. Significant Accounting Policies (continued)

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

The Hospital holds non-marketable equity investments in private companies. At September 30, 2010 and 2009, the carrying value of the Hospital's portfolio of strategic investments totaled $5,716,091 and $4,986,470, respectively, of which $624,052 and $629,052 are accounted for at cost and $5,015,288 and $4,357,302 are accounted for using the equity method of accounting at September 30, 2010 and 2009, respectively. These investments are included in prepaid expenses and other assets on the consolidated balance sheets. The Hospital's share of the income or losses of all equity-method investees, using the most current financial information available, which reflects the financial performance three months in arrears, is included in nonoperating income.

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

The Hospital's primary concentration of credit risk is patient accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages the receivables by regularly reviewing its patient accounts and contracts, and by providing appropriate allowances for uncollectible amounts. Significant concentrations of gross patient accounts receivable include 28% and 14%, and 27% and 12%, for Medicare and Medicaid, respectively, for the fiscal years ending September 30, 2010 and 2009, respectively.

1. Significant Accounting Policies (continued)

Inventories

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

Property, Plant and Equipment

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

Conditional asset retirement obligations recorded under the provisions of Accounting Standards Codification (ASC) 410-20, *Asset Retirement Obligations*, amounted to $5,640,539 and $5,616,645 as of September 30, 2010 and 2009, respectively. These obligations are recorded in other liabilities in the accompanying consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2010 and 2009, retirement obligations incurred and settled were minimal. Accretion expense of $354,099 and $333,584 was recorded for the years ended September 30, 2010 and 2009, respectively.

Assets Whose Use is Limited

Assets whose use is limited includes assets that are set aside internally for future capital improvements, research and education. Restricted investment income in excess of a predetermined spending limit has also been set aside as long-term investments. Investments for restricted purposes are those restricted based on donors' intents.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those where use by the Hospital has been limited by donors, to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors and are maintained by the Hospital in perpetuity. The Hospital is a partial beneficiary to various perpetual trust agreements. Assets recorded under these agreements are recognized at fair value. The investment income generated from these funds is expendable to support healthcare services and the assets are classified as permanently restricted.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Unrestricted contributions are recorded, net of expenses, within other operating revenue.

1. Significant Accounting Policies (continued)

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

Donor-Restricted Gifts

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

Excess (deficiency) of Revenues over Expenses

The consolidated statements of operations and changes in net assets include the excess (deficiency) of revenues over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from the excess (deficiency) of revenues over expenses, include the changes in pension and post-retirement funding obligations, net assets released from restrictions for the purchase of equipment, and permanent transfers of assets to and from affiliates.

Nonoperating Income

Nonoperating income includes income on invested funds, realized and unrealized gains and losses on invested funds, restricted gifts, bequests, the excess of revenues over expenses of Jefferson House and Cedar Mountain Commons, and the guarantee of a swap agreement.

Other Operating Revenue

Other operating revenue includes services to other subsidiaries of Hartford Health Care Corporation and other institutions, income from professional services and research income.

1. Significant Accounting Policies (continued)

Professional Liability and Workers' Compensation Insurance

Coverage for medical malpractice insurance is provided on a claims-made basis. The primary level of coverage is $10,000,000 per claim and $39,000,000 in the aggregate. The excess indemnity coverage is layered with four different insurance companies at $15,000,000 per claim and $15,000,000 in the aggregate per layer. The primary coverage is with CHS Insurance Limited, a captive insurance company in which the Hospital has a 25% ownership interest. The Hospital's ownership is accounted for under the equity method in the accompanying statements of operations. The investment in CHS Insurance Limited is included in other assets in the consolidated balance sheets.

The Hospital has an established policy of self-insuring the deductible portion of its workers' compensation insurance. The deductible limits are $1,000,000 per claim for fiscal years ended September 30, 2010 and 2009. In connection with this self-insurance program, Bank of America issued an irrevocable direct pay letter of credit to the Travelers Indemnity Company, the primary insurer, for an amount not to exceed $1,750,000.

Income Taxes

The Hospital and its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Cash and Cash Equivalents

Cash and cash equivalents include cash, commercial paper and corporate and government bonds, which are available to be converted to liquid assets within three months. Cash and cash equivalents are maintained with domestic financial institutions with deposits that exceed federally insured limits. It is the Hospital's policy to monitor the financial strength of these institutions.

Subsequent Events

The Hospital evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended September 30, 2010, the Hospital evaluated subsequent events through January 7, 2011, which is the date the financial statements were issued. No events occurred that require disclosure or adjustment to the consolidated financial statements.

1. Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In December 2008, the FASB issued additional authoritative guidance regarding an employer's disclosures about postretirement benefit plan assets, currently included in ASC 715. 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 7 for these additional disclosures for the year ended September 30, 2010. The adoption of this guidance did not have a significant impact on the Hospital's consolidated financial statements for the year ended September 30, 2010.

New Accounting Standards

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements*, (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 becomes effective for reporting periods beginning after December 15, 2009. Management is currently evaluating the effect that the provisions of ASU 2010-06 will have on the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the year ended September 30, 2009 balances previously reported in the consolidated balance sheets and statements of operations and changes in net assets in order to conform with the year ended September 30, 2010 presentation. For the year ended September 30, 2009, $16,041,710 of amounts previously recorded in other operating revenue has been reclassified to net patient service revenue.

2. Revenue from Services to Patients and Charity Care

Revenues from the Medicare and Medicaid programs accounted for approximately 40% and 12%, respectively, of the Hospital's net patient service revenue for the years ended September 30, 2010 and 2009. Laws and regulations governing the Medicare and Medicaid programs are complex and 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.

The following table summarizes net patient service revenue:

	Year Ended September 30	
	2010	**2009**
Gross revenues from patients:		
Inpatients	**$ 1,323,691,384**	$ 1,237,809,088
Outpatients	**578,027,739**	506,832,937
	1,901,719,123	1,744,642,025
Deductions:		
Allowances	**1,070,922,058**	991,177,540
Charity care	**29,803,690**	30,242,441
	1,100,725,748	1,021,419,981
	$ 800,993,375	$ 723,222,044

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 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. During 2010 and 2009, the Hospital recorded net changes in estimates of approximately $780,000 and $2.1 million, respectively, which primarily relate to better than previously estimated third party payor settlements.

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

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.

The Hospital has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the HMOs make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules. In addition, the Hospital receives monthly capitation payments from certain HMOs based on the number of each HMO's participants, regardless of services actually performed by the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized poverty income levels for the State of Connecticut, but also includes certain cases where incurred charges are significant when compared to incomes.

3. Net Assets

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

	2010	2009
Health care services:		
Free beds	**$ 24,311,156**	$ 22,137,437
Research	**34,206,414**	31,173,725
Education	**11,351,456**	13,017,577
Capital replacement	**8,692,378**	9,174,233
Other health care services	**28,817,544**	26,078,829
	$ 107,378,948	$ 101,581,801

3. Net Assets (continued)

Permanently restricted net assets at September 30 are restricted for:

	2010	2009
Investments to be held in perpetuity, the income from which is expendable to support health care services	**$ 54,860,780**	$ 53,503,542
Endowment requiring income to be added to original gift to support health care services	**20,915,172**	20,855,698
Restricted funds held in trust by others, the income from which is expendable to support health care services	**119,917,040**	114,402,495
	$ 195,692,992	$ 188,761,735

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

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

3. Net Assets (continued)

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 4% over the long term. Actual returns in any given year may vary from this amount.

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

The Hospital has a policy of appropriating for distribution each year 4% of its endowment fund's fair value as of October 31 of each fiscal year in which the distribution is planned. This is consistent with the Hospital's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

Changes in endowment funds for the fiscal year ended September 30, 2010 consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 49,786,126	$74,359,240	$ 124,145,366
Investment return:			
Investment income	1,346,412	59,472	1,405,884
Net appreciation (realized and unrealized)	11,513,686	–	11,513,686
Total investment return	12,860,098	59,472	12,919,570
Contributions	–	1,357,240	1,357,240
Appropriation of endowment assets for expenditure	(2,835,432)	–	(2,835,432)
Endowment net assets at end of year	$ 59,810,792	$75,775,952	$ 135,586,744

3. Net Assets (continued)

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 59,671,269	$74,559,844	$ 134,231,113
Investment return:			
Investment income	1,396,178	(376,179)	1,019,999
Net depreciation (realized and unrealized)	(4,452,061)	–	(4,452,061)
Total investment return	(3,055,883)	(376,179)	(3,432,062)
Contributions	–	175,575	175,575
Appropriation of endowment assets for expenditure	(6,829,260)	–	(6,829,260)
Endowment net assets at end of year	$ 49,786,126	$74,359,240	$ 124,145,366

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor of UPMIFA requires the Hospital to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no significant deficiencies of this nature which are reported in unrestricted net assets as of September 30, 2010 or 2009.

4. Assets Whose Use is Limited

Included in assets whose use is limited at September 30 are the following:

	2010	2009
Cash	**$ 13,588,846**	$ 9,252,501
Investments:		
United States government obligations, at market (cost of $10,964,647 in 2010 and $11,733,888 in 2009)	**12,919,121**	12,995,152
Other marketable securities, at market (cost of $99,666,865 in 2010 and $78,978,028 in 2009)	**110,571,452**	83,519,492
Marketable equity securities, at market (cost of $235,138,336 in 2010 and $264,642,342 in 2009)	**248,728,921**	250,419,452
Other notes and accounts receivable	**114,631**	7,330
Pledges receivable, net	**2,048,767**	2,726,443
Due from affiliated entities, net	**15,290,164**	17,649,984
	$ 403,261,902	$ 376,570,354

The Hospital advances funds to affiliates to provide capital for the expansion of certain mission-related activities. The Hospital expects these advances to be repaid, generally with interest. Periodically, amounts outstanding are reviewed for collectability and adjustments are provided where collection is doubtful.

Realized losses, net, were $433,506 and $12,904,387 for the years ended September 30, 2010 and 2009, respectively. Investment income, in the consolidated statement of operations and changes in net assets were $6,354,615 and $5,917,386 for the years ended September 30, 2010 and 2009, respectively.

5. Fair Values of Financial Instruments

As defined in ASC 820-10, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820-10 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

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

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

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

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

5. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of September 30, 2010 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	**$ 44,299,371**	**$ –**	**$ –**	**$ 44,299,371**
Assets limited as to use:				
Cash and cash equivalents	**13,588,846**	**–**	**–**	**13,588,846**
United States government obligations	**12,919,121**	**–**	**–**	**12,919,121**
Other marketable securities	**–**	**110,571,452**	**–**	**110,571,452**
Marketable securities	**248,728,921**	**–**	**–**	**248,728,921**
Funds held in trust by others	**–**	**119,917,040**	**–**	**119,917,040**
Escrow funds for bonds payable	**4,304,570**	**–**	**–**	**4,304,570**
Postretirement pension plan assets:				
Cash and cash equivalents	**11,169,677**	**–**	**–**	**11,169,677**
Marketable equity securities	**160,401,148**	**–**	**–**	**160,401,148**
Corporate and government bonds	**42,207,035**	**–**	**–**	**42,207,035**
Mutual Funds	**71,821,571**	**1,477,171**	**–**	**73,298,742**
Insurance accounts	**–**	**11,566,094**	**–**	**11,566,094**
Common collective funds	**–**	**254,342,364**	**–**	**254,342,364**

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

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 26,464,866	$ –	$ –	$ 26,464,866
Assets limited as to use:				
Cash and cash equivalents	9,252,501	–	–	9,252,501
Untied States government obligations	12,995,152	–	–	12,995,152
Other marketable securities	–	83,519,492	–	83,519,492
Marketable securities	250,419,452	–	–	250,419,452
Funds held in trust by others	–	114,402,495	–	114,402,495

5. Fair Values of Financial Instruments (continued)

Fair value for Level 1 is based upon quoted market prices while fair value for Level 2 securities were determined primarily through prices obtained from third party pricing sources, as quoted market prices for such securities are not readily available.

6. Property, Plant and Equipment

Property, plant and equipment consist of the following at September 30:

	2010	2009
Land and land improvements	**$ 21,176,794**	$ 20,193,621
Buildings and fixed equipment	**483,427,457**	461,473,661
Movable equipment	**348,893,625**	324,110,982
	853,497,876	805,778,264
Less accumulated depreciation	**593,621,312**	551,585,996
	259,876,564	254,192,268
Construction in process (estimated cost to complete - $38,749,000)	**39,136,770**	28,831,760
	$ 299,013,334	$ 283,024,028

7. Pensions and Other Post-retirement Benefits

The Hospital has a cash balance retirement plan, the Retirement Plan for Employees of Hartford Hospital, covering substantially all employees, and a noncontributory, supplemental defined-benefit retirement plan for certain executive employees (collectively, the pension plans).

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of post-retirement benefits, other than pensions, as incurred.

7. Pensions and Other Post-Retirement Benefits (continued)

Included in unrestricted net assets at September 30 are the following amounts that have not yet been recognized in net periodic benefit cost:

	2010	2009
Unrecognized actuarial loss	**$ 313,925,513**	$ 284,874,781
Unrecognized prior service credit	**(9,147,716)**	(9,587,775)
	$ 304,777,797	$ 275,287,006

The actuarial loss and prior service credit included unrestricted net assets at September 30, 2010, and expected to be recognized in net periodic benefit cost during the year ending September 30, 2011, are as follows (in thousands):

Unrecognized actuarial loss	**$ 10,345,067**
Unrecognized prior service credit	**(2,669,500)**
	$ 7,675,567

The following table sets forth the plans' funded status and amounts recognized in the consolidated balance sheets:

	Pension Benefits		Other Post-Retirement Benefits	
	2010	**2009**	**2010**	**2009**
Change in benefit obligations				
Benefit obligations at beginning of year	**$ (699,558,199)**	$ (617,354,133)	**$ (75,294,534)**	$ (63,731,511)
Effect of eliminating early measurement	**–**	(6,610,664)	**–**	–
Service cost	**(27,786,254)**	(23,748,206)	**(2,242,868)**	(1,858,548)
Interest cost	**(38,469,092)**	(38,322,965)	**(4,184,958)**	(3,978,653)
Benefits paid	**45,781,962**	49,932,212	**3,352,378**	3,237,124
Actuarial gains and losses	**(35,144,571)**	(63,451,349)	**(2,358,216)**	(8,962,946)
Plan amendments	**(2,211,719)**	(3,094)	**4,620,632**	–
Benefit obligations at year-end	**$ (757,387,873)**	$ (699,558,199)	**$ (76,107,566)**	$ (75,294,534)
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 540,181,936**	$ 653,472,558		
Effect of eliminating early measurement	**–**	5,638,669		
Actual return on plan assets	**57,159,545**	(91,641,528)		
Benefits paid	**(45,781,962)**	(49,932,212)	**$ (3,352,378)**	$ (3,237,124)
Other	**–**	15,918	**–**	–
Employer contributions	**1,425,541**	22,628,531	**3,352,378**	3,237,124
Fair value of plan assets at year-end	**552,985,060**	540,181,936	**–**	–
Funded status of the plans	**$ (204,402,813)**	$ (159,376,263)	**$ (76,107,566)**	$ (75,294,534)

7. Pensions and Other Post-Retirement Benefits (continued)

	Pension Benefits		Other Post-Retirement Benefits	
	2010	**2009**	**2010**	**2009**
Components of net periodic benefit cost				
Service cost	**$ 27,786,254**	$ 23,748,206	**$ 2,242,868**	$ 1,858,548
Interest cost	**38,469,092**	38,322,965	**4,184,958**	3,978,653
Expected return on plan assets	**(53,168,189)**	(58,183,192)	**–**	–
Net amortization and deferral	**782,781**	(3,070,683)	**629,820**	98,138
Loss on settlement	**199,126**	276,237	**–**	–
Benefit cost	**$ 14,069,064**	$ 1,093,533	**$ 7,057,646**	$ 5,935,339

The accumulated benefit obligation for the pension plans were $714,833,444 and $663,823,382 as of September 30, 2010 and 2009, respectively.

The weighted-average assumptions used to develop net periodic benefit cost and the projected benefit obligation were as follows:

	2010	2009
Discount rate for projected benefit obligation	**5.05%**	5.50%
Discount rate for net periodic benefit cost	**5.50%**	6.25%
Expected long-term rate of return on plan assets	**8.00%**	8.50%
Measurement date	**September 30**	September 30

The Hospital has a defined contribution plan for all new employees. The cash balance retirement plan is frozen to all new members effective in fiscal year 2010.

The expected rate of return on plan assets was determined by the expected return on each asset class based on a model that considers historical and expected future performance.

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 10%. Rates are assumed to decline to 5% through 2016. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the service and interest cost and accumulated post-retirement benefit obligation by approximately $177,756 and $2,164,203 at September 30, 2010, respectively. A one percentage point decrease in the assumed health care cost trend rate would decrease the service and interest cost and accumulated post-retirement benefit obligation by approximately $192,427 and $2,245,910 at September 30, 2010, respectively.

7. Pensions and Other Post-Retirement Benefits (continued)

Plan Assets

The pension plan weighted-average asset allocations at September 30, by asset category, are as follows:

	2010	**2009**
Equity securities	**67%**	65%
Debt securities	**25**	31
Real estate	**5**	4
Other	**3**	–
Total	**100%**	100%

The goals of the plan are to provide a secure retirement benefit for plan participants and to manage plan assets for the exclusive benefit of the participants. The Investment Committee of the Board of Directors has responsibility for the development, review and monitoring of the investment policy. The plan assets are invested in accordance with the policy.

Contributions

The Hospital expects to contribute $1,368,315 to its pension plans and $4,410,634 to its other post-retirement benefit plan in 2011.

Estimated Future Benefit Payments

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

	Pension Benefits	**Other Post-Retirement Benefits**
2011	$ 61,003,459	$ 4,410,634
2012	65,642,715	4,585,629
2013	58,228,474	4,789,059
2014	55,064,129	5,014,207
2015	54,554,568	5,178,798
2016-2020	312,269,527	29,186,776

7. Pensions and Other Post-Retirement Benefits (continued)

As discussed in Note 1, the Hospital adopted the FASB's authoritative disclosure guidance on reporting for assets of postretirement benefit plans for the fiscal year ended September 30, 2010. As discussed in the Fair Value Measurements note (Note 5), the Hospital follows a three-level hierarchy to categorize assets measured at fair value. In accordance with this hierarchy, as of September 30, 2010, 52% and 48% of the Hospital Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1 and Level 2 investments, respectively. Securities with readily determinable values are carried at fair value as determined based on independent published sources. Alternative investments, as described in Note 1, are stated at fair value, as estimated in an unquoted market but corroborated by market data.

8. Long-Term Debt

In August 2000, $30,675,000 of $31,175,000 State of Connecticut Health and Educational Facilities Authority (CHEFA) Variable Rate Demand Revenue Bonds, Hartford Hospital Issue Series B, were issued and are secured by an irrevocable direct pay letter of credit issued by Bank of America. The letter of credit expires May 1, 2012. The Bonds were issued to finance the construction of a 78-unit, independent living and assisted living facility (Cedar Mountain Commons) and the funding of various equipment purchases, software purchases and renovation projects.

In March 2002, $15,265,000 of $36,110,000 CHEFA Variable Rate Demand Revenue Bonds, Health Care Capital Asset Program Issue, Series A-1, were issued to the Hospital and secured by an irrevocable direct pay letter of credit issued by Bank of America. The letter of credit expires on May 1, 2012. The Bonds were issued to purchase a parking garage from Hartford Hospital Real Estate Corporation.

Under the Bond Indentures, the Hospital has balloon principal payments of $30,675,000 and $15,265,000 due on July 1, 2030 and 2031, respectively. At September 30, 2010 and 2009, there were no borrowings under the letter of credit. The financing documents contain certain restrictive covenants including the maintenance of a minimum debt service coverage ratio. As of September 30, 2010, the variable interest rate approximated .26%.

In September 2010, the Hospital entered into a master financing agreement with CHEFA, for funds to be used to purchase all or a portion of the costs of various capital expenditures. The interest rate is 2.75% and payable in monthly installments of $357,156 for a period of five years. The outstanding balance related to the master financing agreement as of September 30, 2010 was $20,000,000.

8. Long-Term Debt (continued)

The Hospital's variable rate demand bonds and master financing agreement with CHEFA are included in bonds payable on the consolidated balance sheets.

The Hospital has a $35,000,000 revolving loan from Bank of America. The loan expires in May 2011. As of September 30, 2010 and 2009, the Hospital drew $26,500,000 and $10,000,000, respectively, on the revolving loan, which has a variable rate and is included in short-term loan payable on the consolidated balance sheets. On December 30, 2010, the Hospital amended the revolving loan which increased the commitment from $35,000,000 to $63,500,000.

Scheduled principal repayments are as follows:

2011	$ 30,300,808
2012	3,888,686
2013	3,996,983
2014	4,108,297
2015	4,222,710
Thereafter	45,940,000
	$ 92,457,484

The carrying amount of the variable rate demand bonds approximates fair value.

Interest paid for the years ended September 30, 2010 and 2009 was $619,197 and $632,803, respectively.

9. Pledges Receivable

Pledges receivable, included in board-designated investments and other assets, include the following unconditional promises to give as of September 30:

	2010	2009
Due within one year	**$ 956,204**	$ 947,859
Due in one to five years	**1,340,333**	2,107,179
	2,296,537	3,055,038
Less allowance and discount to present value	**247,770**	328,595
Pledges receivable, net	**$ 2,048,767**	$ 2,726,443

The discount recognizes the present value of the pledges. The allowance recognizes the estimated uncollectible portion of the pledges.

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 1 or are deemed to be immaterial. While the outcomes of the 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 changes in net assets of the Hospital.

The Hospital has several operating lease agreements for certain real estate, medical equipment and computer equipment. Certain of these leases have renewal options for periods up to five years and escalation clauses. Rent is payable in equal monthly installments. Rent expense was $15,695,273 and $14,957,500 for the years ended September 30, 2010 and 2009, respectively.

The future minimum lease payments are as follows:

2011	$ 7,564,357
2012	7,634,813
2013	5,435,888
2014	4,031,642
2015	3,803,883
Thereafter	45,794,926
	$ 74,265,509

11. Related-Party Transactions

The Hospital provides general and administrative services to certain of its affiliates and is reimbursed for the cost of these services. The Hospital also reimburses its affiliates for certain services it receives from them. Amounts due from affiliates related to these services at September 30 are as follows:

	2010	**2009**
Intercompany receivable	**$ 2,393,227**	$ 74,776
Notes receivable from affiliates	**7,647,392**	6,137,422
	$ 10,040,619	$ 6,212,198

12. Guarantees

The Hospital guarantees certain debt issues of related parties. The related parties would not have been able to obtain favorable financing terms and rates without the Hospital's guarantee. The term of the guarantees is equal to the term of the related debt, with maturities between 2011 and 2031. The maximum potential amount of future payments the Hospital could be required to make under its guarantees at September 30, 2010 and 2009 is approximately $60,048,700 and $65,719,000, respectively. If the related party does not make the necessary principal and interest payments required by the debt agreements, the Hospital is required to pay the monthly debt service.

The Hospital also guarantees the termination value of a swap agreement of a related party. The arrangement relates to an interest rate swap contract with a counterparty with an original notional amount of $19,745,000 to fix the variable rate debt at a rate of 4.15%. The Hospital would be responsible for any termination payments related to the swap in the event of either nonperformance by the counterparty or by the counterparty's election to terminate the swap agreement. This guarantee is expected to significantly reduce annual debt service payments of the related party. The swap's termination value was approximately $3,185,500 and $2,500,000 as of September 30, 2010 and 2009, respectively.

In 2009, the Hospital entered into a guarantee agreement with two entities in which the Hospital has non-marketable equity investments in, for the issuance of financial guarantees in order to assist these entities in obtaining bank financing, which expire in June 2016 and September 2016, respectively. The Hospital believes that, based on its knowledge of their businesses, these entities continue to be an acceptable credit risk. The aggregate fair value of the financial guarantees is approximately $5,000,000 at September 30, 2010.

13. Functional Expenses

The Hospital provides health care services to residents within its geographic location. Net expenses related to providing these services are as follows:

	Year Ended September 30	
	2010	**2009**
Health care services	**$ 831,807,012**	$ 745,406,372
Research	**22,085,415**	19,796,119
Education	**66,532,311**	59,635,809
	$ 920,424,738	$ 824,838,300

14. Supplemental Cash Flow Information

The changes in assets and liabilities are as follows:

	Year Ended September 30 2010	2009
Increase in accounts receivable	**$ (37,198,861)**	$ (33,006,713)
(Increase) decrease in other receivables	**(2,605,021)**	471,619
(Increase) decrease in due from affiliates	**(3,828,421)**	1,297,670
Increase in inventories of supplies and prepaid expenses and other assets	**(2,212,962)**	(5,003,672)
Increase in escrow funds for bonds payable	**(4,304,570)**	–
Decrease in estimated third-party payor settlements	**8,953,139**	3,954,007
(Increase) decrease in other assets	**(19,219,741)**	50,904,827
(Decrease) increase in accounts payable	**(2,849,641)**	13,076,621
(Decrease) increase in salaries, wages, payroll taxes and amounts withheld from employees	**(15,728,394)**	1,652,814
(Decrease) increase in accrued expenses	**(823,442)**	579,332
Increase (decrease) in accrued pension and other liabilities	**17,227,866**	(64,047,004)
	$ (62,590,048)	$ (30,120,499)

Ernst & Young LLP
Goodwin Square
225 Asylum Street
Hartford, CT 06103-1506

Tel: +1 860 247 3100
Fax: +1 860 725 6040
www.ey.com

Report of Independent Auditors on Other Financial Information

Board of Directors
Hartford Hospital

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

Ernst & Young LLP

January 7, 2011

Hartford Hospital

Consolidating Balance Sheet

Year Ended September 30, 2010

	Hartford Hospital	Jefferson House Combined [1]	The Institute of Living	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 33,536,251	$ 9,613,795	$ 1,149,325	$ 44,299,371
Accounts receivable, less allowance for doubtful accounts of $35,400,000	116,439,803	919,550	–	117,359,353
Other receivables	18,731,666	11,146	3,933	18,746,745
Due from affiliates, net	8,221,672	1,733,413	85,534	10,040,619
Inventories of supplies	10,906,251	–	–	10,906,251
Prepaid expenses and other assets	16,882,386	35,442	3,832	16,921,660
Escrow funds for bonds payable	4,304,570	–	–	4,304,570
Total current assets	209,022,599	12,313,346	1,242,624	222,578,569
Assets whose use is limited:				
Investments and other assets	134,459,350	60,142,730	24,605,378	219,207,458
Investments for restricted purposes	154,816,785	5,581,454	23,656,205	184,054,444
	289,276,135	65,724,184	48,261,583	403,261,902
Funds held in trust by others	95,521,928	22,521,281	1,873,831	119,917,040
Other assets	34,928,556	–	–	34,928,556
Property, plant and equipment, net	281,906,249	10,270,691	6,836,394	299,013,334
	$ 910,655,467	$ 110,829,502	$ 58,214,432	$ 1,079,699,401

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Balance Sheet (continued)

Year Ended September 30, 2010

	Hartford Hospital	Jefferson House Combined [1]	The Institute of Living	Total
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 41,856,450	$ 81,909		$ 41,938,359
Estimated third-party payor settlements	1,980,663			1,980,663
Salaries, wages, payroll taxes and amounts withheld from employees	21,592,183	459,133		22,051,316
Accrued expenses	20,015,802	1,199,207	$ 165,468	21,380,477
Short-term loan payable	26,517,484			26,517,484
Current portion of other liabilities	16,408,879	–	–	16,408,879
Current portion of bonds payable	3,783,324	–	–	3,783,324
Total current liabilities	132,154,785	1,740,249	165,468	134,060,502
Accrued pension and other liabilities	288,624,232	1,189,800	(1)	289,814,031
Bonds payable	62,156,676	–	–	62,156,676
Net assets:				
Unrestricted	178,313,676	79,750,885	32,531,691	290,596,252
Temporarily restricted	89,881,759	3,088,566	14,408,623	107,378,948
Permanently restricted	159,524,339	25,060,002	11,108,651	195,692,992
	427,719,774	107,899,453	58,048,965	593,668,192
	$ 910,655,467	$ 110,829,502	$ 58,214,432	$ 1,079,699,401

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Statement of Operations

Year Ended September 30, 2010

	Hartford Hospital	Jefferson House Combined [1]	The Institute of Living	Eliminations	Total
Unrestricted revenues, gains and other support:					
Net patient service revenue	$ 800,993,375				$ 800,993,375
Other operating revenue	122,983,099		$ 528,217	$ (239,236)	123,272,080
Net assets released from restrictions for operations	8,623,312	$ 29,543	21,399	–	8,674,254
	932,599,786	29,543	549,616	(239,236)	932,939,709
Operating expenses:					
Salaries	398,505,926	–	–	–	398,505,926
Employee benefits	100,636,264	–	–	–	100,636,264
Supplies and other	181,630,180	24,637	146,680	(239,236)	181,562,261
Purchased services	158,477,075	4,906		–	158,481,981
Depreciation and amortization	42,312,460	–	486,596		42,799,056
Provision for uncollectible accounts	37,824,767	–	–	–	37,824,767
Interest	614,483	–	–	–	614,483
	920,001,155	29,543	633,276	(239,236)	920,424,738
Income (loss) from operations	12,598,631	–	(83,660)	–	12,514,971
Nonoperating income (loss):					
Income (loss) from investments, gifts and bequests, net	5,143,396	–	(128,093)	–	5,015,303
Other	69,283	324,361	–	–	393,644
	5,212,679	324,361	(128,093)	–	5,408,947
Excess (deficiency) of revenues over expenses before change in unrealized gains and losses on investments	17,811,310	324,361	(211,753)	–	17,923,918
Change in unrealized gains and losses on investments	15,769,108	4,988,574	2,409,188	–	23,166,870
Excess of revenues over expenses	$ 33,580,418	$ 5,312,935	$ 2,197,435	$ –	$ 41,090,788

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Balance Sheet

Year Ended September 30, 2009

	Hartford Hospital	Jefferson House Combined[1]	The Institute of Living	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 13,957,075	$ 11,680,064	$ 827,727	$ 26,464,866
Accounts receivable, less allowance for doubtful accounts of $23,648,000	116,952,445	1,032,814	–	117,985,259
Other receivables	16,067,104	50,667	23,953	16,141,724
Due from affiliates, net	(4,120,386)	1,683,725	8,648,859	6,212,198
Inventories of supplies	10,595,678	–	–	10,595,678
Prepaid expenses and other assets	14,983,134	24,771	11,366	15,019,271
Estimated third-party payor settlements	6,972,476	–	–	6,972,476
Total current assets	175,407,526	14,472,041	9,511,905	199,391,472
Assets whose use is limited:				
Investments and other assets	114,443,237	54,656,305	23,622,964	192,722,506
Investments for restricted purposes	156,408,075	6,015,925	21,423,848	183,847,848
	270,851,312	60,672,230	45,046,812	376,570,354
Funds held in trust by others	91,129,918	21,489,447	1,783,130	114,402,495
Other assets	15,708,815	–	–	15,708,815
Property, plant and equipment, net	266,726,356	8,919,571	7,378,101	283,024,028
	$ 819,823,927	$ 105,553,289	$ 63,719,948	$ 989,097,164

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Balance Sheet (continued)

Year Ended September 30, 2009

	Hartford Hospital	Jefferson House Combined (1)	The Institute of Living	Total
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 44,618,325	$ 169,675		$ 44,788,000
Salaries, wages, payroll taxes and amounts withheld from employees	37,105,008	674,702		37,779,710
Accrued expenses	20,856,731	1,219,922	$ 127,266	22,203,919
Short-term loan payable	10,001,011			10,001,011
Current portion of other liabilities	17,019,901	–	–	17,019,901
Total current liabilities	129,600,976	2,064,299	127,266	131,792,541
Accrued pension and other liabilities	240,294,553	2,189,800	(1)	242,484,352
Bonds payable	45,940,000	–	–	45,940,000
Net assets:				
Unrestricted	164,603,489	74,305,015	39,628,231	278,536,735
Temporarily restricted	85,669,294	2,966,006	12,946,501	101,581,801
Permanently restricted	153,715,615	24,028,169	11,017,951	188,761,735
	403,988,398	101,299,190	63,592,683	568,880,271
	$ 819,823,927	$ 105,553,289	$ 63,719,948	$ 989,097,164

(1) Includes Cedar Mountain Commons

Hartford Hospital

Consolidating Statement of Operations

Year Ended September 30, 2009

	Hartford Hospital	Jefferson House Combined (1)	The Institute of Living	Eliminations	Total
Unrestricted revenues, gains and other support:					
Net patient service revenue	$ 723,222,044				$ 723,222,044
Other operating revenue	96,134,176		$ 582,668	$ (271,712)	96,445,132
Net assets released from restrictions for operations	10,184,161	$ 24,275	22,549	–	10,230,985
	829,540,381	24,275	605,217	(271,712)	829,898,161
Operating expenses:					
Salaries	365,409,670	–	–	–	365,409,670
Employee benefits	77,410,993	–	–	–	77,410,993
Supplies and other	164,264,758	19,260	94,784	(271,712)	164,107,090
Purchased services	152,224,169	5,015	5,096	–	152,234,280
Depreciation and amortization	40,686,788	–	531,752	–	41,218,540
Provision for uncollectible accounts	23,850,530	–	–	–	23,850,530
Interest	607,197	–	–	–	607,197
	824,454,105	24,275	631,632	(271,712)	824,838,300
Income (loss) from operations	5,086,276	–	(26,415)	–	5,059,861
Nonoperating (loss) income:					
(Loss) income from investments, gifts and bequests, net	(7,579,771)	–	(1,947,157)	–	(9,526,928)
Guarantee of swap	1,648,141	–	–	–	1,648,141
Other	(5,978,857)	(1,508,288)	–	–	(7,487,145)
	(11,910,487)	(1,508,288)	(1,947,157)	–	(15,365,932)
Deficiency of revenues over expenses before change in unrealized gains and losses on investments	(6,824,211)	(1,508,288)	(1,973,572)	–	(10,306,071)
Change in unrealized gains and losses on investments	2,583,404	–	808,020	–	3,391,424
Deficiency of revenues over expenses	$ (4,240,807)	$ (1,508,288)	$ (1,165,552)	$ –	$ (6,914,647)

(1) Includes Cedar Mountain Commons