

The Charlotte Hungerford Hospital

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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Independent Auditors' Report

To the Board of Governors of
The Charlotte Hungerford Hospital:

We have audited the accompanying consolidated balance sheets of The Charlotte Hungerford Hospital (the Hospital) a Connecticut 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 Hospital'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 audits 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 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidating financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2010 and 2009 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Charlotte Hungerford Hospital as of September 30, 2010 and 2009, and the results of its consolidated 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 supplemental information listed within the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities. Accordingly, we do not express an opinion on the financial position and results of operations of the individual entities. However, the 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 9, 2010

**The Charlotte Hungerford Hospital
Consolidated Balance Sheets
September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
Assets			Liabilities		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 5,456,105	\$ 4,021,421	Current portion of bonds payable	\$ 1,120,000	\$ 1,080,000
Accounts receivable (less allowance for doubtful accounts of \$1,566,219 in 2010 and \$1,691,317 in 2009)	9,573,323	9,891,564	Current portion of loans payable	212,691	278,550
Inventories	1,886,150	1,825,569	Current portion of capital lease obligations	21,204	21,842
Estimated amounts due from third-party reimbursement agencies	1,079,437	102,157	Accounts payable	4,439,653	3,810,358
Due from temporary restricted funds	227,108	292,608	Estimated amounts due to third-party reimbursement agencies	2,034,000	2,366,000
Other current assets	2,192,779	1,599,620	Accrued salaries, wages and fees	3,018,603	4,615,109
	<u>20,414,902</u>	<u>17,732,939</u>	Other current liabilities	5,718,436	4,051,021
Total current assets			Total current liabilities	16,564,587	16,222,880
Assets whose use is limited:			Bonds payable, less current portion	2,355,000	3,475,000
Investments held in trust for estimated self-insurance liabilities	4,042,373	3,188,402	Loans payable, less current portion	3,667,950	3,939,784
Under bond indenture agreement - held by others	277,118	359,776	Capital lease obligations, less current portion	-	21,205
Donor restricted assets	6,732,834	6,677,028	Estimated self-insurance liabilities	2,554,405	2,192,084
Beneficial interest in assets held in trust by others	12,619,869	11,806,009	Accrued pension liability	33,995,533	28,349,714
Total assets whose use is limited	23,672,194	22,031,215	Total liabilities	59,137,475	54,200,667
Long-term investments	30,690,384	27,520,776			
Pledges receivable, net	282,069	280,200			
Property, plant and equipment:					
Land	155,467	155,467			
Land improvements	4,556,586	4,497,386			
Buildings	75,462,132	76,212,867			
Fixed equipment	16,297,585	16,463,848			
Moveable equipment	40,755,078	39,050,948			
	<u>137,226,848</u>	<u>136,380,516</u>	Commitments and contingencies	-	-
Less: accumulated depreciation	(96,582,714)	(91,686,498)			
	<u>40,644,134</u>	<u>44,694,018</u>			
Construction in progress	918,096	861,053			
Total property, plant and equipment	41,562,230	45,555,071			
Leased equipment under capital leases, net of accumulated amortization of \$83,894 in 2010 and \$63,349 in 2009	18,833	39,378	Net assets		
Deferred financing costs, net	100,282	131,769	Unrestricted (\$29,921,043 in 2010 and \$27,050,721 in 2009 designated by the Board of Governors)	39,188,881	41,711,965
Other assets	938,165	1,104,321	Temporarily restricted	2,980,453	2,924,647
	<u>1,057,280</u>	<u>1,275,468</u>	Permanently restricted	16,372,250	15,558,390
Total other assets			Total net assets	58,541,584	60,195,002
Total assets	<u>\$ 117,679,059</u>	<u>\$ 114,395,669</u>	Total liabilities and net assets	<u>\$ 117,679,059</u>	<u>\$ 114,395,669</u>

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

The Charlotte Hungerford Hospital
Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended September 30, 2010 and 2009

	2010	2009
Unrestricted revenues		
Net patient service revenues	\$ 103,758,285	\$ 97,865,856
Other revenues	5,283,033	5,612,083
Total revenues	109,041,318	103,477,939
Expenses		
Salaries and wages	50,331,274	49,238,598
Physician fees	1,154,344	900,019
Employee benefits	15,643,996	12,887,310
Services	13,641,006	12,786,645
Supplies	18,222,428	16,912,069
Provision for bad debts	2,413,649	2,247,042
Depreciation and amortization	6,177,041	6,201,756
Interest and bond expenses	374,299	563,756
Insurance	1,867,148	1,773,593
Total expenses	109,825,185	103,510,788
Operating loss	(783,867)	(32,849)
Other income		
Investment income (loss), net	1,996,464	(127,437)
Gifts and bequests	127,644	188,183
Gain from equity method investments	119,337	84,261
Total other income	2,243,445	145,007
Excess of revenues over expenses	\$ 1,459,578	\$ 112,158

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

The Charlotte Hungerford Hospital
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	\$ 1,459,578	\$ 112,158
Change in unrealized gains (losses) on investments	1,124,598	(70,388)
Pension related changes other than net periodic pension costs	(5,216,819)	(20,205,926)
Reclassification of temporary net assets	109,559	-
Net assets released from restrictions used for purchase of property and equipment	-	780,800
	(2,523,084)	(19,383,356)
Temporarily restricted net assets		
Investment income (loss)	51,128	(314,957)
Contributions	690,138	1,043,719
Change in unrealized gains on investments	88,992	12,351
Net assets released from restrictions	(774,452)	(1,217,809)
	55,806	(476,696)
Permanently restricted net assets		
Change in beneficial interest in assets held in trust by others	813,860	(954,281)
Change in other restricted net assets	-	(22,715)
	813,860	(976,996)
Change in net assets	(1,653,418)	(20,837,048)
Net assets, beginning of year	60,195,002	81,032,050
Net assets, end of year	\$ 58,541,584	\$ 60,195,002

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

The Charlotte Hungerford Hospital
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	\$ (1,653,418)	\$ (20,837,048)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,177,041	6,201,756
Net realized (gains) losses on investments	(750,157)	1,688,175
Net unrealized (gains) losses on investments	(1,213,555)	77,555
(Increase) decrease in beneficial interest in assets held in trust by others	(813,860)	954,281
Provision for bad debts, net	2,413,649	2,247,042
Gain from equity method investments	(731,363)	(796,074)
Changes in:		
Accounts receivable, net	(2,095,408)	(2,515,797)
Inventories	(60,581)	(158,613)
Estimated amounts due from third-party reimbursement agencies	(977,280)	294,357
Due from temporary restricted funds	65,500	488,192
Other current assets	(593,159)	190,874
Other assets, net	(321,709)	(55,647)
Pledges receivable	(1,869)	(280,200)
Accounts payable	629,295	(357,380)
Estimated amounts due to third-party reimbursement agencies	(332,000)	1,408,242
Accrued salaries, wages and fees	(1,596,506)	336,935
Other current liabilities	1,667,415	332,201
Estimated self-insurance liabilities	362,321	123,025
Accrued pension liability	5,645,819	19,275,683
Net cash provided by operating activities	5,820,175	8,617,559
Cash flows from investing activities		
Proceeds from sales of investments	1,880,894	4,820,569
Purchases of investments	(3,996,532)	(6,813,634)
Purchases of property, plant and equipment, net	(1,585,125)	(4,791,386)
Change in funds held under bond indenture agreement	82,658	(153,403)
Dividends from joint venture investments	836,875	767,750
Net cash used in investing activities	(2,781,230)	(6,170,104)
Cash flows from financing activities		
Principal payments on Series C bonds	(1,080,000)	(1,045,000)
Principal payments on long-term debt agreements	(20,321)	(233,677)
Proceeds from note receivable	50,041	50,041
Payments on KDA long-term debt	(532,139)	(118,485)
Principal payments on capital lease obligations	(21,842)	(20,574)
Net cash used in financing activities	(1,604,261)	(1,367,695)
Net change in cash and cash equivalents	1,434,684	1,079,760
Cash and cash equivalents, beginning of year	4,021,421	2,941,661
Cash and cash equivalents, end of year	\$ 5,456,105	\$ 4,021,421
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 279,402	\$ 348,303

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

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 1 - General

Organization - The Charlotte Hungerford Hospital (the Hospital), located in Torrington, Connecticut, is a not-for-profit acute care hospital. The Hospital provides inpatient, outpatient and emergency care services for the residents of northwestern Connecticut.

Surgical Associates of Litchfield County, LLC (SALC) is a for-profit limited liability company, which provides health care services to the residents of northwestern Connecticut. SALC was formed on May 1, 2004 to further the charitable and benevolent purposes of the Hospital. The Hospital, through a management contract with SALC is responsible for managing the affairs of SALC and making management decisions on behalf of SALC. As of December 31, 2009, SALC was dissolved and all operations were transferred to the Hospital.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - The accompanying consolidating 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). All significant intercompany amounts have been eliminated in consolidation.

Use of Estimates - The preparation of consolidated financial statements in conformity with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates relate to contractual allowances and the allowance for doubtful accounts on patient accounts receivable, self-insurance liabilities, valuation of investments, estimated settlements due to third-party reimbursement agencies and pension plan assumptions. Actual results could differ from those estimates.

Net Asset Categories - To ensure observance of limitations and restrictions placed on the use of resources available to the Hospital, the accounts of the Hospital are maintained in the following net asset categories:

Unrestricted - Unrestricted net assets represent available resources other than donor restricted contributions. Included in unrestricted net assets are assets set aside by the Board of Governors (the Board) for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Temporarily restricted - Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

Permanently restricted - Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that the income earned thereon be available for operations and beneficial interest in assets held in trust by others.

Assets Held in Trust by Others - The Hospital has been named sole or participating beneficiary in several perpetual trusts. Under the terms of these trusts, the Hospital 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 Hospital is recorded at the fair value of the assets held in the trust. Fluctuations in the value of such assets are recognized as changes in permanently restricted net assets.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Recognition of Grant Revenue - Grants are generally considered to be exchange transactions in which the grantor requires the performance of specified activities. Entitlement to cost reimbursement grants is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance based grants is conditioned on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved. The Hospital recognized \$2,611,278 and \$2,514,351 of grant revenue, included in other revenues, for the years ended September 30, 2010 and 2009, respectively. Grant receipts in excess of revenues recognized are presented as deferred grant support. Deferred grant support of \$209,000 and \$234,070 is included in other current liabilities in the accompanying consolidated balance sheets as of September 30, 2010 and 2009, respectively.

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those contributions are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in other revenues. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The Hospital's policy is to present restricted contributions received during the year whose restrictions are also met during the current year as unrestricted net asset activity. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is actually received.

The Hospital's policy is to recognize the expiration of donor restrictions for contributions of property and equipment or the use of contributions restricted for property and equipment in the year the property and equipment is placed in service.

Cash and Cash Equivalents - The Hospital considers all highly liquid investments with original maturities of three months or less at date of purchase to be cash equivalents. Cash and cash equivalents are maintained primarily within one regional bank and one investment bank-sponsored money market fund. From time to time, the Hospital maintains balances in excess of the Federal Deposit Insurance Commission (FDIC) limit of \$250,000 per customer, per bank. It is the Hospital's policy to monitor the financial strength of these institutions on an ongoing basis.

Inventories - Inventories, used in general operations of the Hospital, are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Investments - The Hospital accounts for its investments in accordance with FASB ASC, 320, "Investments - Debt and Equity Securities." 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.

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

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Other Than Temporary Impairment of Investments - The Hospital accounts for other than temporary impairments in accordance with FASB ASC 320-10 and continually reviews its securities for impairment conditions, which could indicate that an other than temporary decline in market value has occurred. In conducting this review, numerous factors are considered, which include specific information pertaining to an individual company or a particular industry, general market conditions that reflect prospects for the economy as a whole, and the ability and intent to hold securities until recovery. The carrying value of investments is reduced to its estimated realizable value if a decline in fair value is considered to be other than temporary. There were no impairments recorded in 2010 or 2009.

Assets Whose Use is Limited - Assets whose use is limited include assets set aside for self-insurance trust arrangements, assets held by trustees under bond indenture agreements, donor restricted endowments and assets held in trust by others.

Federal Income Taxes - The Hospital is a not-for-profit corporation under 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. The Hospital also had a for-profit subsidiary, SALC, that is an LLC in a net operating loss position and are not taxpayers, therefore no income tax provision has been provided in the 2010 and 2009 consolidated financial statements. As of December 31, 2009, SALC was dissolved and all operations were transferred to the Hospital.

The Hospital accounts for uncertain tax positions with provisions of FASB ASC 740, "*Income Taxes*" which provide a new framework for how companies should recognize, measure, present and disclose uncertain tax positions in their consolidated financial statements. The Hospital 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 Hospital does not have any uncertain tax positions as of September 30, 2010 and 2009. As of September 30, 2010 and 2009, the Hospital did not record any penalties or interest associated with uncertain tax positions.

Property, Plant and Equipment - Property, plant and equipment purchased by the Hospital is recorded at cost, or if received as a donation, at fair value on the date received. The Hospital provides for depreciation of property, plant and equipment for financial reporting purposes using the straight-line method over the estimated useful lives of the various assets. American Hospital Association lives are generally used and provide for a 25-50 year life for buildings and a 3-20 year life for building fixtures and equipment. Leased equipment is amortized on a straight-line basis over the shorter of the life of the applicable lease or life of the leased asset.

Depreciation expense was \$6,116,386 and \$6,146,687 for the years ended September 30, 2010 and 2009, respectively.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Investments in Joint Ventures - The Hospital has invested in certain joint ventures which are accounted for under the equity method of accounting and included within other assets on the consolidated balance sheets. The Hospital's investment in these joint ventures is as follows:

	<u>Ownership Percentage</u>
Advanced Medical Imaging of Northwest CT, LLC (AMI) (Except for the Fixed MRI segment which the ownership is 75%)	50%
MedConn Collection Agency, LLC	20%
Urology Center of Northwest CT, LLC (Urology)	62.5%

The Hospital has recorded its share of AMI's net income of \$612,026 and \$711,813 within other revenues as of September 30, 2010 and 2009, respectively, as these services are a component of the Hospital operations. In addition, the 62.5% investment in Urology is immaterial to present in a consolidated presentation.

Deferred Financing Costs - Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method.

Consolidated Statements of Operations and Changes in Net Assets - For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as operating revenues and expenses. Investment income and realized gains and losses on securities are considered non-operating activity. 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, except for losses that are deemed to be other than temporary, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Fair Value Measurements - FASB ASC 820-10, "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).

The three levels of the fair value hierarchy under FASB ASC 820-10 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 Plan 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.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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 Hospital's valuation methodologies used to measure financial assets and liabilities at fair value are outlined below. Where applicable, the Hospital uses quoted prices in active markets for identical assets and liabilities to determine fair value (Level 1 inputs). This pricing methodology applies to equities and 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 markets 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). Securities typically priced using Level 2 inputs include mutual funds, corporate bonds, money market funds and U.S. treasury and government obligations. Accordingly, the Hospital has classified its assets and liabilities affected as level 1, 2 and 3 instruments as displayed in footnote 12.

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 rollforward of activity on a gross basis are effective for fiscal years beginning after December 15, 2010. The Hospital is currently evaluating the impact of these disclosures on its consolidated financial statements.

In December 2008, the FASB issued additional authoritative guidance regarding an employers' 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 8 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.

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 Hospital on October 1, 2011. The Hospital is currently evaluating the impact on its disclosures from the adoption of this pronouncement.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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 Hospital on October 1, 2011. The Hospital is currently evaluating the impact on its consolidated financial position and results of operations from the adoption of this pronouncement.

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

Subsequent Events - Subsequent events have been evaluated through December 9, 2010, which is the date the consolidated financial statements were available to be issued.

Note 3 - Revenues from Services to Patients and Charity Care

The following table reconciles gross revenues from services to patients to net revenues from services to patients:

	<u>2010</u>	<u>2009</u>
Gross revenues from services to patients	\$ 187,448,112	\$ 181,983,682
Deductions and allowances	<u>(83,689,827)</u>	<u>(84,117,826)</u>
Net revenues from services to patients	<u>\$ 103,758,285</u>	<u>\$ 97,865,856</u>

Net Patient Service Revenue and Net Accounts Receivable - Net patient service revenue is reported at the established net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Net patient service revenue and accounts receivable are recorded when patient services are performed. Adjustments and settlements under reimbursement agreements with third-party payers are accrued on an estimated basis in the period the related services are provided and adjusted in future periods as final settlements are determined.

At September 30, 2010, 39% and 61% and at September 30, 2009, 49% and 51% of net patient accounts receivable were from governmental (Medicare and Medicaid) and nongovernmental payers, respectively. Nongovernmental payers are primarily insurance companies and self-pay payers. Management has recorded an allowance for doubtful accounts, which, in its opinion, is sufficient to provide for risk of nonpayment.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

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

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. For the years ended September 30, 2010 and 2009, the Hospital granted charity care of \$1,421,695 and \$1,438,204, respectively. In addition, the Hospital released assets whose use was restricted to fund free-care of \$82,368 and \$166,950, for the years ending September 30, 2010 and 2009, respectively.

State of Connecticut Regulatory Environment - Connecticut's acute care hospital regulatory system is currently administered by the State of Connecticut Office of Health Care Access.

Federal Regulatory Environment - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse regulations as well as other applicable government laws and regulations. While no known regulatory inquiries are pending, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions known or unasserted at this time.

Note 4 - Investments

Cost and fair values of investments as of September 30, 2010 and 2009, are summarized as follows:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Long-term investments:				
(including Board and donor restricted)				
Money market funds	\$ 2,998,173	\$ 2,998,173	\$ 2,848,415	\$ 2,848,415
Certificates of deposit	30,060	30,328	50,100	50,511
Equity securities	17,674,292	20,805,020	15,873,040	19,312,184
Corporate and foreign bonds	5,995,140	6,465,521	6,589,892	6,864,282
Municipal bonds	170,000	182,937	160,000	171,407
Mutual funds	5,280,641	4,974,529	3,487,595	3,121,074
U.S. treasury and government agencies	1,873,861	1,966,710	2,928,462	1,829,931
Total	<u>\$ 34,022,167</u>	<u>\$ 37,423,218</u>	<u>\$ 31,937,504</u>	<u>\$ 34,197,804</u>

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 4 - Investments (continued)

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Investments held in trust for estimated self-insurance liabilities:				
Money market funds	\$ 1,347,043	\$ 1,347,043	\$ 1,145,064	\$ 1,145,066
Mutual funds	<u>2,580,289</u>	<u>2,695,330</u>	<u>2,001,465</u>	<u>2,043,336</u>
Total	<u>\$ 3,927,332</u>	<u>\$ 4,042,373</u>	<u>\$ 3,146,529</u>	<u>\$ 3,188,402</u>
Under bond indenture agreement - held by others:				
Mutual funds	<u>\$ 277,118</u>	<u>\$ 277,118</u>	<u>\$ 359,447</u>	<u>\$ 359,776</u>

Beneficial interest assets held in trust of \$12,619,869 and \$11,806,009, as of September 30, 2010 and 2009, respectively, are held by bank trustees and are not under the Hospital's investment control. These assets are invested within diversified portfolios.

The following table shows fair values and gross unrealized losses for all investment categories that are in an unrealized loss position as of September 30, 2010 and 2009, and the length of time that the securities have been in an unrealized loss position as of September 30, 2010 and 2009.

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2010						
Equity securities	\$ 1,757,005	\$ (175,442)	\$ 3,558,133	\$ (951,896)	\$ 5,315,138	\$(1,127,338)
Mutual funds	127,274	(9,363)	1,392,075	(383,312)	1,519,349	(392,675)
Government issues	100,420	(827)	-	-	100,420	(827)
Corporate and foreign bonds	<u>73,071</u>	<u>(491)</u>	<u>258,025</u>	<u>(1,975)</u>	<u>331,096</u>	<u>(2,466)</u>
Total	<u>\$ 2,057,770</u>	<u>\$ (186,123)</u>	<u>\$ 5,208,233</u>	<u>\$(1,337,183)</u>	<u>\$ 7,266,003</u>	<u>\$(1,523,306)</u>
2009						
Equity securities	\$ 3,479,158	\$ (502,490)	\$ 2,638,599	\$ (974,981)	\$ 6,117,757	\$(1,477,471)
Mutual funds	376,151	(63,868)	1,591,683	(433,295)	1,967,834	(497,163)
Corporate and foreign bonds	<u>-</u>	<u>-</u>	<u>483,902</u>	<u>(51,739)</u>	<u>483,902</u>	<u>(51,739)</u>
Total	<u>\$ 3,855,309</u>	<u>\$ (566,358)</u>	<u>\$ 4,714,184</u>	<u>\$(1,460,015)</u>	<u>\$ 8,569,493</u>	<u>\$(2,026,373)</u>

The unrealized losses for less than one year relate to 63 and 70 individual holdings of debt and equity investments as of September 30, 2010 and 2009, respectively. The unrealized losses for greater than one year relate to 91 and 118 individual holdings of debt and equity investments as of September 30, 2010 and 2009, respectively. These unrealized losses were deemed not to be other than temporary impaired based on the guidance provided in FASB ASC 320 and consultation with various investment advisors.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 4 - Investments (continued)

Investment income (loss), which is unrestricted, is comprised of the following for the years ended September 30, 2010 and 2009.

	2010	2009
Income and gains:		
Interest and dividend income	\$ 1,253,431	\$ 1,536,301
Net realized gains (losses) on securities	743,033	(1,663,738)
	\$ 1,996,464	\$ (127,437)

Note 5 - Endowment

The Hospital's endowment consists of multiple funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds, funds designated by the Board of Governors 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 Governors to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

The Hospital 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 Hospital during its annual budgeting process.

The Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Hospital; and (7) the investment policies of the Hospital.

The net asset composition of the Hospital's endowment funds as of September 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board restricted	\$ 29,921,043	\$ -	\$ -	\$ 29,921,043
Beneficial trusts	-	-	12,619,869	12,619,869
Donor restricted	-	2,980,453	3,752,381	6,732,834
Total	\$ 29,921,043	\$ 2,980,453	\$ 16,372,250	\$ 49,273,746

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 5 - Endowment (continued)

The net asset composition of the Hospital's endowment funds as of September 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board restricted	\$ 27,050,721	\$ -	\$ -	\$ 27,050,721
Beneficial trusts	-	-	11,806,009	11,806,009
Donor restricted	-	2,924,647	3,752,381	6,677,028
Total	<u>\$ 27,050,721</u>	<u>\$ 2,924,647</u>	<u>\$ 15,558,390</u>	<u>\$ 45,533,758</u>

Changes in endowment net assets for the year ended September 30, 2010 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, October 1, 2008	\$ 27,303,599	\$ 3,401,343	\$ 16,535,386	\$ 47,240,328
Investment return:				
Investment loss	(66,951)	(314,957)	-	(381,908)
Net change in market value	(185,927)	12,351	(976,996)	(1,150,572)
Contributions	-	1,043,719	-	1,043,719
Expenditures	-	(1,217,809)	-	(1,217,809)
Balance, September 30, 2009	27,050,721	2,924,647	15,558,390	45,533,758
Investment return:				
Investment gain	1,961,328	51,128	-	2,012,456
Net change in market value	908,994	88,992	813,860	1,811,846
Contributions	-	690,138	-	690,138
Expenditures	-	(774,452)	-	(774,452)
Balance, September 30, 2010	<u>\$ 29,921,043</u>	<u>\$ 2,980,453</u>	<u>\$ 16,372,250</u>	<u>\$ 49,273,746</u>

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

	<u>2010</u>	<u>2009</u>
Healthcare related services	\$ 345,731	\$ 934,272
Facility improvement	982,562	346,683
Purchases of equipment	513,000	513,000
Clinical educator	1,139,160	1,130,692
	<u>\$ 2,980,453</u>	<u>\$ 2,924,647</u>

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 5 - Endowment (continued)

Endowment funds that are permanently restricted as of September 30, 2010 and 2009 consist of the following:

	2010	2009
Beneficial trusts	\$ 12,619,869	\$ 11,806,009
Held in perpetuity, income restricted for operations	3,752,381	3,752,381
	\$ 16,372,250	\$ 15,558,390

Funds with Deficiencies - 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 Hospital 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, there were no funds that were below the level required by donor or law.

Return Objectives and Risk Parameters - The Hospital's investment and spending policies for endowment assets attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that approximate the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

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

Spending Policy - During its annual budgeting process, the Hospital appropriates donor restricted endowment funds for expenditure in accordance with donor purpose and time restrictions. The Hospital has not appropriated funds for expenditure from its board restricted endowment funds for the years ending September 30, 2010 and 2009. The Hospital has appropriated \$774,452 and \$1,217,809 from its temporary restricted funds for the years ended September 30, 2010 and 2009, respectively. The board restricted endowment funds are being held for long-term growth and to maintain capital reserves for the Hospital.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 6 - Professional and General Liability Insurance

The Hospital's insurance limits are as follows:

<u>Policy Year</u>	<u>Deductible Amounts Per Claim/ Aggregate</u>	<u>Excess Coverage Limits</u>	<u>Type Coverage</u>
Fiscal 1982-1984	\$100,00/500,000	\$ 10,000,000	Occurrence
Fiscal 1985	\$250,000/750,000	\$ 15,000,000	Occurrence
Fiscal 1986	\$500,000/1,500,000	\$ 15,000,000	Occurrence
Fiscal 1987-1988	\$1,000,000/3,000,000	\$ 20,000,000	Claims-made
Fiscal 1989-1990	\$1,000,000/3,000,000	\$ 25,000,000	Claims-made
Fiscal 1991-2002	\$1,000,000/3,000,000	\$ 30,000,000	Claims-made
Fiscal 2003-2010	\$1,000,000/3,000,000	\$ 20,000,000	Claims-made

The Hospital self-insures the deductible amounts of the above coverages and all excess limits are covered by insurance policies purchased from commercial carriers.

Professional and general liability claims that fall within the Hospital's self-insurance levels have been asserted against the Hospital by various claimants. The claims are in various stages of activity and resolution. There are also known incidents that have occurred through September 30, 2010, that may result in the assertion of additional claims. Other claims may be asserted arising from services provided to patients or for other matters, for which no estimate of exposure can be determined at this time. The Hospital's estimated self-insurance liability reflects management's accrual of its best estimate of these self-insured losses under the policies described above, for occurrences through September 30, 2010.

The Hospital has established a trust for the purpose of setting aside assets for self-insurance purposes. 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. 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 Hospital was also self-insured for employee medical coverage (through December 31, 2008) and workers' compensation. Estimated self-insurance liabilities include estimates for claim obligations related to employee medical and workers' compensation claims that date. As of September 30, 2010 and 2009, the Hospital maintains a commercial policy for its employees medical coverage. In fiscal year 2010 and 2009, management discounted accrued medical malpractice losses at 5.00% and 5.75%, respectively, and it is management's opinion that this provides for adequate loss contingencies.

Note 7 - Leases

The Hospital has entered into non-cancellable capital leases for computer and medical equipment and various building rentals. In addition, the Hospital leases office equipment under non-cancellable operating leases that expire in various years through fiscal year 2014. Certain leases may be renewed at the end of their term.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 7 - Leases (continued)

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments, non-cancellable operating leases and building rentals as of September 30, 2010:

	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Building Rentals</u>
For the year ended September 30:			
2011	\$ 21,846	\$ 294,322	\$ 205,067
2012	-	140,882	117,600
2013	-	55,974	105,450
2014	-	13,994	26,363
Total minimum lease payments	21,846	<u>\$ 505,172</u>	<u>\$ 454,480</u>
Less: amount representing interest	<u>(642)</u>		
Present value of minimum lease payments	21,204		
Less: current portion	<u>(21,204)</u>		
Long-term capital lease obligations	<u>\$ -</u>		

Rental expense was \$1,615,088 and \$1,503,720 for the years ended September 30, 2010 and 2009, respectively.

Note 8 - Pension Plan

The Hospital has a noncontributory defined benefit pension plan (the Plan) that covers all eligible employees and provides for retirement, disability and optional survivor benefits. To participate in the Plan, an employee must meet certain eligibility requirements including attainment of age 21 and one-year of continuous service (defined as 1,000 hours of service in a 12-month period). The time period for employee benefits to become fully vested is five years of continuous service. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Effective December 31, 2010, the Hospital will execute a “soft freeze” of the Plan allowing no new employees to participate. All employees currently enrolled in the Plan will continue to vest and accrue benefits in line with Plan policies.

The Hospital’s funding policy for the Plan is to contribute each year the net periodic pension cost for the year as determined by actuarial valuations developed by the Plan’s actuary. Such funding requirements have been met for fiscal 2010 and 2009. This policy is in accordance with Employee Retirement Income Security Act of 1974 regulations.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 8 - Pension Plan (continued)

Significant disclosures relating to the Plan as of September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Change in benefit obligations:		
Benefit obligations at beginning of year	\$ 78,017,860	\$ 57,666,510
Service cost	2,807,208	1,966,266
Interest cost	4,411,003	4,216,305
Actuarial loss	7,197,387	16,328,080
Benefits paid	<u>(2,383,136)</u>	<u>(2,159,301)</u>
Benefit obligations at end of year	<u>\$ 90,050,322</u>	<u>\$ 78,017,860</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 46,068,146	\$ 45,192,479
Actual return on plan assets	3,638,109	(99,057)
Employer contributions	3,685,000	3,600,000
Expenses paid	(353,330)	(465,975)
Benefits paid	<u>(2,383,136)</u>	<u>(2,159,301)</u>
Fair value of plan assets at end of year	<u>\$ 50,654,789</u>	<u>\$ 46,068,146</u>
Accrued pension liability:		
Unfunded status and accrued pension liability (\$5,400,000 and \$3,600,000 is included in other current liabilities for 2010 and 2009, respectively)	<u>\$ (39,395,533)</u>	<u>\$ (31,949,714)</u>
Components of net periodic benefit cost:		
Service cost	\$ 3,124,458	\$ 2,288,766
Interest cost	4,411,003	4,216,305
Expected return on plan assets	(4,398,011)	(4,326,311)
Net amortization and deferral	4,400	4,400
Recognized net loss	<u>2,772,322</u>	<u>706,931</u>
Net periodic benefit cost	<u>\$ 5,914,172</u>	<u>\$ 2,890,091</u>

The accumulated benefit obligation at September 30, 2010 and 2009, under the Hospital's Plan was \$77,315,222 and \$66,619,945, respectively.

The Hospital expects to contribute \$5,400,000 to its pension plan in for the fiscal year beginning 2010.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 8 - Pension Plan (continued)

Weighted-average assumptions used to determine benefit obligations:	<u>2010</u>	<u>2009</u>
Discount rate	5.25%	5.75%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	5.75%	7.50%
Rate of compensation increase	4.00%	4.00%
Expected long-term return on plan assets	9.00%	9.00%

Amounts recorded in unrestricted net assets as of September 30, 2010 not yet amortized as a components of net periodic benefit cost are as follows:

	<u>2010</u>	<u>2009</u>
Unamortized prior service costs	\$ 11,484	\$ 15,884
Unamortized actuarial loss	<u>40,110,974</u>	<u>34,889,755</u>
	<u>\$ 40,122,458</u>	<u>\$ 34,905,639</u>

The amortization of the above items expected to be recognized in net periodic benefit costs for the year ended September 30, 2011 is \$3,383,061.

The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes, taking into account expected volatility and the correlation between the returns of various asset classes.

The Hospital's target and pension plan weighted average asset allocations at September 30, 2010 by asset category was as follows:

<u>Asset Category</u>	<u>Target Allocations</u>	<u>Actual Allocations</u>
Equity securities	62%	66%
Debt securities	31%	28%
Short-term investments and other	<u>7%</u>	<u>6%</u>
	<u>100%</u>	<u>100%</u>

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 8 - Pension Plan (continued)

The asset mix was determined by evaluating the expected return against the Plan's long-term objectives. Performance is monitored on a monthly basis and the portfolio is rebalanced back to target levels to ensure the targets are within reasonable range. The investment policy describes which securities are allowed in the portfolios and the financial objectives of the Plan with which the Investment Committee of the Board of Governors oversees. The Investment Committee monitors the investment performance quarterly to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy.

The fair values of the Hospital's pension plan assets by asset category are as follows for the year ending September 30, 2010:

	Quoted in Active Markets (Level 1)	Significant Observable Inputs (Level 2)
	<u> </u>	<u> </u>
U.S. treasury and government agencies	\$ -	\$ 1,086,612
Municipalities	-	108,679
Common collective trusts	-	4,382,626
Corporate and foreign bonds	-	5,894,017
Asset-backed securities and mortgage-backed securities	-	2,243,534
Mutual funds	2,897,164	-
Money market funds	-	3,224,808
Equity securities	30,817,349	-
	<u> </u>	<u> </u>
Total	<u>\$ 33,714,513</u>	<u>\$ 16,940,276</u>

The fair values of the Hospital's pension plan assets by asset category are as follows for the year ending September 30, 2009:

	Quoted in Active Markets (Level 1)	Significant Observable Inputs (Level 2)
	<u> </u>	<u> </u>
U.S. treasury and government agencies	\$ 1,333,305	\$ 168,003
Municipalities	-	103,927
Common collective trusts	-	4,722,064
Corporate and foreign bonds	-	5,526,582
Asset-backed securities and mortgage-backed securities	-	2,617,906
Mutual funds	139,500	-
Money market funds	-	2,917,455
Equity securities	28,539,404	-
	<u> </u>	<u> </u>
Total	<u>\$ 30,012,209</u>	<u>\$ 16,055,937</u>

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 8 - Pension Plan (continued)

The following are the benefit payments, including expected future service, which are expected to be paid:

2011	\$ 2,630,866
2012	\$ 2,886,822
2013	\$ 3,286,769
2014	\$ 3,689,774
2015	\$ 4,087,890
Years 2016-2020	\$ 26,265,961

Note 9 - Long-Term Debt

As of September 30, 2010 and 2009, the Hospital's long-term debt consists of:

	<u>2010</u>	<u>2009</u>
The Charlotte Hungerford Hospital:		
Series C variable rate revenue bonds (a)	\$ 3,475,000	\$ 4,555,000
Bank loan (b)	-	19,893
Bank loan (c)	<u>91,965</u>	<u>242,622</u>
	3,566,965	4,817,515
Kennedy Drive Mortgages:		
Mortgage (d)	1,699,334	1,777,327
Construction loan (d)	<u>2,089,342</u>	<u>2,178,492</u>
	7,355,641	8,773,334
Less: current portion	<u>(1,332,691)</u>	<u>(1,358,550)</u>
	<u>\$ 6,022,950</u>	<u>\$ 7,414,784</u>

- (a) In August 1998, the Hospital, in conjunction with the State of Connecticut Health and Educational Facilities Authority (the Authority), issued \$14,340,000 of Charlotte Hungerford Hospital Series C variable rate demand revenue bonds (the Bonds). The Series C bonds bear interest at a variable rate as determined by re-marketing agent (approximately 0.55% and 0.32% as of September 30, 2010 and 2009, respectively), which is adjusted weekly, and mature on July 1, 2013.

For as long as the Bonds are in a variable rate mode, the bond holders have the option to tender their bonds for repayment. The Hospital has a letter of credit from Sovereign Bank, which is available to support its obligations under the Bonds during this period. The letter of credit expires on July 13, 2013, subject to extension or earlier termination upon the occurrence of certain events set forth in the letter of credit agreement. Tenders made by bond holders will be remarketed or, if necessary, paid by the drawdowns on the letter of credit. Any tender drawings made under the letter of credit are to be repaid by the Hospital on the expiration date of the letter of credit.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 9 - Long-Term Debt (continued)

The Hospital funds monthly interest payments on the Bonds. In addition, the Hospital will be required to make mandatory sinking fund payments through maturity as follows:

2011	\$	1,120,000
2012		1,155,000
2013		1,200,000
		1,200,000
	\$	3,475,000

Various funds have been established and maintained by the trustee for debt service. The bond indenture, letter of credit and related agreements contain certain restrictive covenants, the most restrictive of which are the limitation of additional indebtedness the Hospital may incur and the maintenance of certain financial ratios. As of September 30, 2010, the Hospital was not in compliance with one debt covenant which was waived by CHEFA. As of September 30, 2009, the Hospital was in compliance with its debt covenants. The Hospital has granted the Authority a collateral interest in the Hospital's gross receipts, as defined.

- (b) In December 1999, the Hospital obtained a \$1,100,000 loan. Amounts outstanding on this loan amounted to \$0 and \$19,893 as of September 30, 2010 and 2009, respectively. The loan bore interest at the LIBOR rate plus 1.35% (1.26% September 30, 2009). The loan is payable in monthly installments of principal and interest. During fiscal year 2010, the loan was paid in full.
- (c) On April 17, 2006, the Hospital obtained a \$692,000 loan to complete leasehold improvements for the building located at 200 Kennedy Drive in Torrington, Connecticut. The loan bears interest at fixed rate of 6.34% with fixed monthly principal and interest payments of \$13,488. The loan matures on April 1, 2011 and is secured by the Hospital's assets. Amounts outstanding on this loan as of September 30, 2010 and 2009, were \$91,965 and \$242,622, respectively.
- (d) In December 1997, the now dissolved Kennedy Drive Associates, LLC (KDA) obtained a \$2,300,000 construction loan. Under the term of this loan, which is was assumed by the Hospital, principal payments of \$25,865 are due quarterly. The loan bore interest at a fixed rate of 8.17%.

On October 2003, KDA refinanced the outstanding construction loan into a mortgage loan for \$2,210,000. The amount outstanding on the refinanced debt amounts to \$1,699,334 and \$1,777,237 as of September 30, 2010 and 2009, respectively. This loan bears interest at a fixed rate of 6.01%. The loan matures on October 29, 2013 and is secured by the Hospital's assets. With the dissolution of KDA in 2006, the Hospital assumed this loan.

KDA also obtained a construction loan in the amount of \$2,080,000 during the year ended September 30, 2004. During 2005, KDA made additional drawdowns on the construction loan in the amount of \$1,750,000. The amount outstanding on the debt amounts to \$2,089,342 and \$2,178,492, as of September 30, 2010 and 2009, respectively. This loan bears interest at a fixed rate of 6.44% as of September 30, 2010 and 2009. The loan matures on October 29, 2013 and is secured by the Hospital's assets. With the dissolution of KDA in 2006, the Hospital assumed this loan.

Debt related to the above (b), (c) and (d) have financial covenants. As of September 30, 2010 and 2009, the Hospital was in compliance with those financial covenants.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 9 - Long-Term Debt (continued)

Maturities of long-term debt are as follows:

2011	\$	1,332,691
2012		1,319,015
2013		1,374,295
2014		3,329,640
		3,329,640
	\$	7,355,641

Note 10 - Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended September 30, 2010 and 2009, are as follows:

	2010	2009
Patient care services	\$ 86,382,867	\$ 81,002,209
General and administrative	23,442,318	22,508,579
	\$ 109,825,185	\$ 103,510,788

Note 11 - Commitments and Contingencies

The Hospital is party to various lawsuits incidental to its business. After consultation with legal counsel, management believes that the lawsuits and inquiries will not have a material adverse effect on the Hospital's consolidated financial position, results of operation or cash flows.

FASB ASC 410 "*Asset Retirement and Environmental Obligations*" addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets such as asbestos-containing facilities, when the amount of the liability can be reasonably estimated. Management currently believes that two facilities under their control could require a fair market value assessment of their Asset Retirement Obligation (ARO). As of September 30, 2010 and 2009, no ARO has been established, as no plans to renovate or sell any facility, or area within, with significant asbestos material have been identified and therefore no settlement date has been determined. Management will continue to monitor its exposure for asbestos removal and establish an ARO for the fair market value of the associated costs once sufficient information has been obtained or a settlement date has been determined.

Note 12 - Fair Value of Financial Instruments

The Hospital's short term investments, donor restricted endowment and board restricted endowment consist of money market funds, equity securities, mutual funds, governmental securities and corporate bonds and are recorded at fair value in accordance with FASB ASC 820 as further described in Note 2.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 12 - Fair Value of Financial Instruments (continued)

The Hospital measures the fair value of these securities at September 30, 2010 as follows:

	Quoted in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 5,456,105	\$ -	\$ -	\$ 5,456,105
Money market funds	-	2,998,173	-	2,998,173
Certificates of deposit	30,328	-	-	30,328
Equity securities	20,805,020	-	-	20,805,020
Corporate and foreign bonds	-	6,465,521	-	6,465,521
Municipal bonds	-	182,937	-	182,937
Mutual funds	4,974,529	-	-	4,974,529
U.S. treasury and government agencies	-	1,966,710	-	1,966,710
Funds held under bond indenture	-	277,118	-	277,118
Self-insurance trust	-	4,042,373	-	4,042,373
Funds held in trust by others	-	-	12,619,869	12,619,869
Total	\$ 31,265,982	\$ 15,932,832	\$ 12,619,869	\$ 59,818,683

A rollforward as of September 30, 2010 of the amounts classified as Level 3 investments within the fair value hierarchy is as follows:

	Funds Held in Trust by Others
Balance as of October 1, 2009	\$ 11,806,009
Transfer out	(419,316)
Fees	(62,497)
Unrealized gains	1,295,673
Balance as of September 30, 2010	\$ 12,619,869

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 12 - Fair Value of Financial Instruments (continued)

The Hospital measures the fair value of these securities at September 30, 2009 as follows:

	Quoted in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 4,021,421	\$ -	\$ -	\$ 4,021,421
Money market funds	-	2,848,415	-	2,848,415
Certificates of deposit	50,511	-	-	50,511
Equity securities	19,312,184	-	-	19,312,184
Corporate and foreign bonds	-	6,864,282	-	6,864,282
Municipal bonds	-	171,407	-	171,407
Mutual funds	3,121,074	-	-	3,121,074
U.S. treasury and government agencies	-	1,829,931	-	1,829,931
Funds held under bond indenture	-	359,776	-	359,776
Self-insurance trust	-	3,188,402	-	3,188,402
Funds held in trust by others	-	-	11,806,009	11,806,009
Total	\$ 26,505,190	\$ 15,262,213	\$ 11,806,009	\$ 53,573,412

A rollforward as of September 30, 2009 of the amounts classified as Level 3 investments within the fair value hierarchy is as follows:

	Funds Held in Trust by Others
Balance as of October 1, 2008	\$ 12,760,290
Transfer out	(407,795)
Fees	(70,152)
Unrealized losses	(476,334)
Balance as of September 30, 2009	<u>\$ 11,806,009</u>

The Hospital's valuation methodologies used to measure financial assets and liabilities at fair value are outlined below. Where applicable, the Hospital uses quoted prices in active markets for identical assets and liabilities to determine fair value (Level 1 inputs). This pricing methodology applies to cash and cash equivalents, equities, money market funds and mutual funds.

The Charlotte Hungerford Hospital
Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

Note 12 - Fair Value of Financial Instruments (continued)

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 markets 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). Securities typically priced using Level 2 inputs include government securities, corporate bonds and certificates of deposit.

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 Hospital's beneficial interest in trusts are classified within the Level 3 classification. The value of the Hospital's assets is based on total fund values and the Hospital's corresponding beneficiary percentage.

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 Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of September 30, 2010 and 2009, the Hospital's other financial instruments included accounts receivable, accounts payable and accrued expenses, estimated third-party payer settlements, and long-term debt. The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate their fair value.

**The Charlotte Hungerford Hospital
Consolidating Balance Sheet
September 30, 2010**

Assets	The Charlotte Hungerford Hospital	Surgical Associates of Litchfield County	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 5,456,105	\$ -	\$ -	\$ 5,456,105
Accounts receivable (less allowance for doubtful accounts of \$1,566,219)	9,573,323	-	-	9,573,323
Inventories	1,886,150	-	-	1,886,150
Estimated amounts due from third-party reimbursement agencies	1,079,437	-	-	1,079,437
Due from temporary restricted funds	227,108	-	-	227,108
Other current assets	2,192,779	-	-	2,192,779
Total current assets	20,414,902	-	-	20,414,902
Assets whose use is limited:				
Investments held in trust for estimated self-insurance liabilities	4,042,373	-	-	4,042,373
Under bond indenture agreement - held by others	277,118	-	-	277,118
Donor restricted assets	6,732,834	-	-	6,732,834
Beneficial interest in assets held in trust by others	12,619,869	-	-	12,619,869
Total assets whose use is limited	23,672,194	-	-	23,672,194
Long-term investments	30,690,384	-	-	30,690,384
Pledges receivable	282,069	-	-	282,069
Property, plant and equipment				
Land	155,467	-	-	155,467
Land improvements	4,556,586	-	-	4,556,586
Buildings	75,462,132	-	-	75,462,132
Fixed equipment	16,297,585	-	-	16,297,585
Moveable equipment	40,755,078	-	-	40,755,078
	137,226,848	-	-	137,226,848
Less: accumulated depreciation	(96,582,714)	-	-	(96,582,714)
	40,644,134	-	-	40,644,134
Construction in progress	918,096	-	-	918,096
Total property, plant and equipment	41,562,230	-	-	41,562,230
Leased equipment under capital leases, net of accumulated amortization of \$83,894	18,833	-	-	18,833
Deferred financing costs, net	100,282	-	-	100,282
Other assets	938,165	-	-	938,165
Total other assets	1,057,280	-	-	1,057,280
Total assets	<u>\$ 117,679,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,679,059</u>

See accompanying Independent Auditors' Report

**The Charlotte Hungerford Hospital
Consolidating Balance Sheet (continued)
September 30, 2010**

	The Charlotte Hungerford Hospital	Surgical Associates of Litchfield County	Eliminations	Consolidated
Liabilities				
Current liabilities:				
Current portion of bonds payable	\$ 1,120,000	\$ -	\$ -	\$ 1,120,000
Current portion of loans payable	212,691	-	-	212,691
Current portion of capital lease obligations	21,204	-	-	21,204
Accounts payable	4,439,653	-	-	4,439,653
Estimated amounts due to third-party reimbursement agencies	2,034,000	-	-	2,034,000
Accrued salaries, wages and fees	3,018,603	-	-	3,018,603
Other current liabilities	5,718,436	-	-	5,718,436
Total current liabilities	16,564,587	-	-	16,564,587
Bonds payable, less current portion	2,355,000	-	-	2,355,000
Loans payable, less current portion	3,667,950	-	-	3,667,950
Estimated self-insurance liabilities	2,554,405	-	-	2,554,405
Accrued pension liability	33,995,533	-	-	33,995,533
Total liabilities	59,137,475	-	-	59,137,475
Commitments and contingencies	-	-	-	-
Net assets				
Unrestricted (\$29,921,043 designated by the Board of Governors)	39,188,881	-	-	39,188,881
Temporarily restricted	2,980,453	-	-	2,980,453
Permanently restricted	16,372,250	-	-	16,372,250
Total net assets	58,541,584	-	-	58,541,584
Total liabilities and net assets	\$ 117,679,059	\$ -	\$ -	\$ 117,679,059

See accompanying Independent Auditors' Report

The Charlotte Hungerford Hospital
Consolidating Statement of Operations and Changes in Unrestricted Net Assets
For the Year Ended September 30, 2010

	The Charlotte Hungerford Hospital	Surgical Associates of Litchfield County	Eliminations	Consolidated
Unrestricted revenues				
Net patient service revenues	\$ 103,193,652	\$ 564,633	\$ -	\$ 103,758,285
Other revenues	5,277,783	5,250	-	5,283,033
Total revenues	108,471,435	569,883	-	109,041,318
Expenses				
Salaries and wages	49,731,934	599,340	-	50,331,274
Physician fees	1,154,344	-	-	1,154,344
Employee benefits	15,592,933	51,063	-	15,643,996
Services	13,551,971	89,035	-	13,641,006
Supplies	18,139,138	83,290	-	18,222,428
Provision for bad debts	2,413,649	-	-	2,413,649
Depreciation and amortization	6,171,088	5,953	-	6,177,041
Interest and bond expenses	333,980	40,319	-	374,299
Insurance	1,808,126	59,022	-	1,867,148
Total operating expenses	108,897,163	928,022	-	109,825,185
Operating loss	(425,728)	(358,139)	-	(783,867)
Other income (loss)				
Investment income, net	1,996,464	-	-	1,996,464
Gifts and bequests	127,644	-	-	127,644
Surgical Associates of Litchfield County loan reserve	(264,625)	-	264,625	-
Gain from equity method investments	119,337	-	-	119,337
Total other income	1,978,820	-	264,625	2,243,445
Excess (deficiency) of revenues over expenses	1,553,092	(358,139)	264,625	1,459,578
Other changes in unrestricted net assets				
Change in unrealized gains on investments	1,124,598	-	-	1,124,598
Pension related changes other than net periodic pension costs	(5,216,819)	-	-	(5,216,819)
SALC asset transfer	72,492	(72,492)	-	-
Reclassification of temporary net asset	109,559	-	-	109,559
Change in unrestricted net assets	\$ (2,357,078)	\$ (430,631)	\$ 264,625	\$ (2,523,084)

See accompanying Independent Auditors' Report

**The Charlotte Hungerford Hospital
Consolidating Balance Sheet
September 30, 2009**

Assets	The Charlotte Hungerford Hospital	Surgical Associates of Litchfield County	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 3,989,039	\$ 32,382	\$ -	\$ 4,021,421
Accounts receivable (less allowance for doubtful accounts of \$1,691,317)	9,671,762	219,802	-	9,891,564
Inventories	1,825,569	-	-	1,825,569
Estimated amounts due from third-party reimbursement agencies	102,157	-	-	102,157
Due from distressed hospital fund	292,608	-	-	292,608
Other current assets	1,583,876	15,744	-	1,599,620
Total current assets	17,465,011	267,928	-	17,732,939
Assets whose use is limited:				
Investments held in trust for estimated self-insurance liabilities	3,188,402	-	-	3,188,402
Under bond indenture agreement - held by others	359,776	-	-	359,776
Donor restricted assets	6,677,028	-	-	6,677,028
Beneficial interest in assets held in trust by others	11,806,009	-	-	11,806,009
Total assets whose use is limited	22,031,215	-	-	22,031,215
Long-term investments	27,520,776	-	-	27,520,776
Pledges receivable	280,200	-	-	280,200
Property, plant and equipment				
Land	155,467	-	-	155,467
Land improvements	4,497,386	-	-	4,497,386
Buildings	76,186,726	26,141	-	76,212,867
Fixed equipment	16,463,848	-	-	16,463,848
Moveable equipment	38,953,404	97,544	-	39,050,948
	136,256,831	123,685	-	136,380,516
Less: accumulated depreciation	(91,613,715)	(72,783)	-	(91,686,498)
	44,643,116	50,902	-	44,694,018
Construction in progress	861,053	-	-	861,053
Total property, plant and equipment	45,504,169	50,902	-	45,555,071
Leased equipment under capital leases, net of accumulated amortization of \$63,349	39,378	-	-	39,378
Deferred financing costs, net	131,769	-	-	131,769
Other assets	1,100,870	3,451	-	1,104,321
Total other assets	1,272,017	3,451	-	1,275,468
Total assets	\$ 114,073,388	\$ 322,281	\$ -	\$ 114,395,669

See accompanying Independent Auditors' Report

**The Charlotte Hungerford Hospital
Consolidating Balance Sheet (continued)
September 30, 2009**

	The Charlotte Hungerford Hospital	Surgical Associates of Litchfield County	Eliminations	Consolidated
Liabilities				
Current liabilities:				
Current portion of bonds payable	\$ 1,080,000	\$ -	\$ -	\$ 1,080,000
Current portion of loans payable	278,550	-	-	278,550
Current portion of capital lease obligations	21,842	-	-	21,842
Accounts payable	3,808,795	1,563	-	3,810,358
Estimated amounts due to third-party reimbursement agencies	2,366,000	-	-	2,366,000
Accrued salaries, wages and fees	4,538,366	76,743	-	4,615,109
Other current liabilities	3,973,052	77,969	-	4,051,021
Total current liabilities	16,066,605	156,275	-	16,222,880
Bonds payable, less current portion	3,475,000	-	-	3,475,000
Loans payable, less current portion	3,939,784	4,116,978	(4,116,978)	3,939,784
Capital lease obligations, less current portion	21,205	-	-	21,205
Estimated self-insurance liabilities	2,192,084	-	-	2,192,084
Accrued pension liability	28,349,714	-	-	28,349,714
Total liabilities	54,044,392	4,273,253	(4,116,978)	54,200,667
Commitments and contingencies	-	-	-	-
Net Assets				
Unrestricted (\$27,050,721 designated by the Board of Governors)	41,545,959	(3,950,972)	4,116,978	41,711,965
Temporarily restricted	2,924,647	-	-	2,924,647
Permanently restricted	15,558,390	-	-	15,558,390
Total net assets	60,028,996	(3,950,972)	4,116,978	60,195,002
Total liabilities and net assets	\$ 114,073,388	\$ 322,281	\$ -	\$ 114,395,669

See accompanying Independent Auditors' Report

The Charlotte Hungerford Hospital
Consolidating Statement of Operations and Changes in Unrestricted Net Assets
For the Year Ended September 30, 2009

	The Charlotte Hungerford Hospital	Surgical Associates of Litchfield County	Eliminations	Consolidated
Unrestricted revenues				
Net patient service revenues	\$ 95,678,590	\$ 2,187,266	\$ -	\$ 97,865,856
Other revenues	5,573,529	65,675	(27,121)	5,612,083
Total revenues	101,252,119	2,252,941	(27,121)	103,477,939
Expenses				
Salaries and wages	47,296,623	1,941,975	-	49,238,598
Physician fees	900,019	-	-	900,019
Employee benefits	12,646,942	240,368	-	12,887,310
Services	12,701,388	112,378	(27,121)	12,786,645
Supplies	16,676,352	235,717	-	16,912,069
Provision for bad debts	2,247,042	-	-	2,247,042
Depreciation and amortization	6,176,454	25,302	-	6,201,756
Interest and bond expenses	417,080	146,676	-	563,756
Insurance	1,340,459	433,134	-	1,773,593
Total operating expenses	100,402,359	3,135,550	(27,121)	103,510,788
Operating income (loss)	849,760	(882,609)	-	(32,849)
Other income (loss)				
Investment loss, net	(127,437)	-	-	(127,437)
Gifts and bequests	188,183	-	-	188,183
Surgical Associates of Litchfield County loan reserve	(814,906)	-	814,906	-
Gain from equity method investments	84,261	-	-	84,261
Total other income (loss)	(669,899)	-	814,906	145,007
Excess (deficiency) of revenues over expenses	179,861	(882,609)	814,906	112,158
Other changes in unrestricted net assets				
Change in unrealized losses on investments	(70,388)	-	-	(70,388)
Pension related changes other than net periodic pension costs	(20,205,926)	-	-	(20,205,926)
Net assets released from restrictions used for purchase of property and equipment	780,800	-	-	780,800
Change in unrestricted net assets	<u>\$ (19,315,653)</u>	<u>\$ (882,609)</u>	<u>\$ 814,906</u>	<u>\$ (19,383,356)</u>

See accompanying Independent Auditors' Report

The Charlotte Hungerford Hospital
Schedule of Gross Patient Service Revenue by Business Unit (Hospital Only)
For the Years Ended September 30, 2010 and 2009

Business Unit	2010			2009		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Behavioral health	\$ 6,115,996	\$ 8,870,944	\$ 14,986,940	\$ 5,921,138	\$ 7,949,932	\$ 13,871,070
Health and disease management	6,110,142	11,583,152	17,693,294	6,541,172	11,326,866	17,868,038
Community services	3,526	1,929,494	1,933,020	1,195	1,704,828	1,706,023
Diagnostic services	7,403,700	21,815,769	29,219,469	7,897,328	21,568,723	29,466,051
Laboratory	7,152,773	23,159,013	30,311,786	6,947,904	21,792,008	28,739,912
Facility support services	-	22,513	22,513	146	5,485	5,631
Inpatient medical	9,400,237	121,127	9,521,364	9,357,031	118,215	9,475,246
Inpatient surgical	14,248,036	884,303	15,132,339	13,959,340	910,272	14,869,612
Medical ambulatory	745,333	2,462,356	3,207,689	658,570	1,720,670	2,379,240
ED/ICCU	6,242,835	14,501,940	20,744,775	5,929,478	13,023,263	18,952,741
Maternal child care	4,533,566	525,079	5,058,645	4,349,689	557,709	4,907,398
Physician practices	1,140,676	3,309,011	4,449,687	-	-	-
Surgical services	11,840,219	10,539,297	22,379,516	10,970,067	9,994,490	20,964,557
Winsted health center	187,761	4,201,733	4,389,494	161,060	3,991,195	4,152,255
Hospitalist	1,934,679	135,960	2,070,639	1,717,537	63,918	1,781,455
Pharmacy	3,691,475	3,410,161	7,101,636	4,298,506	2,954,072	7,252,578
Charity care	(574,595)	(764,732)	(1,339,327)	(641,760)	(796,444)	(1,438,204)
Total gross revenue	\$ 80,176,359	\$ 106,707,120	\$ 186,883,479	\$ 78,068,401	\$ 96,885,202	\$ 174,953,603

See accompanying Independent Auditors' Report

The Charlotte Hungerford Hospital
Schedule of Revenues, Gains and Other Support (Hospital Only)
For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Gross patient revenue	\$ 186,883,479	\$ 174,953,603
Allowances		
Medicare	33,015,231	32,945,015
Medicare managed care	3,081,592	2,258,420
Medicaid	12,147,565	12,872,466
Medicaid managed care	8,743,315	5,173,839
Blue Cross	11,929,917	12,205,067
Employee	65,858	352,556
HMO/PPO	13,393,770	12,395,006
Commercial	1,180,395	968,888
Self Pay	741,920	742,960
Uncompensated Care	(609,736)	(639,204)
	<u>83,689,827</u>	<u>79,275,013</u>
Total allowances	83,689,827	79,275,013
Net patient service revenue	103,193,652	95,678,590
Other revenue		
State of Connecticut mental health grants	2,348,497	2,291,811
Clinical joint ventures	612,026	711,814
Other grant revenue	380,791	324,012
Sale of hospital services	9,997	22,696
Meals on wheels	108,963	105,300
Medical histories	1,500	1,053
Healthwatch	35,896	45,032
Discounts earned	205,043	151,492
Patient/community education	18,545	11,609
Miscellaneous	657,178	691,152
Winsted ERP collections	(200)	401
Lease revenue	882,237	955,385
Net (loss) gain on assets	(85,887)	76,298
Interest income	103,197	185,474
	<u>5,277,783</u>	<u>5,573,529</u>
Total other revenue	5,277,783	5,573,529
Total revenue	<u>\$ 108,471,435</u>	<u>\$ 101,252,119</u>

See accompanying Independent Auditors' Report

The Charlotte Hungerford Hospital
Schedule of Operating Expenses by Business Unit (Hospital Only)
For the Years Ended September 30, 2010 and 2009

	2010			2009		
	Salaries	Other Expenses	Total	Salaries	Other Expenses	Total
Business Unit						
Behavioral health	\$ 6,211,760	\$ 780,643	\$ 6,992,403	\$ 6,211,486	\$ 705,967	\$ 6,917,453
Community services	787,952	144,668	932,620	843,432	198,644	1,042,076
Diagnostic services	2,633,826	2,024,518	4,658,344	2,632,112	1,819,460	4,451,572
ED/ICCU	3,312,896	979,783	4,292,679	3,140,116	859,753	3,999,869
Facility support services	765,263	3,961,139	4,726,402	801,647	3,799,094	4,600,741
Financial services	2,664,068	758,528	3,422,596	2,342,652	756,976	3,099,628
Health and disease management	3,087,650	1,983,287	5,070,937	3,034,791	1,847,551	4,882,342
Impatient medical	2,922,425	256,082	3,178,507	3,035,454	265,300	3,300,754
Impatient surgical	3,711,414	665,642	4,377,056	3,438,118	831,855	4,269,973
Laboratory	3,052,367	4,421,357	7,473,724	2,949,516	4,178,719	7,128,235
Maternal child care	2,381,726	223,832	2,605,558	2,301,425	173,152	2,474,577
Medical ambulatory	452,467	208,317	660,784	365,418	187,500	552,918
Pharmacy	1,172,041	3,411,517	4,583,558	1,219,748	3,126,755	4,346,503
Physician practices	1,664,254	222,697	1,886,951	-	-	-
Surgical services	2,914,102	5,613,515	8,527,617	2,960,167	4,881,091	7,841,258
Uncompensated care, net	-	2,413,649	2,413,649	-	2,247,042	2,247,042
Winsted health center	999,312	388,068	1,387,380	990,113	364,270	1,354,383
Unallocated Expenses						
Human resources	925,536	15,980,134	16,905,670	909,733	13,030,884	13,940,617
Medical affairs	1,892,277	394,155	2,286,432	1,749,334	370,440	2,119,774
Administration	8,180,598	7,883,208	16,063,806	8,371,361	6,936,525	15,307,886
Depreciation and amortization	-	6,171,088	6,171,088	-	6,176,454	6,176,454
Interest	-	279,402	279,402	-	348,304	348,304
Total operating expenses	\$ 49,731,934	\$ 59,165,229	\$ 108,897,163	\$ 47,296,623	\$ 53,105,736	\$ 100,402,359

See accompanying Independent Auditors' Report